ASX Announcement
Appendix 4E and 2024 Annual Report

Release date: 26 February 2025

In accordance with the ASX Listing Rules, Smartgroup Corporation Ltd **(ASX: SIQ)** encloses for release to the market:

- Appendix 4E, and
- 2024 Annual Report.

For further information, contact:

Scott Wharton

Scott Wharton
Managing Director and Chief Executive Officer
1300 665 855

Sophie MacIntosh
Group Executive: Legal, Risk & Corporate Affairs and Company Secretary
1300 665 855

This announcement was authorised for release by the Board of Directors of Smartgroup.

Appendix 4E

Preliminary Final Report

1. Company details

Name of entity:	Smartgroup Corporation Ltd
ABN:	48 126 266 831
Reporting period:	For the year ended 31 December 2024
Previous corresponding period:	For the year ended 31 December 2023

2. Results for announcement to the market

		$'000			$'000
Revenues from ordinary activities	up	54,233	21.6%	to	305,842
Profit from ordinary activities after tax attributable to the owners of Smartgroup Corporation Ltd	up	13,680	22.1%	to	75,599
Profit for the year attributable to the owners of Smartgroup Corporation Ltd	up	13,680	22.1%	to	75,599

Dividends

	Amount per security	Franked amount per security	Record date	Payment date
Special 2024 dividend	16.0 cents	16.0 cents	7 March 2024	21 March 2024
Interim 2024 ordinary dividend	17.5 cents	17.5 cents	9 September 2024	23 September 2024
Final 2024 ordinary dividend determined	20.0 cents	20.0 cents	7 March 2025	21 March 2025
Special 2024 dividend determined	11.0 cents	11.0 cents	7 March 2025	21 March 2025

The final ordinary and special dividends had not been declared at the reporting date and therefore are not reflected in the consolidated financial statements.

3. Net tangible assets

	31 December 2024	31 December 2023
Net tangible assets per ordinary security	(40.18) cents	(46.13) cents

Net tangible assets per ordinary security is total net assets, excluding intangible assets, deferred tax assets, and right-of-use assets, divided by the number of ordinary shares on issue.

4. Control gained or lost over entities

Smartgroup lost control over the following entity in the period:

Name of entity	Date of change of control
Smartsalary Payroll Solutions Pty Ltd	3 April 2024

5. Details of associates and joint venture entities

	Reporting entity's percentage holding		Contribution to profit after tax	
Detail of joint ventures	31 Dec 2024 %	31 Dec 2023 %	31 Dec 2024 $'000	31 Dec 2023 $'000
Health-e Workforce Solutions Pty Ltd	–	50%	196	304

6. Attachments

Additional Appendix 4E requirements can be found in the attached Directors' Report and the Financial Report.

This report is based on the Smartgroup Financial Report 2024 which has been audited by KPMG.

Annual Report 2024

Simply Smarter

Smart Group

Simply Smarter

A simply Smart way to save

About Smartgroup

People work hard – we help them to be Smart with their pay. Smartgroup is here to provide simple solutions that allow people to keep more of their pay while receiving the benefits they deserve.

At Smartgroup, we are committed to expanding our reach to help more people maximise their take-home pay. More than 4,200 employer client organisations trust our simpler, smarter products, offering them to their more-than two million employees.

In 2024, we successfully transitioned the South Australia Government's workforce to Smart on schedule. With this transition, and many other client wins throughout the year, Smartgroup is the leading provider of salary packaging services to government in Australia.

Our ongoing investment in smarter digital experiences will enable us to efficiently scale our business to meet customer demand. Digital initiatives are helping us reach, educate and engage with what is still an under-serviced potential market.

More and more Australians are being Smart with their pay and more employers are seeing our services as an essential part of their value proposition to their workforce.

Record revenues and robust margins this year are strong signals that our strategic priorities, refreshed leadership and supportive culture are working for our clients, for our customers, for our investors, and for hardworking Australians everywhere.

Acknowledgement of Country

Smartgroup acknowledges the Custodians of Country throughout Australia. We pay our respects to Aboriginal and Torres Strait Islander cultures and to Elders past and present and thank them for their ongoing custodianship of this land and community.

Performance overview

Smartgroup is an Australian company listed on the Australian Securities Exchange. Our ambition is to provide smarter benefits for a smarter tomorrow. We offer salary packaging, employee benefits, novated leasing and fleet-management services to clients across a range of sectors, including government, healthcare, not-for-profit, education and corporate.

Financial

Solid financial performance

We have a proven track record of strong revenue growth with solid margins and profit supported by growing customer numbers.

Customer

A leading player delivering improved customer experience

We made strong progress driving our service-oriented culture while investing in digital and technology to enhance customer experience and scalability.

Investor

Attractive financial profile and capital-light business model

Our strong operating cash flow conversion allows the Group to deliver attractive dividends to our investors and invest for growth, while maintaining a strong and flexible balance sheet.

Operational

Efficiencies on track

Our program to reduce duplication, streamline systems and maximise our data insights is progressing well.

Leadership

Strong market position

We are a trusted partner with superior capability to transition and serve large clients. Continued investment in digital infrastructure, data, artificial intelligence and innovation enable us to maintain a competitive edge.

Growth

Increasing penetration and building relationships

We have long-term client contracts in attractive and growing sectors, with significant demand for our products and services.

Our Performance

Investing for a Smarter Tomorrow

Financial highlights

Our performance summary across key areas for the year ended 31 December 2024.

Revenue

$305.8m ↑22%

2023 **$251.6m**

EBITDA[1]

$118.7m ↑18%

2023 **$100.3m**

NPATA[2]

$72.4m ↑15%

2023 **$63.2m**

Statutory NPAT

$75.6m ↑22%

2023 **$61.9m**

Operating cash flow[3]

108%

2023 **103%**

Net debt[4]

$45.4m

2023 **$32.2m**

Other highlights

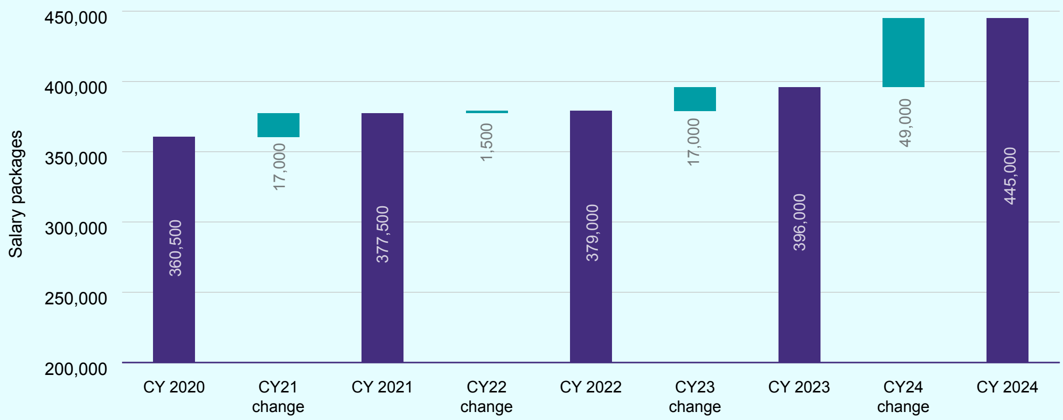
- **93rd percentile worldwide**
  S&P Global Corporate Sustainability Assessment
- **Member of the Dow Jones Sustainability Indices**
- **Innovate RAP endorsed by Reconciliation Australia**
  and now in implementation
- **Endorsed again by Diversity Council Australia**
  as an Inclusive Employer for 2023-2024
- **Endorsed again by the Workplace Gender Equality Agency**
  as an Employer of Choice for Gender Equality 2023-2025
- **ISS ESG Prime**
  responsible investment rating
- **"Low" ESG Risk Rating**
  Sustainalytics rating in the 95th percentile globally

The 2024 financial highlights are presented on an adjusted basis and have been reconciled to the statutory 2024 financial report.

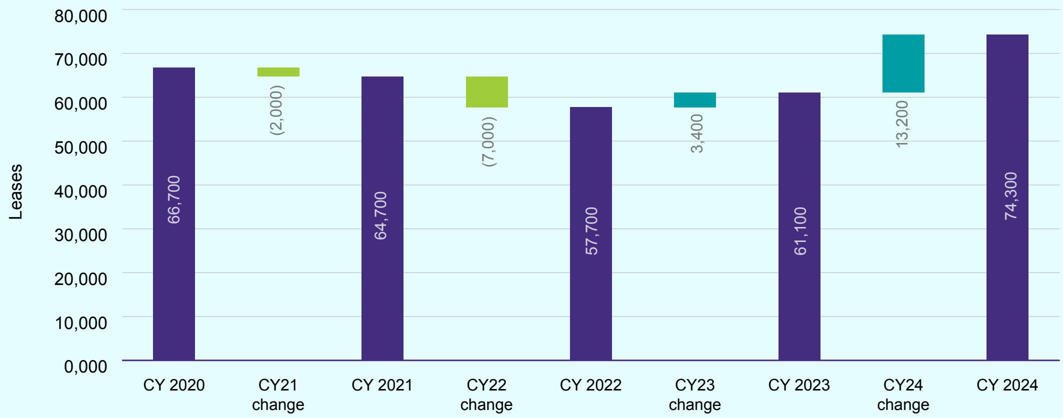
1. EBITDA is earnings before interest, tax, depreciation and amortisation adjusted for significant non-operating items. Refer to the Reconciliation of Statutory Results to Adjusted Results for further details.
2. NPATA is net profit after tax adjusted to exclude the non-cash tax-effected amortisation of intangibles and significant non-operating items. Refer to the Reconciliation of Statutory Results to Adjusted Results for further details.
3. Operating cash flow excludes receipts and payments from customers' salary packaging accounts and significant non-operating items, stated as a percentage of NPATA.
4. Net debt is cash and cash equivalents less corporate borrowings adjusted to exclude capitalised borrowing costs and vehicle borrowings.

5 year historical data

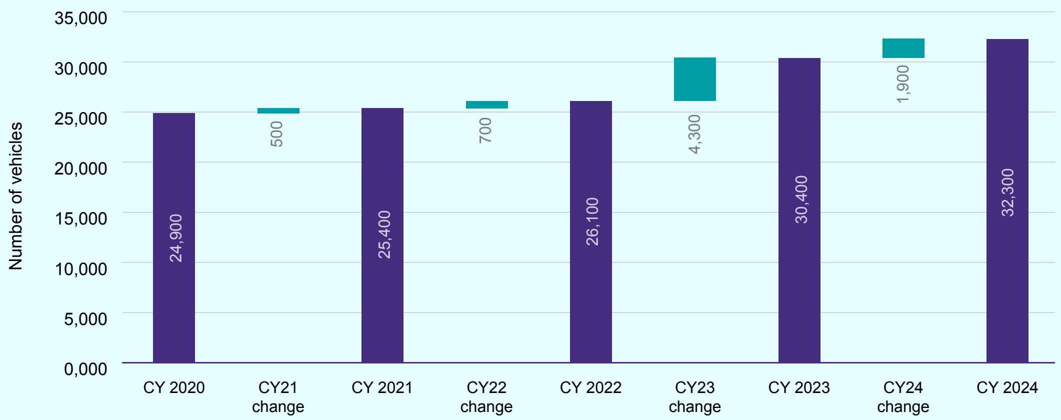
Salary packaging customers



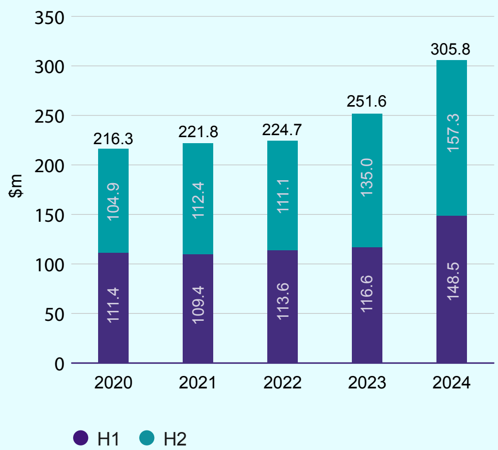
Novated leases under management



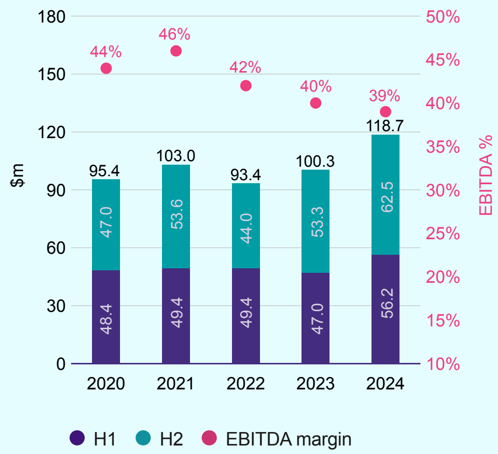
Fleet vehicles



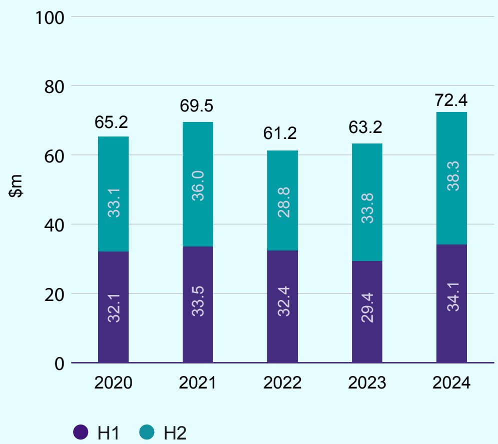
Revenue



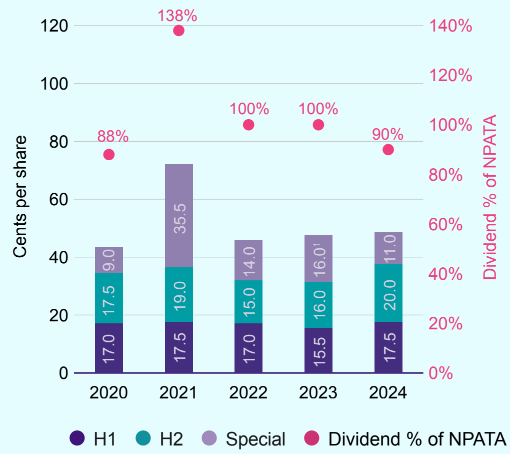
EBITDA



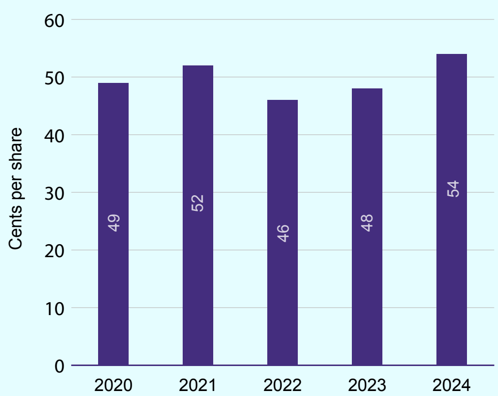
NPATA



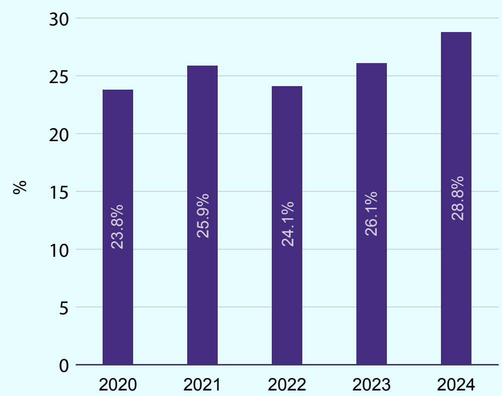
Dividend (fully franked)



Earnings per share[2] (EPS)



Return on equity[3] (ROE)



1. 2023 special dividend is an interim dividend in respect of the 2024 financial year.
2. Earnings per share is NPATA divided by closing issued capital.
3. Return on equity is NPATA divided by average shareholders' equity.

Driving future growth

Disciplined and deliberate

Our financial results simultaneously reflect continued improvements and investment in the future.

John Prendiville ——— Chair

This has been a positive year for Smartgroup, with the company delivering strong revenue growth and good profit. Our strategic priorities are well established, and we have been successful in establishing consistent operational progress and improvement while also implementing some of our early-stage, long-term growth initiatives. While we reaped the benefits of positive industry dynamics, our objective is to establish an operating model that can grow in any environment while operating at the most efficient levels.

Our path combines a strong desire to be the most efficient operator in our sector with a genuine excitement about untapped growth potential. Our digital initiatives are bringing us ever-closer to our potential customer base, while introducing efficiencies and driving scalability in the years ahead.

Our 2024 results

2024 was the first full year under our new CEO, Scott Wharton, and I am pleased with the progress he and his team have made on many fronts. The energy, drive and momentum in the business are stronger than ever, and the culture and customer focus approach within the organisation continues to grow and thrive.

Revenue —— $305.8m

22%

Improvement on previous year of $251.6m

We continue to see opportunities to expand our salary-packaging offer to a wider base with more than two million potential customers now in our existing client base, reflecting a number of sizeable client wins during the year. In addition, the Group retained all significant clients that were up for renewal in 2024. This highlights that we have the capability, service levels and processes to continue to successfully scale up our business going forward.

The first year of our multi-year strategy was well executed by the team with the implementation of various growth initiatives, including our ongoing investments in digital and technology. We have clear objectives and a clear vision of what we want to look like at the end of this strategic plan.

Our financial results were strong, and we made significant investments (including $12 million in technology capex) in areas that drive growth and improve future operational performance. We recorded revenue of $305.8 million, EBITDA of $118.7 million and NPATA of $72.4 million. Revenue was 22% above 2023, with EBITDA up 18% and NPATA up 15%. Operating cash flow generation remained strong at 108% of NPATA.

Investment in capability and growth

We saw significant increases in our customer base in 2024. Our salary-packaging customers and novated-leasing volumes reached all-time highs, confirming our solid market position and reputation in the sectors we operate in.

Our digital marketing initiatives, improved customer experience and a favourable regulatory environment have generated more customer leads this year than ever before. We have also rolled out powerful end-to-end service innovations like our enhanced car leasing portal which delivered strong results in 2024. This online vehicle sales hub is state of the art and has significantly improved how and when customers can engage with us to lease a vehicle. These enhancements are part of our ambition to innovate and improve our levels of service and the accessibility of our products.

At the same time, our ongoing digitalisation and technology programs are removing redundant systems, automating processes and introducing new ways for us to engage with customers.

Sustained interest in electric vehicles (EVs) through the Federal Government's Electric Car Discount Policy continues to stimulate novated leasing demand. These tailwinds are important and welcome, because they bring attention to the attractiveness of novated leasing generally. Importantly, we continue to see growth across our whole leasing portfolio, not just in EVs.

In fleet, we are investing in our capabilities, including our on-balance-sheet funding pilot for fleet vehicles. This offering is popular with clients, including those who use our services for salary packaging and novated leasing, and is a growth area for the Group.

Final Dividend

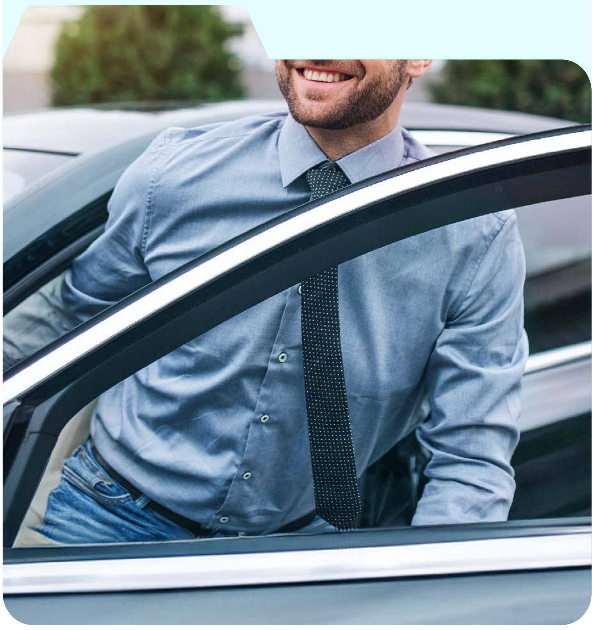
20.0cps

Fully franked final ordinary dividend for 2024. And special dividend of 11.0 cps fully franked.

Novated Leases under management

74,300

an increase of 22%



Successful transition of the South Australia Government contract

After a competitive tender process, the South Australia Government appointed Smartgroup as its exclusive administrator of salary-packaging services and novated-leasing services for a total contract term of 10 years (five-year initial term with a five-year extension term). The contract commenced on 1 July 2024, making services available to approximately 110,000 South Australia Government employees.

This implementation has demonstrated our ability to transition large clients effectively. It also cements our position as the leading provider of salary packaging and novated leasing for government clients.

Robust cash generation and the low leverage that comes with our capital-light model mean we have been able to invest for growth and continue to pay strong dividends to shareholders.

Strong dividends

Robust cash generation and the low leverage that comes with our capital-light model mean we have been able to invest for growth and continue to pay strong dividends to shareholders.

The Board declared a fully franked final ordinary dividend of 20.0 cents per share (cps). Combined with the interim dividend of 17.5 cps, that brings fully franked ordinary dividends declared to 37.5 cps for 2024. The Board also declared a fully franked special dividend of 11.0 cps as a further return to shareholders. The total franked dividends paid to our shareholders since Smartgroup listed is $535.7 million, excluding these dividends payable in March 2025.

ESG initiatives

Caring for others and for the planet is a smart way to do business. There has been a strong focus on expansion and reshaping our digital infrastructure, while environmental, social and governance (ESG) matters remain a core part of our business strategy.

Our sustainability strategy is progressing well, and we are proud to report that we successfully met all targets set for 2024. We continued progress towards our target of Net Zero carbon emissions from direct operations by 2030, with a significant reduction of 27% across Scope 1 and 2 emissions compared to the previous year. Total emissions increased 31% due to an increase in Scope 3 emissions from supply chain spend. This year, we were proud to be included in the global Dow Jones Sustainability Indices, ranked 93rd percentile worldwide in the S&P Global Corporate Sustainability Assessment, and received an ESG risk rating in the 95th percentile globally by Sustainalytics.

We have continued to invest in grassroots initiatives across Australia with almost $250,000 of funding through the Smartgroup Foundation supporting 21 charities.

We are building our engagement with First Nations communities. Our Innovate Reconciliation Action Plan (RAP) was endorsed by Reconciliation Australia at the end of 2023 and will continue through 2025. We continue to actively champion the use of Aboriginal and Torres Strait Islander suppliers through our membership of Supply Nation, and we intend to further diversify and expand these efforts in 2025.

Once again, we were proud to be recognised by Diversity Council Australia for our commitment to building a diverse and inclusive workplace culture. As a member of the Australian Disability Network, we implemented our first Accessibility Action Plan this year. We also maintained our 40/40/20 gender diversity targets at the non-executive director level and across all levels of our organisation.

Board and senior leadership changes

There were two changes within the Board this year. We said goodbye to long-serving Chair Michael Carapiet who has been a non-executive director and Chair of the Smartgroup Board from just prior to the Company's listing on the ASX in July 2014. I would like to express our deep thanks and gratitude to Michael for his leadership role and guidance as Chair. We have all benefited from his energy, wisdom and insights, and thank him for his efforts. We also welcomed Mark Rigotti to the Board in February 2024. Mark is the Managing Director and CEO of the Australian Institute of Company Directors and was formerly the Global CEO of Herbert Smith Freehills.

There were also changes within our executive leadership, helping to drive alignment of Smartgroup's executive team with our strategic priorities and outcomes. Our executive team brings a strong breadth of experience and energy to Smartgroup, with each executive having clear goals and objectives aligned with the Group's strategic priorities.

Looking ahead

It has been a really solid year, with robust results, and a range of successful operational and strategic outcomes, including the restructuring of the senior leadership team, renewal of key contracts, successful transition of the South Australia Government, and the upgrade of our enhanced car leasing portal. Conditions remain favourable for us going forward. Barring a shift in economic or trading conditions, demand remains healthy. We are continuing to win business, and indications are that we can continue to capitalise on all we have achieved this year.

The year ahead will see us continue to pursue our strategic priorities and leverage industry dynamics. New products and new experiences will also help us access new markets. At the same time, the ongoing transformation will strengthen our digital future and enable us to introduce salary packaging and novated leasing to the hundreds of thousands of people who don't yet know what it can do for them.

A sincere thank you to all those we work for and with and, of course, to our investors for their ongoing support. My gratitude also to my fellow non-executive directors who have applied their experience and insights to oversee and guide Smartgroup's priorities and direction. Finally, on behalf of the Board, we thank and acknowledge the ongoing hard work and commitment of Scott and the entire Smartgroup team.

John Prendiville
Chair

Delivering a smarter tomorrow

A year of strong progress

The significant progress we have made on our strategic priorities will continue to drive growth and position the Group well into the future.

Scott Wharton ——— Managing Director and CEO

For Smartgroup, 2024 was a positive year of growth. We delivered the first year of our strategic priorities, setting the foundations to achieve our ambition of delivering smarter benefits for a smarter tomorrow, and we delivered record revenue and robust EBITDA margin, while also investing in customer service, digital and technology.

We have seen growth in salary packaging, novated leasing and fleet, driven by digital and technology investments and improved customer experience. Our market-leading customer focus lifted our Net Promoter Score supporting high levels of client renewals, as well a significant number of new client wins.

The digital platforms we built and continue to develop are lifting our service levels, engaging our customers, and strengthening our capabilities to scale and grow our business. At the same time, we continue to invest in simplifying and consolidating core technologies and processes, including moving to a single brand, Smart. These investments will enable more rapid digitisation and scaling of operations, which will improve the experience of both our employer clients and employee customers.

Smarter Experiences

For our clients' employees, many of whom are facing real cost-of-living pressures, we are making it easier to access benefits. For our clients, the labour market remains highly competitive, and we are helping them attract and retain great people.

Early in 2024, we introduced Smart, a single, clear brand proposition across our portfolio that makes it easier for clients and their employees to engage with us. In July, we started rolling out our new Smart brand. The first customers to experience the new brand were South Australia Government employees, and it was well received. Later in the year, we migrated our Advantage clients and customers to Smart, giving them access to better technology and innovation. This is a milestone in our journey to move to one single brand, which will ultimately allow us to focus our IT, marketing and brand investments to deliver an even better customer experience. We will continue to progress the brand rollout over the coming year.

We are also working hard to improve and differentiate on service experience, both in our core service capabilities and in the ways we delight clients and their employees. Early in the year, the continued surge in interest that accompanied the new EV legislation required us to invest in near-term capacity for our leasing team to ensure we met the increased demand.

Our customer service excellence has been a key factor in us retaining important existing clients during the year as well as signing new ones.

Finally, we are simplifying our core technology and investing in digital to make Smartgroup more agile, to enable smarter experiences for our clients and their employees. We made good progress in laying the digital foundations we will build on, to continually improve customer experience.

Our enhanced car leasing portal is delivering an improved customer experience through a seamless end-to-end digital experience from quote to credit application, making it easier to customise quotes. Feedback on the portal has been positive.

In November, we launched smart.com.au, our new digital customer home, bringing together Smartleasing and Smartsalary. This new platform features a modern design, improved navigation, and enhanced functionality providing a better user experience. Customers now have a one stop shop to explore and manage the benefits of salary packaging and novated leasing.

Smarter Products

We continued to expand our product offering to meet more customer needs through deepening our salary packaging, employee benefits and novated leasing proposition. Our vision is to be there for our clients and their employees – supporting them with everything from everyday expenses to bigger purchases like cars (including EVs) and associated expenses like energy, by providing better access to charging infrastructure through partnerships.

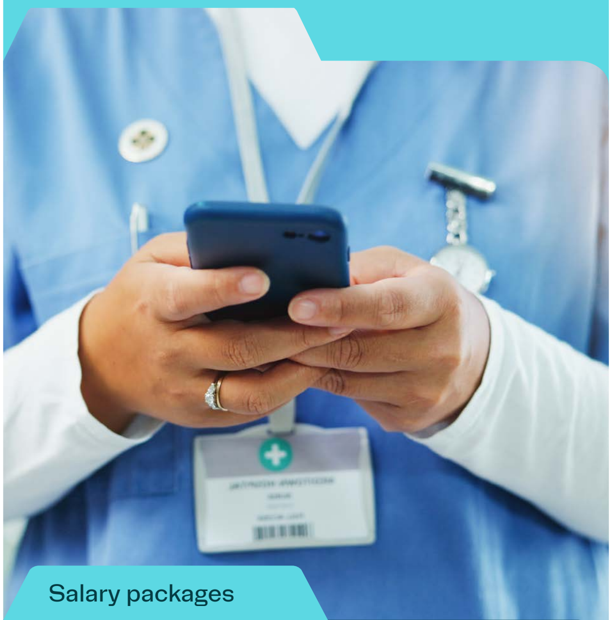
During the year, we expanded our benefits offering through new partnerships, including a new partnership with Qantas Frequent Flyer to promote novated leasing and other benefits together to their customers and ours. In December, we announced our groundbreaking partnership with Intellihub, which will make it easier and cheaper for our customers to install solar energy and home batteries.

Novated Leasing

Orders and volumes have increased for novated leasing. While the EV share of our novated lease portfolio is growing strongly, internal combustion engine (ICE) vehicles remain an important part of our business, and in 2024, the number of ICE vehicles ordered was higher than 2023. To help our customers make more sustainable choices, we provide them with vehicle-specific Environmental and ANCAP ratings on our lease quotes, and we also expanded our carbon-offset program in 2024 to help more of our customers offset the carbon generated by their vehicles, by investing in regeneration projects across Australia.

Growth potential

We continue to grow salary packaging and novated leasing customer numbers through differentiation in customer and digital experience.



Salary packages

12% increase in 2024 to a record

445,000

We continued to manage yields effectively during the year, through a number of supply chain renegotiations delivering a 7% yield improvement in 2024. Smartgroup will continue to focus on sustaining yield in 2025. Overall, novated leasing vehicles under management grew by 22% in 2024 to 74,300.

Early in the year, we invested to meet leasing demand and improve customer experience. Our investment in technology is also enabling greater digital servicing and improved experiences for our clients and their employees, reducing the need for manual handling and improving efficiencies in our novated leasing business, and this will continue to be an area of focus for us.

Importantly, we continue to monitor customer sentiment and the broader economic environment, while remaining focused on initiatives that enhance efficiency and strengthen Smartgroup's market position in all economic conditions.

Salary Packaging

Salary packaging remains a fundamentally attractive market where we have a strong competitive positioning, with recurring revenues and an entry point into novated leasing. We were pleased to have secured and renewed a number of large and medium-sized organisations as clients throughout 2024. We remain focused on expanding the offering to meet the diverse needs of more customers. In addition, we are focused on capturing the benefits of our scale through efficient and simple processes.

In July, we went live with the South Australia Government contract. The implementation went according to plan and implementation costs associated with this contract were approximately $3 million, in line with guidance. As indicated, the profit contribution of this contract in 2024 was immaterial. Although we are beginning this relationship from a standing start, 110,000 people work for the South Australia Government, with only around 37,000 of those employees currently packaging, meaning there is still a significant opportunity available. The success of the transition reinforces our position as the leading provider of salary packaging and novated leasing services to government in Australia.

In December 2024 we had a total of 445,000 active packaging customers throughout Australia, a 49,000 increase on December 2023. However, many of our customers maximise their various Fringe Benefits Tax (FBT) caps prior to December each year, then restart packaging in April at the start of the next FBT year. Allowing for these, we provided salary packaging services to about 541,000 customers in the 12 months to December 2024.

Fleet

Fleet vehicles under management grew 6% to reach a record 32,300 in 2024. We are continuing our self-funding pilot to strengthen our fleet business and are monitoring it carefully, in the context of changing motor vehicle residual values. This offering is popular with clients, including those who use our services for salary packaging and novated leasing, so we are continuing to invest to grow our capability to support this.

Working Smarter

During the year, we invested in our core business and our people so we can work smarter. This is helping us scale faster – attracting more clients in more sectors, deepening existing relationships, and meeting more of their needs.

Our people are at the heart of this shift. We appointed new executives to bring additional depth and skills as part of an operating model reset. Our new operating model will drive further focus on performance, growth and the Company's strategic priorities. In addition, we continue to empower our teams with tools and training to make working smarter easier, so they can deliver even more for our clients and their employees.

As Smartgroup looks to focus on simplifying our core operations, during 2024 we divested our payroll business in February, and in July we sold our share in Health-e Workforce Solutions. While neither business unit was material from a revenue or earnings perspective, these divestments will allow us to further focus on our core businesses of salary packaging, novated leasing and fleet, presenting a large growth opportunity.

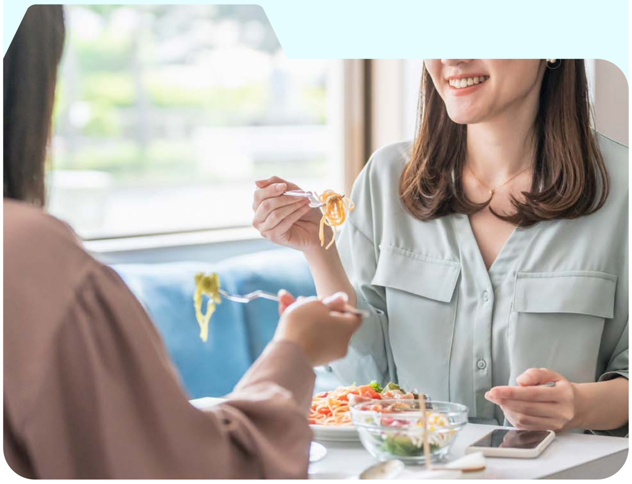
We also continue to build scalability in our operations to capture the opportunities ahead of us while streamlining our processes to improve efficiency and accelerate revenue growth. This includes rolling out generative AI across our contact centres, which is delivering a range of improvements including increased speed of call resolution and a quicker path to competency for new team members. Our investments are aimed at simplifying our technology estate and building further resilience in our IT controls and governance.

Outlook

Our results this year continued to deliver shareholder value. We delivered a strong financial and operational performance, grew existing relationships, added new clients in unprecedented numbers, and proved our capabilities with the South Australia Government contract transition. At the same time, our strategic priorities and renewed focus are paving the way for medium and long-term growth at scale.

Performance

In 2024, we continued to deliver shareholder value through strong financial and operational performance.



Most elements are now in place for us to build momentum in the years ahead as we continue our progress as a digital employee benefits company. Our new operating model will drive further focus on performance and growth. We are confident our investments will position us strongly for the opportunities ahead.

Warm thanks

Thank you to our clients and their employees, our customers – who will always be at the centre of everything we do – and to all our investors for their ongoing support. Our people have made the progress we have made this year possible. My gratitude to every employee for your hard work and passion, and for the differences you have made for our business this year.

A warm welcome to John Prendiville in his new role as Chair and sincere thanks to his predecessor Michael Carapiet and the entire Board for their insights and guidance throughout 2024. Finally, I would like to thank our Executive Team for helping lead us to this point.

We look forward to unlocking new value, service and growth in the year ahead.

Scott Wharton

Scott Wharton

Managing Director and CEO

Our Strategic Priorities

Delivering on our strategic priorities

Smartgroup is a leading employee services and fleet solutions provider, uniquely placed to continue delivering strong growth and sustainable shareholder returns. The Group has significant long-term contracts with clients in attractive and growing sectors, like government, hospitals, education and not-for-profit.

Our offerings are particularly relevant and attractive during tough economic times when customers are looking for ways to make the most of their take-home salaries. We work with community workers, nurses, teachers, public servants and many others to help them save money easily and quickly.

We are a leading provider of salary packaging in Australia, having helped hundreds of thousands of workers with our benefit offering, including novated leasing. Some of Australia's largest Government agencies and private companies trust us to administer their salary packaging and novated leasing. Popular salary packaging benefits include superannuation, motor vehicles (including EVs) and portable electronic devices.

Our tailored fleet management solutions help organisations save significantly on their fleet vehicles. Our solutions include a fully outsourced model where we handle all aspects of the fleet, a cloud-based software solution for those wanting to manage their fleet internally, and hybrid solutions. Our fleet offerings are resonating with our clients across the sectors in which we operate, and we continue to invest in our fleet capabilities.

Integrating our financial and social impacts

We pride ourselves on doing right by our people, our clients, communities and the wider environment. These are long-held Smartgroup commitments that align with what our clients expect from us.

These activities complement our business objectives and ensure we always do business in the ways our people, investors and other stakeholders require. Our sustainability strategy is closely aligned and embedded within our corporate strategy, and we were pleased to continue making strong progress on our sustainability goals and targets in 2024 as we continued our progress towards a *Smarter, More Sustainable Tomorrow*.

Strategic priorities

Historically, Smartgroup has grown its presence through a strong acquisition program. We now find ourselves at a point where, with the right investments and a keen focus on our core business, organic growth opportunities are significant.

Our strategic priorities are driving growth and positioning the Group well into the future. We are focused on our customers and our core businesses of salary packaging, novated leasing and fleet, while investing in digital and technology to accelerate growth and deliver scale efficiencies.

In 2024, we have made significant progress on our strategic priorities contributing to salary packaging growth of 12%, novated leasing growth of 22% and fleet growth of 6%, compared to 2023. Our scale is an important advantage for us. It directly enables our investments to deliver an efficient and digital offering.

Growing customers

2,000,000+

potential customers in existing client base.

445,000

active salary packaging customers, with over 106,000 vehicles managed across novated leasing and fleet portfolios.

In April 2024, we divested our payroll business, and in July 2024 sold our share in Health-e Workforce Solutions. These divestments will allow us to further focus on our core businesses of salary packaging, novated leasing and fleet, which present more attractive growth opportunities.

Another milestone was the successful launch of our single brand Smart, a clear shift to more streamlined client and customer channels for products and services. The first customers to experience the new brand were South Australia Government employees, and it was well received. In 2024, our Advantage brand clients and customers transitioned to Smart and we will continue to progress the Smart brand rollout to other brands over the coming year.

Our strategic priorities and focus

Our ambition

Smarter Benefits for a Smarter Tomorrow

Simplifying benefits and adding value to our clients and customers, while enabling businesses to attract and retain great teams as we build a more sustainable Australia.

Our focus

Smarter Experiences

Market-leading customer experience, helping customers and employers work with us how and when they want.

Smarter Products

Simple and innovative products and services to help customers do more and save more.

Working Smarter

Simple and scalable operations, with improved capability that puts the customer first.

Our strategic priorities

Customer-focused, digital and efficient salary packaging offering

- Digitise operations and enhance self-service to delight clients and customers
- Simplify and consolidate the core technologies and drive scale benefits including moving to a single brand

Leadership in Novated Leasing via EVs

- Maintain a market-leading proposition for EVs through sustained digital investment
- Accelerate our digital sales engine

Innovation of propositions to meet growing customer needs

- Expand our novated leasing offering to meet a broader set of needs
- Scale our benefits program

Targeted investment in fleet capabilities

- Continue to support client demand for tailored products
- Increase capability via balance sheet funded pilot

Our enhanced car leasing portal has made it simpler and quicker to customise quotes and to make a credit application. Improvements to the portal include easier selection and customisation, a streamlined credit application and an upgraded mobile interface. Our sustained digital investments are helping accelerate our digital sales engine and attract greater interest in new sectors.

In November, we launched smart.com.au, our new digital customer home, bringing together Smartleasing and Smartsalary. This new platform features a modern design, improved navigation, and enhanced functionality providing a better user experience. Customers now have a one stop shop to explore and manage the benefits of salary packaging and novated leasing.

In addition, investments in automation and AI initiatives in our call centre, including the application of generative AI, are delivering improved customer service, quality, and efficiency of our operations.

We continued to build partnerships to address our customers' evolving needs. We improved our employee benefits offering through partnerships with Commonwealth Bank and Qantas. In December, we partnered with digital energy management company Intellihub to provide our customers with renewable energy solutions without the upfront costs. Solar panels, home battery systems, and energy optimisation technology are available at an affordable price, while novated leasing for EVs provides an end-to-end electrification solution.

During the year, we also extended the Group's funded fleet pilot program. This program resonated with our clients, and in 2024 it grew to around 750 vehicles as at December 2024. Smartgroup will continue to support client demand for tailored products, increasing capability via balance-sheet-funded pilot as required.

Furthermore, new executives were appointed to bring additional capabilities, as part of an operating model reset. This new operating model will drive further focus on performance, growth, and delivering our strategy. Importantly, our clear value proposition and stronger internal capabilities we have, delivered strong client acquisition in 2024.

2024 Customer Growth

12%

Increase in Salary Packaging clients

22%

Increase in Novated leasing

6%

Increase in Fleet management

Another important milestone was the successful launch of our single brand Smart, a clear shift to more streamlined client and customer channels for products and services.

Case study

Nurturing a successful long-term partnership

The Royal Women's Hospital (the Women's) in Victoria has a reputation as one of Australia's most loved and trusted specialist hospitals for women and newborns, providing exceptional patient care and advocating for gender equity in healthcare.

Smart has proudly worked with the Women's for many years, helping them support their critical workforce with cost saving benefits.

The Women's is recognised internationally for its leading clinical expertise and excellence in research. As a tertiary hospital, it also helps train the next generation of highly skilled midwives, nurses, obstetricians, gynaecologists, neonatologists and other specialists.

Our close relationship with the Women's means we understand how important employee benefits are to their staff and how best to support them to take up these benefits.

"Smart is a good partner," says the Women's People Experience Consultant Tayla Price. "Their team has worked hard to understand the circumstances of our employees and to tailor packages for our people."

Cost-of-living is a concern for many Australians. Through the partnership with Smart, the Women's can offer their employees access to up to $11,660 in salary packaging benefits for living expenses, meals and holiday accommodation to help manage those pressures. Employees can also salary package personal work related electronic devices, novated car leases and additional super contributions.

Employees of any role, salary or seniority take up these benefits. It is particularly popular for rent and mortgage costs as well as daily expenses such as groceries and bills. We have worked hard to make sure the process is simple and streamlined with plenty of support available.

"Smart has a thorough understanding of the needs of the health sector and they have leveraged that in thinking through how they work with us," Ms Price said.

"They have also recognised that we are a smaller hospital, and that our tertiary role and our focus on women and on serving communities gives us specific dynamics. Our people are very much face-to-face in how they work. Smart has worked closely with us to organise key activities such as onsite educational sessions so that our people can have that personal interaction."

The Women's has seen a significant salary packaging uptake with an increase from 67% in 2023 to 85% in 2024. One of the big factors in the uptake has been the opportunity for us to work closely with their internal team to set up a tailored strategy. Quarterly meetings, ambitious targets and carefully considered communications have ensured a coordinated effort. When the Women's upgraded their salary and HR system, for example, we were able to integrate salary packaging into that so that it was as straight-forward as possible for employees to access the benefits they are entitled to.

"Our hospital must continue to compete with other institutions for access to the best people," says Tayla Price. "Salary packaging is a critical element and we will continue to strategise with Smart and to develop events and communications to raise awareness among our people. Ranjit, our Senior Client Success Manager at Smart, has been very supportive and worked quickly to resolve any issues as soon as they are raised. We are very pleased with how things are progressing."

In addition to supporting the Women's with employee benefits, we also provided them with a grant from our Smartgroup Foundation in 2023. This grant supported their 'Bonding with Baby' initiative which aims to address the increased risk of mental health problems during pregnancy and the postnatal period by creating free, multilingual guided audio exercises. A valuable support to women in multicultural Australia, these exercises focus on self-compassion, attachment to self and baby, and anxiety management.

Case study

Australia's largest salary packaging transition

A Q&A with the South Australia Government project team

Q Was it an easy decision to change providers?

A A comprehensive procurement process was conducted involving key stakeholders from across the South Australia Government. That process determined Smart was the supplier that would best meet the salary packaging requirements of public sector employees.

Q What was your experience transitioning to Smart?

A The Smart team who managed the transition were experienced in every facet. Their planning, professionalism and approach enabled the transition to be completed successfully.

The transition itself was the largest in Australia and was completed on time thanks to Smart's commitment to service delivery.

Q As you were preparing for the transition, what were some aspects or challenges you were concerned about, and what did Smart do well to overcome those?

A As this engagement is a whole of government contract, communication was critical to ensure employees and each agency representative were kept informed, and that support was always available.

Q What have you been most impressed with during the transition to Smart?

A The willingness of everyone on the Smart team to support, collaborate and deliver was critical in making the transition a success.

Q How are you working with the new Smart brand?

A As the first client to go live with the new Smart brand, the look and feel has been refreshed. The content is also easy to navigate.

Q What makes Smart group special?

A The Smart team worked to develop solutions and implement them in a timely manner under the leadership of the Client Services Manager.

There was a regular schedule of online information sessions employees could register to attend, supported by onsite activity. Smart has tailored, and will continue to tailor, information sessions based on the needs of each agency.

Our People

Working Smarter

Our focus has been on creating positive experiences for our people in the moments that matter. Investing in a listening and feedback culture to promote a growth mindset for leaders and their teams, while building inclusive ways of working and a sense of belonging for all.

We have built capacity in key areas by prioritising the simplification of our processes to best support our customers' needs and to give our people more time to focus on the work that matters.

We are particularly proud to have more than 25% of our workforce with five-plus years of tenure, which shows the long-term growth opportunities and support our business provides. Additionally, the gender balance of our workforce reflects our commitment to diversity and inclusion and a deep sense of belonging for all.

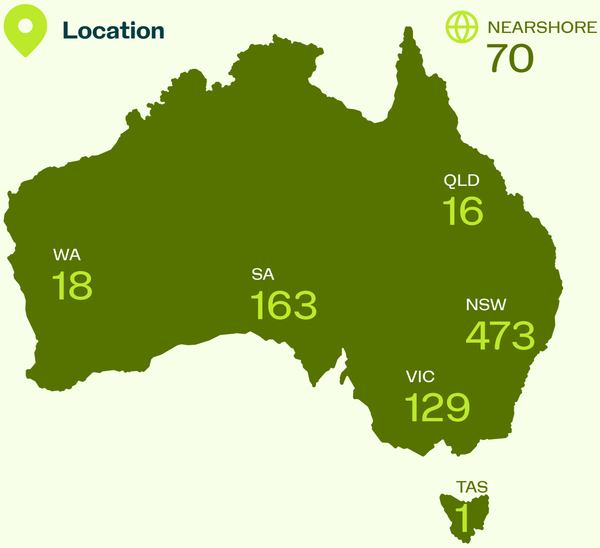
Our people by numbers

Total workforce

870

(incl 772 Australian employees + 98 nearshore, agency temps and independent contractors)

Location



Workforce

Full-time	93%
Part-time	7%

Gender split

Male	49.7%
Female	50.3%

Longevity Tenure

<1 year	169
1–2 years	338
3–5 years	140
6–10 years	111
10+ years	112

Levels

Self leader	733
People leader	82
Senior leader	46
Executive	9

Investing in capability building and training

We recruited 17 new senior leaders in 2024, including executives, to support our strategy and strengthen our capabilities in customer and client programs, product-led agile delivery, technology, finance and people and culture. We also prioritised building capability and creating promotion pathways, with 43 internal promotions.

In July, we built our Adelaide-based team to support salary packaging and novated leasing services for the South Australia Government. The transition itself went smoothly and we now have more than 25 team members working in our South Australia Government Adelaide team.

Ensuring we have the best talent and supporting them with training, resources, development and the career paths they need to work smarter has always been important to us. This year we delivered more than 4,802 training hours to support new-starters, compliance and safety. Key development initiatives included a new leadership development program; resilience and wellbeing training; and Agile and Growth mindset skills development. We also held informal knowledge-sharing sessions across the business covering innovation in salary packaging, novated leasing and agile ways of working.

Prioritising health and safety

We regularly review our health and safety practices, policies and initiatives to ensure we create an environment that supports the physical and mental wellbeing of our team and everyone who visits our sites.

In 2024, we implemented our Respect@Work Action Plan in line with the Australian Human Rights Commission framework, focusing on preventing gender-based discrimination and sexual harassment. The plan includes training for senior leaders and executives, as well as communications to all employees outlining expected standards of behaviour.

We also refined existing policies, such as our Equal Employment Opportunities Policy and Grievance Procedure.

Supporting industry entry

Our partnership with the University of Technology Sydney provides industry placements for Bachelor of Information Technology students, with a six-month rotation in their first year and a return placement in their third year. In 2024, we continued this program with three students. We also regularly offer internal secondments to our team members to promote on-the-job training and internal career pathways.

Supporting our talent

4,802

training hours delivered this year to support compliance training, safety and development for both new starters and existing team members

Growing our leadership

21%

of all appointments were made with internal candidates, demonstrating the capability and promotion pathways available.

Listening and measuring engagement

This year, we have continued to build a culture of listening and feedback through our new Listening Strategy, a refreshed approach to listening to employees, measuring engagement more regularly, and acting on feedback.

The strategy involves replacing the annual engagement survey with more regular Listening Surveys. Through more frequent engagement, we understand the workforce better and can respond faster giving employees more targeted support.

Culture and values

We consulted across all levels of the business on our culture, values and behaviours to understand the attributes that drive high performance, deliver on our strategy, and enable our people to connect and find meaning in their work. Following this review, we determined that our culture focus areas are customer, performance and accountability, and continuous improvement. We will launch our new values in line with our culture-focus areas in 2025.

We have continued to build a culture of listening and feedback through our new Listening Strategy, a refreshed approach to listening to employees, measuring engagement more regularly, and acting on feedback.

Committed to a diverse and inclusive workplace

Everyone at Smartgroup deserves to feel valued, respected and welcomed. We embrace diversity in backgrounds, experiences, perspectives, education, age, race, ethnicity, abilities, religions, sexual orientation, marital status and more.

Our workplace promotes equal access to opportunities and fosters a supportive environment. It is our responsibility to ensure everyone is treated equally and that we celebrate diversity, creating a thriving workplace where everyone can contribute.

We are proud to be consistently recognised for our efforts in this space. We received 'Inclusive Employer' recognition with Diversity Council Australia for 2023-2024. This is assessed through the Inclusive Employer Index.

We achieved the Workplace Gender Equality Agency (WGEA) Employer of Choice for Gender Equality citation for the fourth consecutive year. We have also maintained our 40/40/20 gender representation at the Board level and across all levels of the organisation.

The Board has also committed to ongoing review of the gender pay gap across the Group. As reported to WGEA in 2024, Smartgroup's gender pay gap at median base salary is 0.1% and for total remuneration is 10.1%.

Smart Diversity Council established

In 2024, we formed the Smart Diversity Council, chaired by our CEO, to drive initiatives across four key pillars (Gender Equality, Accessibility, Pride, and First Nations) in order to meet the targets set in our Diversity Strategy.

These four pillars are supported by strategies and action plans, including: Gender Equality Strategy 2023-2025; Accessibility Action Plan 2025, and Innovate Reconciliation Action Plan.

This approach drives governance and overall leadership in implementing our Diversity Strategy. We also established Diversity Employee Networks to enable us to consult with and hear directly from our people about opportunities to improve.

As part of the new governance structure, we established Diversity Networking Groups for each diversity pillar.

Gender Employee Network Group

We have had strong performance and progress with our gender equality strategy. A key highlight was the celebration of International Women's Day where we hosted an event that our key partners and clients attended with our employees.

The new gender equality sponsor has worked with the network lead to develop a robust plan for 2025 that includes a continued focus on gender employment programs, a new mentoring program, and further training programs for leaders to support employees.

Accessibility Employee Network Group

As a member of the Australian Disability Network, we submitted for the Access and Inclusion Index. This enabled us to receive valuable feedback to develop our first Accessibility Action Plan, which was endorsed by our Human Resources and Remuneration Committee in November 2024. We have implemented various measures to support accessibility this year, including the use of alternate text in communications, and providing disability awareness training opportunities for the International Day of People with Disability on 3 December 2024.

Pride Employee Network Group

We established a Pride Employee Network Group. Gender options were updated across our Smartgroup systems alongside educating our team on the use of pronouns and incorporating this into our standard email signatures. The LGBTQ+ strategy for 2025 will be approved in Q1.

First Nations Employee Network Group

We are committed to meaningful reconciliation with First Nations people across our business. Our vision is for equal financial and social wellbeing for Aboriginal and Torres Strait Islander peoples, which includes fostering workplaces that empower their employees to safeguard their financial wellbeing.

Our Reflect RAP focused on understanding our Aboriginal and Torres Strait Islander stakeholders, raising awareness of our commitment to reconciliation, and embedding cultural recognition of indigenous cultures. In 2024, we implemented our Innovate RAP, which was endorsed by Reconciliation Australia in 2023.

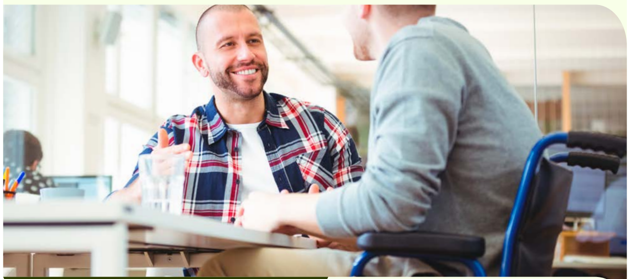
Key achievements

Gender

- 'Inclusive Employer' recognition with Diversity Council Australia for 2023-2024.
- WGEA Employer of Choice for Gender Equality citation for the fourth consecutive year.
- Maintained 40/40/20 gender representation at Board and all levels of the organisation
- Hosted International Women's Day with our employees, clients and external partners.

Pride

- Established a Pride Employee Network Group.
- Raised awareness of LGBTQ inclusion by showcasing team member stories and experiences during Pride Month, and Wear It Purple Day on 30 August 2024.
- Gender options were updated across our Smart systems, including education on pronoun use and incorporation in email signatures.

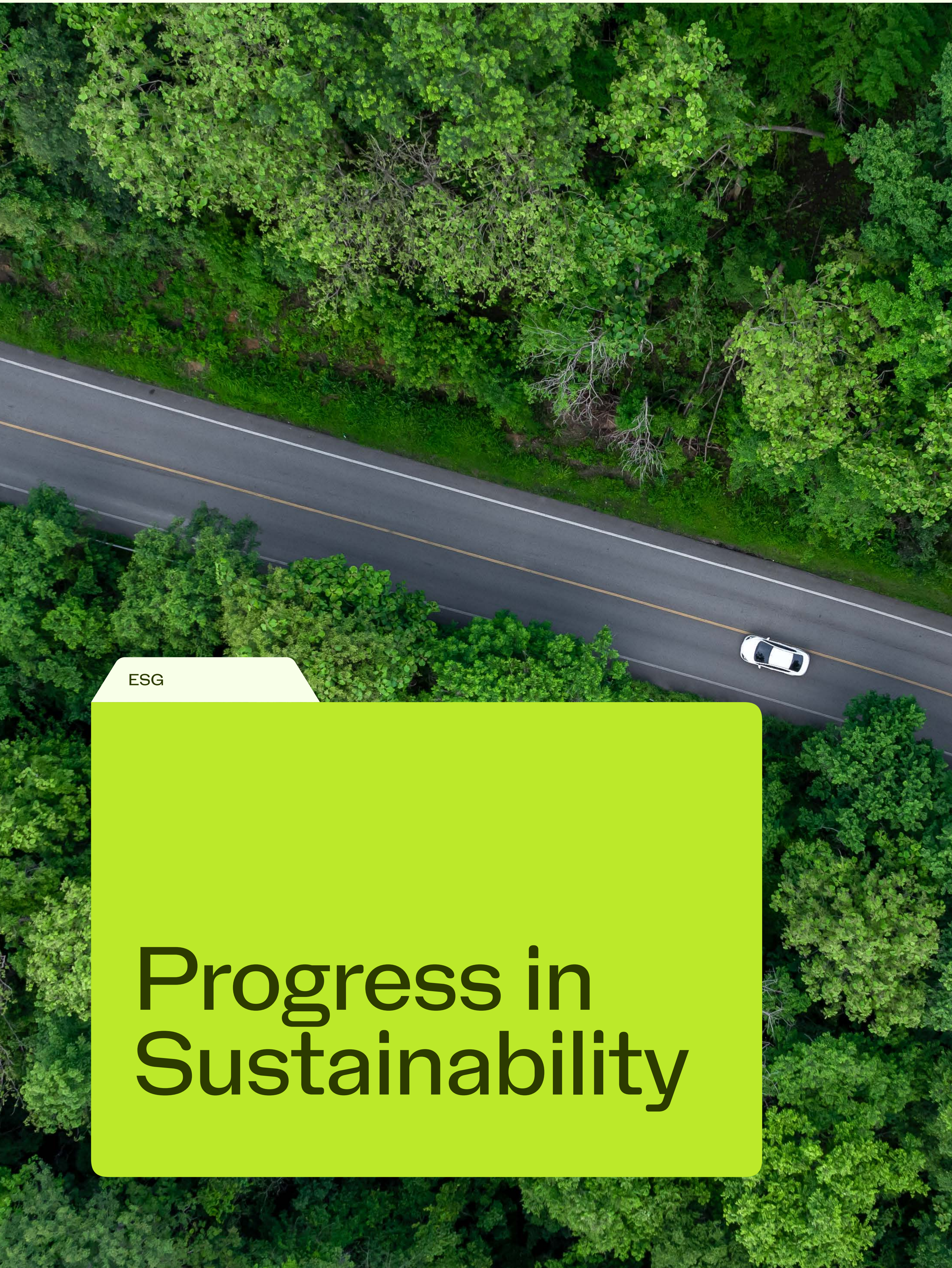


Accessibility

- Established an Accessibility Employee Network Group.
- Accessibility Action Plan endorsed by the Human Resources and Remuneration Committee in November 2024.
- More than 90 people attended Disability Confident Workforces training facilitated by Australian Disability Network, in conjunction with events to mark the International Day of People with Disability on 3 December 2024.

First Nations

- In 2024, we implemented our Innovate Reconciliation Action Plan (RAP), which was endorsed by Reconciliation Australia in 2023.
- Our RAP Working Group tracks our progress and reports annually to Smartgroup's Human Resources and Remuneration Committee and to Reconciliation Australia.
- We are increasing Indigenous representation in our business and supply chain, as well as amplifying community support.
  - Our ongoing membership with Supply Nation helps us improve procurement outcomes with Aboriginal and Torres Strait Islander-owned businesses.
  - Developed our first Aboriginal and Torres Strait Islander employment program.
  - Hosted Smartgroup events and education across all workplaces for 2024 National Reconciliation Week.



ESG

Progress in Sustainability

Our products and services make transitioning to energy-saving solutions, such as electric vehicles, easier and more affordable for working Australians. We have made encouraging progress during the second full year of implementation of our *Smarter, More Sustainable Tomorrow* sustainability strategy, underpinned by our commitment to environmental, social, and governance (ESG) excellence.

2024 ESG Highlights

- Ranked in the 93rd percentile globally in the S&P Global Corporate Sustainability Assessment (up from the 87th percentile in 2023).
- Recognised as an 'Inclusive Employer' by Diversity Council Australia since 2019.
- Included in the global Dow Jones Sustainability Indices since 2023.
- Achieved an ESG Risk rating of 11.5, ranking in the 95th percentile globally by Sustainalytics.
- Maintained our position as an Employer of Choice for Gender Equality since 2021, accredited by WGEA.
- Qualified for responsible investment following an ISS Corporate ESG Rating upgrade to "Prime" status.

Our Carbon Offset Program launched 17 years ago was pioneering for the sector, allowing customers to contribute to offsetting their novated lease vehicle emissions. Through the program's environmental partners Greenfleet and Carbon Positive, we invested over $1.5 million from the program in restoration projects across Australia during 2024.

Important progress with emissions reduction

A full analysis of our Scope 1, 2 and 3 emissions in 2022 established a baseline for measuring progress, identifying key focus areas and setting reduction targets. In 2024, we made measurable progress in reducing our direct operational emissions.

Our Scope 1 emissions decreased by 15% from 114.99 tCO_2e to 97.62 tCO2e, while Scope 2 emissions fell by 43% to 50.91 tCO_2e, driven by our strategic shift toward renewable electricity procurement.

Our business experienced significant growth in 2024, which impacted our Scope 3 emissions profile.

Further support for those choosing EVs

Scaling our EV offering has led to significant growth of EVs, with 44% of our novated lease vehicle orders for 2024 being EVs.

This year, we have welcomed additional partnerships in the renewable energy space. Our new partner Intellihub has begun offering their renewable energy solutions to our clients and customers in 2025.

For our fleet clients, we are working with our clients to provide tailored transition plans to make the switch to EVs or hybrid vehicles as cost effective as possible.

Growth in EVs

44%

of our novated lease vehicle orders for 2024 were EVs.

Contributing to environmental good through offsets

Our Carbon Offset Program launched 17 years ago was pioneering for the sector, allowing customers to contribute to offsetting their novated lease vehicle emissions. Through the program's environmental partners Greenfleet and Carbon Positive, we invested over $1.5 million throughout 2024 in restoration projects across Australia. In 2024, we also completed the expansion of this program to our Smartfleet clients and Autopia customers.

Through our Carbon Offset Program, Smartgroup is also a corporate donor to the Blue Carbon Ecosystem Restoration Project led by The Nature Conservancy (TNC). The project reached a significant milestone this year with construction starting at Webb Beach, which adjoins the Adelaide International Bird Sanctuary National Park. The project will see the restoration of 12,000 hectares of coastal wetlands.

Reducing our own emissions

We have continued our transition to renewable electricity, embedding flexible working practices and continued investment in technology to enhance collaboration. We also continued to offset emissions from all flights through our partnership with Greenfleet. Other measures this year have included replacing our laptops under the Lenovo CO_2 Offset Service, reducing printing and removing all single-use plastics from our offices.

Further rewards for customers

Our Smartrewards program offers customers access to everyday savings through their Smart online account. In 2024, we enhanced the program so customers could receive additional discounted eGift cards to help them save on groceries, electronics, clothes, entertainment, travel, and more. We also teamed up with Qantas and Commonwealth Bank to offer bonus Qantas Points to eligible Frequent Flyer members and access to targeted Commonwealth Bank financial products and promotional offers.

A new standard of reporting

Our 2023 Sustainability Report was the first completed in accordance with GRI (Global Reporting Initiative) Standards. In 2024, we have continued to deliver against our disclosure roadmap and completed a qualitative scenario analysis risk assessment, which included an analysis of our climate-related risks and opportunities for two distinctive climate scenarios (high and low emissions) over the short, medium and long term.

To further understand our climate risks, we are working towards alignment with the new mandatory climate reporting requirements outlined in the Australian Sustainability Reporting Standards (ASRS), developed by the Australian Accounting Standards Board (AASB).

Positive social impacts

Smartgroup actively supports community and charity organisations through sponsorships, grants, and the Smartgroup Foundation, committing up to $250,000 annually for initiatives across every state and territory in which we operate. This year, we approved 21 grants to various charity projects, including funding for a koala sanctuary in the Whitsundays, climate education in the Bellingen Shire, dental health education for young refugee women in South Australia and the SAAFE program in Western Australia supporting family and domestic violence survivors and those at risk.

In 2024 we partnered with Clontarf Foundation and Athletics South Australia. Both programs support young people to achieve their full potential academically and athletically, and helps strengthen communities.

Vigilance around modern slavery

We have a zero-tolerance approach to modern slavery and continuously improve practices to mitigate human rights risks in our operations and supply chain. This year, our Human Rights and Modern Slavery roadmap was completed and endorsed by the Board. We took steps to ensure our supply chain aligned, by completing third-party Modern Slavery Assessments on all Tier 1 and Tier 2 suppliers through the Exthixbase360 Platform.

Supporting greater financial understanding

Supporting financial wellbeing is at the core of our mission to help Australians make Smart choices with their money. We are focused on continuously improving our solutions to deliver meaningful benefits. Our priority is to enhance financial literacy by offering resources that promote informed and sustainable decisions. We are also committed to ensuring our products and services are easily accessible, with tools that help customers identify the options that best suit their needs.

Smartgroup Foundation

21 grants

This year, we approved 21 grants to various charity projects, including funding for a wildlife rescue in the Whitsundays, climate education in the Bellingen Shire, dental health education for young refugee women in South Australia, and the SAAFE program in Western Australia supporting family and domestic violence survivors and those at risk.

Supporting financial wellbeing is at the core of our mission to help Australians make Smart choices with their money. We are focused on continuously improving our solutions to deliver meaningful benefits.

Smartgroup's approach to climate-related financial disclosures

At Smartgroup, we recognise the significant impacts of climate change and the importance of climate change disclosure for transparency and stakeholder awareness. This year, we have continued to deepen our understanding of our climate risks as well as continuing our progress towards alignment with the new mandatory climate reporting requirements set forth by the Australian Sustainability Reporting Standards (ASRS).

The new Australian mandatory climate reporting requirements, established by AASB S2 *Climate-related Disclosures*, are based on established international frameworks such as the Task Force on Climate-related Financial Disclosures (TCFD), Sustainability Accounting Standards Board (SASB) and the International Sustainability Standards Boards (ISSB). We have structured this report based on the four pillars of AASB S2 – Governance, Strategy, Risk Management and Metrics and Targets. We are continuing to align to the new AASB S2 standard ahead of our first reporting period, the 2027 financial year.

This year, we conducted our second climate exposure and vulnerability assessment to deepen our understanding of climate risks and opportunities for our operations and assets. We evaluated these in detail in line with our enterprise risk management framework, across multiple time horizons (short, medium and long-term) and for two distinct climate scenarios (low and high emissions). We have documented our assessment in a climate risk and opportunity register, which will guide our future financial impact analysis and inform disclosure reporting.

Next year, we will continue to deliver on our climate disclosure roadmap, further enhancing our climate-related financial disclosures, including a focus on refining our adaptation responses to climate-related risks and opportunities.

Governance

The Board of Directors is responsible for overseeing risk management. The Board is supported by two board level committees in carrying out its climate change risk management responsibilities – the ESG Committee and the Audit and Risk Committee (ARC).

The ESG Committee meets at least three times a year and comprises five non-executive directors: the Chair, Ian Watt AC, and committee members John Prendiville, Carolyn Colley, Anne McDonald and Mark Rigotti. The ARC meets at least 4 times a year and comprises four non-executive directors: the Chair, Anne McDonald, and committee members John Prendiville, Deborah Homewood and Ian Watt (Committee members are stated as at 31 December 2024). The Board, the ESG Committee and ARC meetings regularly discuss economic, environmental, social and governance risks that they consider are likely to have a material effect on the company's operations and financial performance or value over the short, medium and long term. When climate-related issues are identified and considered at Committee level, updates are given to the Board following each Committee meeting.

The Executive Leadership Team manages climate-related risks as part of their overall risk management duties. The Executive Leadership Team reports on key risks and whether they are operating within the risk appetite set by the Board, new and emerging risks and management's responses to those risks, and any material incidents involving risk control failures and management's response to any such incidents.

The diagram below illustrates the roles of each committee and the Executive Leadership Team in managing climate-related matters at Smartgroup:

Smartgroup Sustainability Governance Model

The Board

ESG Committee	Human Resources and Remuneration Committee	IT and Innovation Committee	Audit and Risk Committee
Responsible for overseeing the Sustainability Strategy and Climate Disclosure Roadmap.	Contribute to managing Smartgroup's economic, environmental and people impacts.		

Executive Leadership Team

Working closely with the Chief Executive Officer (CEO), the Group Executive for Legal, Risk and Corporate Affairs and Group Executive for People and Culture have direct responsibility for Smartgroup's sustainability performance.

However, the whole Executive Leadership Team is responsible for managing risks associated with climate change. All Executives have relevant KPIs that are directly aligned to meeting targets in the Sustainability Strategy.

Read more about how our governance structure supports sustainability at Smartgroup in our Corporate Governance Statement here.

Climate Strategy

We are committed to advancing our approach to addressing climate change and its impacts across our operations and strategy. Our goal is to continually improve our understanding of climate-related risks and opportunities over the short, medium, and long term. By assessing the impact of different scenarios on our business, strategy and financial planning, we can develop and implement appropriate response plans to address climate change impacts.

Our Sustainability Strategy outlines the important role we envisage playing in creating *A Smarter, More Sustainable Tomorrow*. Two of our strategic pillars are key to driving our climate action: energy and emissions management and enabling net zero. Our ambition is to be part of the transition to a low-carbon future while supporting our clients and their employees to maximise their benefits through our offerings.

In terms of energy and emissions, we are actively working to reduce our operational footprint. Three of our five main offices now use renewable energy with a target of 100% renewable electricity across all Smartgroup offices by the end of 2026. At the end of 2024, renewable energy accounted for 79% of total electricity used by all offices. We're also optimising our technology infrastructure, including migrating to cloud services with established carbon offset programs and implementing comprehensive e-waste recycling initiatives.

A cornerstone of our strategy is our commitment to enabling net zero transitions through innovative solutions. Our electric vehicle (EV) strategy has demonstrated success, with EVs now accounting for 44% of our novated lease vehicle orders. We're expanding our EV ecosystem by partnering with new providers to offer renewable energy solutions to our clients. For customers with conventional vehicles, we provide sustainable maintenance guidance and are implementing environmental ratings in our leasing quote templates. Additionally, our Carbon Offset Program allows customers to offset vehicle emissions through salary packaging contributions, with over $1.5 million allocated to support projects across Australia in 2024. We're also investing in nature-based solutions, demonstrated by our corporate partnership with The Nature Conservancy's Blue Carbon Ecosystem Restoration Project, which aims to restore coastal wetlands across 12,000 hectares in South Australia.

In the next reporting period, we plan to update our sustainability strategy, which presents an exciting opportunity to refine our approach and targets to address our environmental, social and governance risks and opportunities, including climate change.

Read more about our 2024 highlights in our annual sustainability report.

Climate risks and opportunities disclosure

In 2024, we conducted a detailed assessment of potential climate-related risks and opportunities across the organisation. We collaborated with an external consulting company to develop and validate a detailed climate risk and opportunity register. The register incorporated analysis and outcomes based on two future climate scenarios (low and high emissions) and over short, medium and long-term time horizons (2030, 2035 and 2050, respectively), in line with AASB S2 requirements.

The table below summarises the key assumptions we adopted for the purposes of our Climate Risk Scenario Analysis under each of the two future climate scenarios:

Future Scenario	Description and assumptions
Low emissions: Global warming limited to 1.5°C by 2100 (SSP1 1.9 and NGFS Net Zero 2050 scenario)	Globally, countries have transitioned towards net zero by 2050, primarily by investments in renewable energy, and significant shifts in supply chains and regulations. Australia has undergone significant regulatory changes to achieve emissions reduction targets in line with the 2022 Climate Change Act. The property and information technology sectors have adapted to minimise climate change impacts, resulting in more buildings achieving sustainability certifications. In response to government policy shifts and consumer preferences, companies have swiftly moved to decarbonise. Key developments include the phasing out of fossil fuels, the introduction of carbon and road user taxes, and stringent emissions reporting requirements. Opportunities have emerged in supporting technologies, such as electric vehicles (EVs) and clean energy solutions, which address environmental concerns while promoting innovation and long-term economic growth.
High emissions: Temperatures expected to reach around 4.5°C by 2100 (SSP5 8.5 and NGFS Current Policies scenario)	Globally, countries have continued the current trajectory of fossil fuel development with minimal investments in renewable energy and decarbonisation efforts. Australia has not substantially amended its climate change related policies, resulting in missed decarbonisation targets. The climate change impacts are severe, with more extreme weather events such as hotter conditions and more frequent flooding, rising sea levels and power interruptions. These have presented infrastructure challenges, causing increased leasing costs, higher insurance premiums and frequent business and operational interruptions. Businesses face supply chain disruptions, service interruptions and inventory shortages, all driving up costs. Extreme weather conditions compromise employee health, safety and mental wellbeing, reducing their productivity. In the short-term, continued fossil fuel usage may lead to higher GDP growth. However, the long-term consequences to GDP could be materially negative.

As part of the climate risk assessment, we evaluated the likelihood and consequences of the identified risks in alignment with our risk management framework. For each risk, we considered the inherent risk levels, existing controls and mitigating factors, the residual risk levels and the expected velocity of the risks. The outcome of this assessment is used to assist the Board, the Committees and the Executive Leadership Team to prioritise each risk accordingly and to inform the organisation's future climate adaptation strategy.

The table below summarises the material risks for Smartgroup in the short, medium and long term.

Key climate related risks

		Ratings per scenario		Smartgroup's response
Description	Time frame	Low emissions - Global warming limited to 1.5°C by 2100 (SSP1 1.9)	High emissions - temperatures expected to reach around 4.5°C by 2100 (SSP5 8.5)	
Transition Risk: Escalating sustainability compliance and reporting requirements present a significant operational challenge, potentially resulting in increased administrative costs, complex regulatory navigation, and the risk of substantial financial penalties and reputational damage for non-compliance.	Short term	High	Medium	We monitor and proactively engage with regulatory bodies where necessary (including through industry bodies such as the National Automotive Leasing and Salary Packaging Association (NALSPA)) on proposed sustainability compliance and reporting requirements to prepare for the transition and minimise unintended consequences. We evaluate new sustainability compliance and reporting requirements and enhance our processes to comply with them. We continue to invest and enhance our capabilities, including engaging external SMEs, to support us in meeting sustainability compliance and reporting requirements.
Physical Risk: Climate-induced disruptions in global supply chains could significantly impede the timely procurement and delivery of vehicles, potentially causing operational delays, reduced service quality, and potential revenue losses.	Long term	Low	High	Smartgroup uses a large diversified dealer panel across the country and has strong relationships with key car manufacturers to support our ability to source and deliver new cars for our customers.

		Ratings per scenario		Smartgroup's response
Description	Time frame	Low emissions - Global warming limited to 1.5°C by 2100 (SSP1 1.9)	High emissions - temperatures expected to reach around 4.5°C by 2100 (SSP5 8.5)	
Physical Risk: Escalating frequency and severity of chronic weather events are likely to drive substantial increases in corporate insurance premiums and increase overall business costs, and reduce the availability of some types of insurances.	Long term	Low	Very high	We regularly review and evaluate our insurance policies, coverage needs and premiums with external expert and insurance brokers.
Physical Risk: The increasing frequency and severity of extreme weather events, including floods and storms, could substantially compromise Smartgroup's operational resilience such as prolonged power and network outages affecting critical infrastructure and communications, restricted office access impacting business continuity, and threats to employee health and safety. These cascading impacts could result in significant business disruptions, compromised service delivery, potential liability issues, and challenges to workforce welfare across Smartgroup's operations in Australia and the Philippines.	Long term	Medium	Very high	Our Business Resilience and IT Disaster Recovery plans guide our response to, and recovery from major disruptive incidents. We periodically test our ability to respond effectively to business interruptions and to further strengthen our business resiliency. Smartgroup operates in multiple locations which mitigates the business interruption risks associated with localised extreme weather events. Our flexible working infrastructure enables our employees to work away from the company offices. This was tested during the COVID-19 Pandemic where all employees were successfully transitioned to home based working with minimal operational interference.

There are a number of key opportunities for our business related to climate change and the transition to a low-carbon economy. In response to shifts in customer preference and government policy development, we are strategically developing innovative product offerings focused on Zero and Low Emission Vehicles (ZLEV) and renewable energy solutions, which helps differentiate our market position and attract new customer segments. To promote and support ZLEV knowledge and adoption, we invest in educational initiatives for our clients and customers focusing on ZLEV benefits and government policy details.

In addition, we actively engage with government and regulatory bodies, including industry associations like NALSPA, to improve customer outcomes and prevent unintended consequences of emerging government incentive programs, including electric vehicle subsidies and policy-driven initiatives. This proactive approach enables us to better support customers through policy transitions while potentially creating competitive advantages in the evolving mobility landscape.

We remain at the forefront of supporting employees working in front line and not for profit sectors to maximise their take home salary. We actively engage with Government to ensure that this benefit continues to be utilised and understood by those who need it most. As climate change impacts exacerbate cost of living pressures, we will continue to actively engage with Government to look for opportunities to enhance salary packaging benefits to mitigate these impacts to Australian employees.

Risk management

Smartgroup has a Risk Management Policy (available on our website) and a Risk Management Framework to facilitate the identification, assessment, management, and reporting of risks impacting our operations and financial performance. These processes are aligned with the risk appetite and tolerances set by the Board. Climate-related risks are considered and managed in accordance with this framework.

The Executive Leadership Team manages climate change risks as part of their overall risk management responsibilities. Quarterly risk reviews are conducted with each Executive Leadership Team member and stakeholders from key business areas to monitor risks (including newly identified risks) against the respective risk appetites. The impact of climate change, such as business strategy risks and opportunities related to government climate change policy changes and EV adoption, and business interruption risks from extreme weather events and power outages, are also considered during these reviews.

As noted earlier, we conducted a detailed assessment of climate-related risks, opportunities and impacts on our business during 2024. Our detailed climate risks and opportunities register will be reviewed and updated on an ongoing basis.

The key climate related risks are included in Smartgroup's enterprise risk register and are monitored by the Executive Leadership Team, Board and the ARC. Additional details on risk management are available throughout the Annual Report and our Corporate Governance Statement.

Metrics and targets

Our sustainability strategy includes key targets related to climate change that guide our climate-related efforts while creating a clear framework for accountability and progress. These are included in the following focus areas:

- Taking action on climate
- Enabling net zero

Next year, we intend to conduct a comprehensive refresh of our sustainability strategy and materiality assessment, including refinement of our existing climate targets.

The following sections provide an overview of our climate-related commitments and progress during 2024.

Taking action on climate

OUR APPROACH

Energy and emissions

Our operations contribute to greenhouse gas (GHG) emissions, with 84.9% of all emissions originating from our supply chain. In 2022, we completed a full analysis and established a baseline for measuring progress, focus areas and reduction targets. Our priority is to increase renewable energy use and to offset unavoidable emissions, starting with those within our direct control.

Learn more about our approach on page 17 in our 2024 Sustainability Report.

OUR COMMITMENTS	2024 PROGRESS
All the sites we control will source 100% renewable energy by 2026.	At the end of 2024, renewable energy accounted for 79% of total electricity used by all offices.
Our direct operations will be net zero by 2030.	In 2024, we made measurable progress in reducing our direct operational emissions. Our Scope 1 emissions decreased by 15%, while Scope 2 emissions fell by 43%. Our business experienced significant growth in 2024, which impacted our Scope 3 emissions profile.
We will implement annual reporting of Scope 3 emissions by 2026.	In 2022, we completed the first Scope 3 assessment to establish our emissions baseline. In 2024, we continued to improve our data collection process to improve the accuracy of our Scope 3 emissions and the quality of our reporting.
We will achieve a demonstrated reduction in Scope 3 emissions intensity by 2026.	We are preparing an employee commuting and business travel plan to help reduce our Scope 3 emissions. We are working with our supply chain to partner with suppliers who meet our sustainability goals and in turn help to reduce our Scope 3 impact.

Completed / Target Met   In Progress   Not Started / Off Track

OUR PERFORMANCE

Emissions overview

In 2024, we made measurable progress in reducing our direct operational emissions.

Our Scope 1 emissions decreased by 15% from 114.99 tCO_2e to 97.62 tCO_2e, while Scope 2 emissions from purchased electricity fell by 43% to 50.91 tCO_2e, driven by our strategic shift toward renewable electricity procurement.

Our business experienced significant growth in 2024, which impacted our Scope 3 emissions profile, with a 31% increase across our consolidated Scope 1, Scope 2 and Scope 3 emissions.

Renewable energy transition

- Three out of our five main offices now use renewable energy. For the remaining two offices, we are engaging with landlords to access renewable energy options.
- At the end of 2024, renewable energy accounted for 79% of total electricity used by all offices.
- Our goal is for renewable energy to account for 100% of total electricity used by all Smartgroup sites that we control by the end of 2026.

Increasing EV sales

- While our leased vehicles under management grew by 22%, we accelerated our transition to electric vehicles, achieving 44% of total new orders.

Addressing employee and business travel

- We focussed on ensuring sustainable travel-related emissions by embedding flexible working practices and continuing to invest in technology to reduce avoidable travel.
- Through our Greenfleet partnership, we offset emissions from all business-related flights. We also partnered with Qantas as a preferred travel partner, benefiting from their investments in projects outside the aviation sector through the purchase of carbon credits.

Optimising office technology and equipment

- We replaced 480 laptops under the Lenovo CO_2 Offset Service.
- We have eliminated all single use plastics from our offices.
- Since July 2023, 1,540kg of e-waste has been collected and recycled, which is a 95% recycling rate and equates to a CO2 reduction of 6.6 MT.
- Our Melbourne office building has now achieved a 5.5 star NABERS energy rating (without green power). This has improved from the previous 5 stars NABERS Energy Rating for the building for the period 20 September 2020 to 19 September 2021.

Enhancing our reporting approach

- We have advanced our understanding of climate risks in line with the requirements defined by the Australian Sustainability Reporting Standards (ASRS).
- We continued to deliver against our disclosure roadmap and completed a qualitative scenario analysis risk assessment for two distinctive climate scenarios (high and low emissions) over the short, medium and long term.
- We are working towards aligning with AASB climate disclosure requirements (AASB S2) ahead of our first 2027 reporting period.

Learn more about our performance on page 18 in our 2024 Sustainability Report.

Enabling net zero

OUR APPROACH

Innovation and technology

By promoting access to EVs and carbon footprint reduction solutions, we aim to support our novated leasing customers to make more sustainable choices. We are continuing to invest in ways to streamline our operations and expand on our EV offerings.

Enabling client and customer sustainability

We strive to make EVs an accessible option, and to provide solutions for the full EV ecosystem, such as improving access to green energy and charging technology.

For customers with internal combustion engine (ICE) vehicles, we provide guidance on sustainable car maintenance and usage. This includes rolling out a new leasing quote template with vehicle-specific Environmental and ANCAP ratings. The goal is to make this available for all customers in 2025.

Learn more about our approach on page 31 in our 2024 Sustainability Report.

CY24 Total Emissions

Gross direct Scope 1 emissions (t CO_2eq)	97.62
Gross location-based energy indirect Scope 2 emissions (t CO_2eq)	50.91
Gross other indirect Scope 3 emissions (t CO_2eq)[1]	10,815.46

1. Scope 3 categories included in calculation – Category 1: Purchased goods and services, Category 2: Capital Goods Spend, Category 3: Fuel- and energy related emissions, Category 5: Waste generated in operations, Category 6: Business travel, Category 7: Employee commuting.

OUR COMMITMENTS	2024 PROGRESS	
We will extend our Carbon Offset Program to Autopia and Smartfleet by the end of 2023.	Completed / Target Met	Our Carbon Offset program is now available to both Autopia and Smartfleet customers.
We have set a target that 20% of our novated lease and fleet managed new vehicle orders will be EVs by the end of 2026.	Completed / Target Met	In 2024, 31% of all new novated lease and fleet vehicle orders being EVs.
We will offset 100% of our direct fleet emissions, including car embodied emissions by 2026.	Completed / Target Met	In 2024, all direct fleet emissions were offset.
We will explore alternatives to establish a partnership with a green energy provider to complete the ecosystem for our EV novated leasing customers.	Completed / Target Met	We have confirmed our partnership with Intellihub to offer their renewable energy solutions to customers in 2025.

Completed / Target Met   In Progress   Not Started / Off Track

OUR PERFORMANCE

Accelerating the EV transition

- In 2024, EVs accounted for 31% of all new novated lease and fleet vehicle orders.
- Starting in 2025, our partner, Intellihub, will offer their renewable energy solutions to our clients and customers.

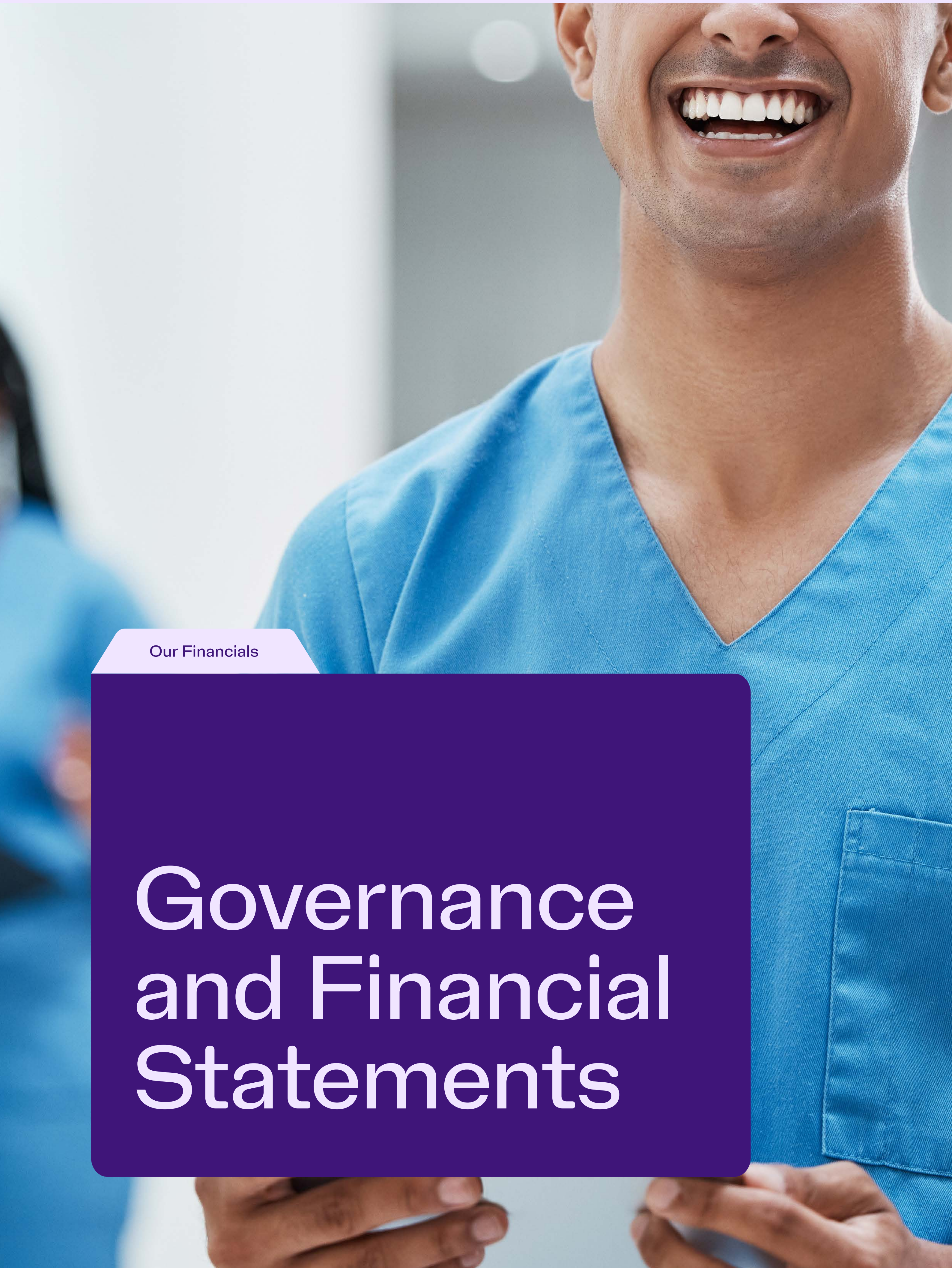
Supporting clients and customers to meet their sustainability goals

- We developed personalised quotes with Environmental and ANCAP ratings for customer vehicles, and support our fleet clients with the development of tailored EV transition plans.
- Customers can offset vehicle emissions through salary packaging contributions as part of our Carbon Offset Program. In 2024, over $1.5 million was allocated to support projects across Australia, including New South Wales (Riverbend), Victoria (Mt Emily, Territory, and Jumbuk), Queensland (Wooden Hut and Ivory Flat), and Western Australia (Eurady Reserve). We also completed the expansion of this program to our Smartfleet clients and Autopia customers in 2024.

Advancing the blue carbon economy

- Smartgroup is a corporate donor to the Blue Carbon Ecosystem Restoration Project led by The Nature Conservancy (TNC).
- In 2024, construction began at Webb Beach, which adjoins the Adelaide International Bird Sanctuary National Park.
- In addition to funding from Smartgroup, the project has received $2.9 million from the Australian government.
- The project aims to restore the coastal wetlands over 12,000-hectares in South Australia, improving biodiversity and protecting the coastline against climate change impacts.

Learn more about our performance on page 32 in our 2024 Sustainability Report. For more information about our performance against all our other Sustainability targets refer to the 2024 Sustainability Report.



Our Financials

Governance and Financial Statements

Governance Framework

Smartgroup believes that good corporate governance is key to maximising company performance and delivering high sustainable returns to shareholders. Smartgroup has a strong Corporate Governance Framework in place, which is reported in the Corporate Governance Statement.

Smartgroup operates in a dynamic environment and is exposed to risks associated with operating in the salary packaging and novated leasing industry. Smartgroup recognises risk management as an integral part of good corporate governance and as fundamental in achieving its strategic and operational objectives.

The Board is responsible for:

- reviewing, ratifying and monitoring management's framework and systems of risk management, internal controls and compliance;
- approving policies relating to, and overseeing the management of financial and non-financial risks, including economic, environmental, social and governance risks; and
- setting the risk appetite within which the Board expects management to operate.

The task of undertaking and assessing risk management and internal control effectiveness is delegated to the Executive Leadership Team through the CEO. The Executive Leadership Team reports to the Audit and Risk Committee (ARC) on:

- the Group's key risks and whether the Group is operating within the risk appetite set by the Board;
- new and emerging risks and management's responses to those risks;
- material incidents involving a failure of risk controls and management's response to any such incident; and
- results of internal audit reviews on the adequacy of risk controls and any recommendations for improvement.

A Risk Management Policy and a Risk Management Framework are in place to facilitate the identification, assessment, management and reporting of risks in accordance with the risk appetite and tolerances set by the Board. Accountability for risk management is structured as:

- management is responsible for managing the risks for their respective areas;
- a dedicated risk function (under the Group Executive Legal, Risk and Corporate Affairs) provides risk management expertise and oversight for business risk management activities; and
- an internal audit function provides independent assurance regarding the adequacy and effectiveness of Smartgroup's system of internal controls and Risk Management Policy and Framework.

The Board regularly discusses the economic, operational, environmental, social and governance risks that it considers are likely to have a material effect on Smartgroup's ability to achieve its strategic priorities, Smartgroup's commitment to delivering exceptional service to our clients and customers, Smartgroup's commitment to achieving sustainable outcomes across our business, the communities in which we operate and the environment, and Smartgroup's financial performance or enterprise value. Key risks are reported in Smartgroup's risk registers and are closely analysed by the ARC.

Additional information in relation to risk management can be found throughout the Annual Report and in the Corporate Governance Statement.

Material risks and opportunities

The material risks that could adversely affect Smartgroup's future business, operations and financial performance are outlined below.

Risks and opportunities	How we respond
Australian new private car market The success of Smartgroup's novated leasing business is driven by demand in the Australian new private car market. Any persistent softening in car ownership demand or uncertainties in new car supply may affect the new car sales market and revenue generation for Smartgroup's novated leasing business. The Federal Government's Electric Car Discount Policy continues to provide a significant incentive for customers to acquire a car using novated leasing (refer to Fringe Benefits Tax section below).	• We promote the advantages of novated leasing to customers who wish to acquire a car. • Our strategic priorities emphasise delivering innovative products and services that enhance our customer's novated leasing experience (including those that have a positive impact on Australia's transition to lower carbon emissions). We have also enhanced our digital sales engine to enable self service to delight our customers. • We are also focused on maximising customer retentions through refinancing of existing novated leases where existing customers do not wish to acquire new cars. • Smartgroup has a large dealer panel across the country and strong relationships with key car manufacturers to support our ability to source new cars for our customers. • We proactively promote the benefits and discounts available by taking out a novated lease of an EV under the Federal Government's Electric Car Discount Policy.
Regulatory environment The salary packaging and novated leasing industry is subject to regulations such as those relating to customer protection, privacy, cybersecurity, anti-bribery and corruption, and taxation (see also Fringe Benefits Tax below). Regulatory changes may impact on Smartgroup's operations and the demand for some of our products.	• We monitor the regulatory landscape and proactively engage with regulatory and industry bodies (such as the National Automotive Leasing and Salary Packaging Association NALSPA) on proposed changes to prevent unintended consequences and improve customer outcomes. • We evaluate the requirements of new regulations, legislation and industry practices, and modify our products and services, and enhance our processes to comply with them. • Our team members are required to comply with the Smartgroup Code of Conduct and complete training for specific regulations. • We comply with the deferred sales model, Design and Distribution Obligations, and Anti-Hawking Regime for add-on insurance products to ensure good consumer outcomes.
Fringe Benefits Tax The associated benefits permitted under Fringe Benefits Tax (FBT) legislation underpin the provision of products and services within salary packaging administration and novated leasing. Changes to these laws may create new business opportunities, or they may adversely impact the salary packaging benefits administered by Smartgroup and could render some of Smartgroup's business less profitable or obsolete.	• Through our membership of NALSPA, we support initiatives to communicate the macro-economic benefits arising from the existing FBT Policy settings, including the significant role salary packaging plays in the financial wellbeing of many everyday Australians. • We have invested in our leasing and fulfilment resources to better meet the increased demand for electric car novated leases from our customers (associated with the Federal Government's Electric Car Discount Policy). New vehicle quotes/orders for electric cars have continued to remain strong during 2024.

Risks and opportunities	How we respond
Cyber security and data privacy Smartgroup collects and processes certain personal information of customers to conduct its business activities and serve our customers. We are mindful of the trust our customers place in us to collect, handle and protect their personal information in a manner that aligns with our obligations and their expectations. Cyber incidents may compromise the technology used by Smartgroup to store and protect personal information of customers and confidential information of clients and Smartgroup. Although Smartgroup has a number of measures in place, it is possible that these measures might not fully prevent or detect unauthorised access to, or disclosure of, confidential information. A successful cyber attack could lead to the loss of information or assets, breaches of data privacy laws, and/or extended outages of technology platforms.	• A dedicated Information Security Risk & Cyber Security Team supports the protection of our data and systems, and strategically strengthens our resilience to evolving cyber threats. • A Cyber framework, which includes a suite of information security policies and standards, governs information security across Smartgroup. We continuously enhance our Cyber framework to reflect changes in the cyber security landscape. • We are ISO27001 Information Security Management certified for our core systems. • We continuously monitor our network and conduct vulnerability assessments to identify potential threats and conduct penetration testing of our critical IT assets. We conduct periodic “Red Team” exercises to simulate cyber-attacks on our systems to continuously enhance our cyber security. • We are committed to enhancing our system protection. Our multi-year cyber uplift project is an integral part of our security strategy to continually elevate Smartgroup’s resilience against cyber attacks. We continually refine our tools and processes to manage data security. • The Smartgroup Privacy Policy governs how we collect, use, disclose and hold personal information. We have procedures in place to manage customer records and the appropriate handling of customers’ personal information. • A continuous education program raises our team members’ awareness of privacy and cyber security threats.
Business resilience Like other companies, Smartgroup faces risks from IT system failures, cyber attacks, and loss of key suppliers, key team members or offices. Any major disruptions from systemic failure or sustained interruption could impair our operations, customer service levels and client retention.	• The Business Resilience and IT Disaster Recovery plans guide Smartgroup’s response to and recovery from major disruptive incidents. • We periodically test our ability to respond effectively to business interruptions and to further strengthen our business resilience. • We continually monitor and refresh our investment in our IT infrastructure and systems to protect and support the continuity of our operations. • We continually monitor our critical suppliers’ ability to serve our customers.
Business transformation The execution of Smartgroup’s strategy and focus on continuous improvement, introduce changes to our business operations (including processes, systems and team members). Change and transformation projects that are not well executed have the potential to cause significant disruptions and team member disengagement, resulting in loss of productivity, customer dissatisfaction and client losses.	• The Strategy & Transformation Office supports and leads important and cross-business-unit change initiatives. The Office provides centralised transparency of change initiatives, and streamlines our delivery processes, governance and reporting mechanism. • We manage Smartgroup’s project portfolio holistically to ensure projects are properly scheduled, coordinated, and resourced to facilitate successful project delivery and minimise unintended interruptions to business operations. • Project teams include business units affected by change initiatives to ensure the resulting impacts are considered and managed to mitigate risks.

Risks and opportunities	How we respond
Responsible use of Artificial Intelligence (AI) We continually seek opportunities to drive innovations and efficiencies in our business and to deliver more timely and tailored products and services to our clients and customers. Like other businesses, Smartgroup is adopting the use of AI. However, AI also presents new challenges and risks such as those relating to unintentional bias or unfair outcomes, data leakages, privacy violations, the provision of incorrect information and erosion of customer trust.	• We have a set of guidelines on the responsible use of AI and will continue to mature our suite of guidelines and reporting to seek to ensure the development and use of AI is appropriately governed. • An AI Governance forum (which includes management team members) provides governance over the AI Guidelines and reviews AI use cases to confirm compliance. • We monitor evolving regulatory developments to ensure we meet regulatory standards and expectations.
Macroeconomic uncertainties Adverse macro-economic conditions, such as high costs of living and high interest rates, could erode consumer confidence and may make car financing less affordable, dampening demand for novated leases.	• We continue to actively promote the tax savings benefit of novated leasing and salary packaging as an attractive way to relieve the cost-of-living pressures being experienced by customers. • We work with a range of financiers to maintain competitive dynamics and achieve favourable outcomes for our customers.
People/team members A stable and experienced management team is central to the success of Smartgroup in executing Smartgroup's strategy. The team has deep knowledge of the business and the industry, and strong relationships with key clients. The loss of key personnel may adversely affect Smartgroup. Smartgroup needs skilled team members to deliver on outstanding customer and client experiences. Low unemployment levels may impact Smartgroup's ability to retain current team members and recruit new team members.	• We develop our People Leaders' capability and talent to support ongoing succession planning. • Competitive remuneration structures, short-term and long-term incentive plans, flexible working arrangements, and diversity and inclusion support our ability to attract and retain key personnel and the successful execution of our strategy. We also invest in developing our team members to support a highly engaged and high-performance culture, and also to develop future leaders. • We conduct team member engagement surveys to collect feedback from our team members and to support the management team in maintaining an effective workforce.
Suppliers Smartgroup depends on several key suppliers to provide services and products such as technology, novated lease funding (see below), insurance and salary-packaging cards. The availability, performance, and reliability of their services and products are critical to the continuity of Smartgroup operations.	• We negotiate contracts with strong terms and contingencies to facilitate the continuity of services and products from key suppliers. • We perform a due diligence process before onboarding new material suppliers and monitor our key suppliers closely with the aim of identifying any risks to their ongoing delivery of services and products early, to mitigate the impact. • We diversify our exposure to key suppliers where possible to reduce the risk of single-supplier dependency.
Novated lease funding Smartgroup depends on financiers to provide funding for our novated leasing customers. Any loss of access to funding, material changes to the terms of funding for our customers, or change of a major financier could adversely affect Smartgroup's ability to attract or retain novated leasing customers.	• We have formal contractual agreements to govern our funding arrangements with financiers. Multi-year contractual agreements ensure continued access of funding at competitive terms. • Smartgroup has relationships and established funding arrangements with multiple financiers to provide choice and competitive funding rates for our customers.

Risks and opportunities	How we respond
Workplace Health and Safety Smartgroup is committed to providing a safe and healthy environment for our team members.	• Our priority is to protect the safety, health and wellbeing of our team members at all times. Our Work Health & Safety (WHS) Policy sets out our commitment to a safe work environment. • Mental health awareness training, tools and support are provided to managers and team members to promote awareness of physical and mental wellbeing. • Processes are in place for team members to report safety hazards and incidents. • We actively monitor relevant indicators to identify areas for improvement.
Key client contracts Most of Smartgroup's contracts with clients are for fixed terms and are subject to renewal or tender processes. In addition, some contracts can be terminated by the client without cause, prior to the end of the contract term. The loss of multiple key clients through termination or failure to renew is likely to affect Smartgroup's financial performance.	• We continually look to grow and diversify our business to progressively reduce the concentration on key clients over time. Revenue concentration risk associated with our largest contracts has gradually decreased over the years. • We actively engage with our key clients to ensure our products and services continue to meet their needs and expectations. • We monitor client and customer satisfaction through Net Promoter Scores (NPS) and customer feedback.
Competition The salary packaging and novated leasing industry is subject to increasing competition in respect of pricing, products and services, and lower-cost digital delivery platforms. Competition may also increase from mergers between existing competitors or the entry of new competitors. Smartgroup's competitive position in the market may deteriorate as a result of these factors, or if we fail to respond to changes in market conditions, customer demands or technology advancement. These may have possible consequences for client retention and profitability.	• Our strategy aims to continually transform our business operations to be even more customer-centric, and digitally enabled by: – delivering great customer experiences for both our clients and their employees; – investing in digital and AI to create a seamless customer experience and lower cost to serve; and – simplifying and streamlining operations to reduce complexity and risk. • We stay close to our clients and customers to continually improve our understanding of their needs and expectations so products and services can be tailored and delivered accordingly. • We invest in our core business and our team members to enable us to scale faster in response to customer and business needs, and new opportunities.
Sustainability Smartgroup recognises that our long-term success relies on the governance and sustainability of our business. While Smartgroup has a relatively small environmental footprint (team members' travel, energy use and office materials consumption), our actions could deliver negative environmental outcomes.	• The Board Environment, Social and Governance (ESG) Committee addresses risks related to sustainability as part of its scope of responsibilities. • A Board-endorsed Sustainability Strategy with a range of strong targets and initiatives is in place. The ESG Committee oversees action plans to achieve our sustainability goals. • Our Environment Policy sets out our environment management approach and activities that support the delivery of our environmental commitments. • See more in our Sustainability Report.

Risks and opportunities	How we respond
Climate change Smartgroup is exposed to a range of climate-change risks. These include climate-change risks associated with customer ownership of vehicles. Any climate-change legislation or changes in customer preferences that affect private car ownership or vehicle types (eg, increased adoption of zero or low emission vehicles (ZLEVs)) could have an impact on Smartgroup's financial performance if we fail to react quickly to changing conditions. Some customers may also defer their decision to acquire a new car as they choose to wait for improved ZLEV choice, availability and pricing, and supporting charging infrastructure.	• We monitor and assess developments relating to the impact of climate change on our strategy and operations. • The ESG Committee provides oversight on the social, environmental and ethical impact of our business activities. • We evaluate risks and opportunities associated with climate change (both physical and transitional aspects) as part of our overall risk-management practices. • We educate customers on ZLEVs and the benefits of novated leasing ZLEVs. • Smartgroup has relationships with ZLEV manufacturers to support our ability to source such vehicles for our customers. • See more in our Sustainability Report.
Modern Slavery Smartgroup does not tolerate or support the use of forced or compulsory labour, and we extend this approach throughout our supply chain. Our main supply chain activities include engaging with providers of IT, facilities, contractors and temporary staff, consulting and specialist advice, business development and marketing. We recognise the risk of not meeting our modern slavery obligations should our suppliers operate in a manner that is contrary to these obligations.	• Smartgroup's Group Procurement Policy incorporates provisions relating to prohibition on modern slavery. Defined standard modern slavery compliance terms and conditions are incorporated into all of our new supplier contracts and existing supplier contracts upon renewal. • Our Human Rights Policy sets out our commitment to the protection of human rights. • See more in our Modern Slavery Statement Report. • See more in our Sustainability Report.

The Directors present their report, together with the consolidated financial statements of Smartgroup Corporation Ltd (referred to hereafter as the 'Company' or 'parent entity') and the entities it controlled at the end of, or during, the financial year ended 31 December 2024 (referred to hereafter as the 'Group').

Directors

The following people were Directors of the Company during the financial year and up to the date of this report. Each director held that position from the start of the financial year until the date of this report, unless otherwise stated:

- John Prendiville
- Carolyn Colley
- Deborah Homewood
- Anne McDonald
- Mark Rigotti (appointed 1 February 2024)
- Ian Watt
- Scott Wharton
- Michael Carapiet (retired 8 May 2024)

Principal activities

During the financial year, the principal activities of the Group consisted of outsourced employee benefits and administration services, being primarily salary packaging, novated leasing and fleet management. The activities of the Group also included payroll administration and workforce optimisation services until the sale of the businesses conducting those activities, which was completed on 3 April and 17 July 2024 respectively.

Dividends

Dividends paid during the financial year were as follows:

	Date of payment		Cents per share		Total amount ($000)	
Consolidated	**2024**	**2023**	**2024**	**2023**	**2024**	**2023**
Final ordinary dividend	21 March	23 March	16.0	15.0	21,171	19,800
Special dividend	21 March	23 March	16.0	14.0	21,171	18,480
Interim ordinary dividend	23 September	22 September	17.5	15.5	23,454	20,589
Total			**49.5**	**44.5**	**65,796**	**58,869**

On 25 February 2025, the Directors declared a fully franked final ordinary dividend for the year ended 31 December 2024 of 20.0 cents per share. The final dividend will be paid on 21 March 2025 to shareholders registered on 7 March 2025, resulting in a total distribution of $26,691,000.

On 25 February 2025, after consideration of the Group's capital requirements, the Directors determined that a further return to shareholders is appropriate, and declared a fully franked special dividend of 11.0 cents per share, in respect of the 2024 financial year. The special dividend will be paid on 21 March 2025 to shareholders registered on 7 March 2025, with an expected total distribution of $14,680,000.

The financial effect of dividends declared after the reporting date is not reflected in the 31 December 2024 consolidated financial statements and will be recognised in subsequent financial reports.

The Directors further resolved to establish a profits reserve within the Company to preserve current profits for the purpose of paying dividends in future years. The amount to be transferred from retained earnings of $7,700,000 had not been declared at the reporting date and therefore is not reflected in the consolidated financial statements.

Review of operations

The Group's profit after income tax expense for the year amounted to $75,599,000 (2023: $61,919,000). Refer to the Chair's Review starting on page 8 and the Managing Director and CEO Review starting on page 12 for further commentary.

Significant changes in the state of affairs of the Group

Smartgroup sold 100% of its shares in Smartsalary Payroll Solutions on 3 April 2024, and divested its shares in Health-e Workforce Solutions on 17 July 2024.

John Prendiville commenced as Chairman on 8 May 2024 following Michael Carapiet's retirement from that role. Jason King commenced as CFO on 20 May 2024, while Anthony Dijanosic commenced his new role of Group Executive, Salary Packaging and Fleet on that date.

Matters subsequent to the end of the financial year

Since 31 December 2024, no matter or circumstance has arisen that has significantly affected or may significantly affect the Group's operations, the results of those operations or the Group's state of affairs in future financial years.

Likely developments and expected results of operations

Likely developments in the operations of the Group and the expected results of those operations are described in the report from our Managing Director and CEO starting on page 12.

Environmental regulation

The Group is not subject to any significant environmental regulation under Australian Commonwealth or State law.

Board of Directors

The following people were directors of Smartgroup Corporation Ltd during the financial year 2024 and up to the date of this report, unless otherwise stated.

John Prendiville
Board Chair (from 8 May 2024) and Non-Executive Director

Qualifications: John holds a Bachelor of Science (Hons) in Astrophysics from the Royal Military College, Duntroon, and a Master of Business Administration from the University of Western Australia and the Institute for International Finance in Japan.

Experience and expertise: John has more than 30 years' experience in the financial sector. He is a Director and Chair of Wilsons Advisory, a business focused on institutional grade stockbroking and private wealth advice in Australia. He is also a Director and Chair of the Finance and Investment Committee of the University of Notre Dame Australia. John is a shareholder and Director of Shift Financial Pty Ltd, a rapidly growing provider of finance to the SME space in Australia, and a range of other private companies with interests in the technology, property, industrial and fintech spaces. Previously, John held numerous senior roles at Macquarie Group, where he worked for 20 years until his departure in 2011.

Other listed company directorships held in last three years: None

Special responsibilities: Board Chair (from 8 May 2024), Board Deputy Chair (until 8 May 2024), member of the Human Resources and Remuneration Committee, IT and Innovation Committee, Audit and Risk Committee (from 8 May 2024) and the Environment, Social and Governance Committee (from 8 May 2024).

Interests in shares: 745,000

Interests in options: None

Scott Wharton
Managing Director and CEO

Qualifications: Scott holds a Bachelor of Science from the University of Sydney, a Bachelor of Laws from the University of Technology, Sydney (UTS), an Executive MBA from INSEAD and an Executive MBA from Tsinghua University (Beijing).

Experience and expertise: Scott joined Smartgroup in July 2023. Scott has more than 20 years' experience in financial services and regulated industries with a strong track record leading and transforming organisations. Scott has held executive positions in a number of organisations including as a Group Executive with Commonwealth Bank, and as a Managing Director with Citigroup in Hong Kong and New York. Scott is a Fellow and Adjunct Professor (Industry) at the UTS and a member of the Vice Chancellor's Industry Advisory Board, and is a Board member of Supply Nation.

Other listed company directorships held in last three years: None

Special responsibilities: None.

Interests in shares: 13,372

Interests in options[1]**:** 1,594,787

Deborah Homewood
Non-Executive Director

Qualifications: Deborah completed her registered nurse training at St Andrews Hospital, Queensland, and holds a Master of Management from Macquarie Graduate School of Management.

Experience and expertise: Deborah has many years of management experience in various sectors, including retail, the medical industry and communications. She was Managing Director of MAX Solutions from July 2012 until December 2022, and in January 2025 was appointed as the CEO of the Australian Disability Network for a term expiring on 28 August 2025. Before that, Deborah was CEO of Pacnet, Australia and New Zealand, an Asian-headquartered telecommunications carrier, where she also held various other senior roles including Vice President Sales, South Asia. Deborah is the Non-Executive Chair of Inherited Cancers Australia, a registered charity supporting people to understand and reduce their risk of hereditary cancer. She is also a member of Chief Executive Women and chaired the Membership Committee of that organisation from 2010 to 2012.

Other listed company directorships held in last three years: None.

Special responsibilities: Chair of the Human Resources and Remuneration Committee, member of the Audit and Risk Committee and IT and Innovation Committee.

Interests in shares: 10,000

Interests in options: None

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1. As noted on page 67, shares issued under the Company's Long Term Incentive Plan (LTI Plan) and performance rights issued under the Company's Short Term Incentive Plan (STI Plan) are disclosed as if they are options. The "options" disclosed here comprise 1,569,112 ordinary shares held under the LTI Plan and 25,675 performance rights held under the STI Plan as at 31 December 2024.

Ian Watt AC
Non-Executive Director

Qualifications: Ian holds a Bachelor of Commerce (Hons) from the University of Melbourne, a Master of Economics and a PhD in Economics from La Trobe University, and has completed the Advanced Management Program at Harvard Business School.

Experience and expertise: Ian worked for nearly 20 years at very senior levels of the Australian public service before making the change to the corporate sector. His most recent appointment in the public sector was as Secretary of the Department of the Prime Minister and Cabinet and head of the Australian Public Service, a position he held from 2011 to 2014. Before that, he was Secretary of the Departments of Defence, Finance, and Communications, Information Technology and the Arts between 2001 and 2011 and Deputy Secretary of the Department of the Prime Minister and Cabinet. Ian is the Chair of the International Centre for Democratic Partnerships and the ADC Advisory Council. He is also a member of the Board of the National Disability Insurance Agency, a member of the International Advisory Board for Veracity Worldwide, headquartered in New York City, and a Senior Advisor to Flagstaff Partners.

Other listed company directorships held in last three years: None.

Special responsibilities: Chair of the Environment, Social and Governance Committee and member of the Audit and Risk Committee and IT and Innovation Committee.

Interests in shares: 131,522

Interests in options: None

Carolyn Colley
Non-Executive Director

Qualifications: Carolyn holds a Bachelor of Economics from Macquarie University and a Diploma of Applied Finance and Investment. She is a Fellow of Chartered Accountants Australia and New Zealand and a Graduate of the Australian Institute of Company Directors.

Experience and expertise: Carolyn has more than 30 years' experience spanning financial services, product development and innovation. Carolyn was most recently Chief Operating Officer and co-founder of Faethm, a global analytics SaaS platform. Previously, she was CEO of Decimal Software Ltd and, before that, she held senior executive roles at Macquarie Bank, St George Bank and BT Financial Group. Carolyn is an Independent Non-Executive Director of Count Ltd (ASX: CUP) and ASX's Clearing and Settlement Boards, and is also a Director of Milford Asset Management, a New Zealand-based company.

Other listed company directorships held in last three years: Count Ltd (ASX: CUP) (current directorship, held since October 2020).

Special responsibilities: Chair of the IT and Innovation Committee and member of the Environment, Social and Governance Committee (until 1 January 2025), Audit and Risk Committee (from 1 January 2025) and Human Resources and Remuneration Committee.

Interests in shares: 7,000

Interests in options: None

Anne McDonald
Non-Executive Director

Qualifications: Anne is a Chartered Accountant, a Graduate of the Australian Institute of Company Directors and holds a Bachelor of Economics from the University of Sydney.

Experience and expertise: Anne has over 35 years' business experience in finance, accounting, auditing, risk management and governance. She is an experienced Director of public, private and government entities and has pursued a full-time career as a Non-Executive Director since 2006, having previously been a partner at Ernst & Young for 15 years. Anne is a Non-Executive Director of St Vincent's Health Australia Ltd, where she chairs the Audit and Risk committee.

Other listed company directorships held in last three years): Non-Executive Director of Link Administration Holdings Limited (ASX: LNK) (directorship held from July 2016 until May 2024).

Special responsibilities: Chair of Audit and Risk Committee and member of Environment, Social and Governance Committee.

Interests in shares: 25,000

Interests in options: None

Mark Rigotti
Non-Executive Director
(appointed 1 February 2024)

Qualifications: Mark is a qualified lawyer and a member of the Australian Institute of Company Directors. He holds a Bachelor of Arts and a Masters of Law from the University of Sydney and is a graduate of the Advance Management Program (Melbourne Business School) and Executive leadership programs from Harvard and Singularity Universities.

Experience and expertise: Mark is the Managing Director and Chief Executive Officer of the Australian Institute of Company Directors. His previous roles include serving as the Global CEO of Herbert Smith Freehills (HSF) where he was also a partner. He was also Chair of the firm's Global Executive, Chair of the Global Diversity & Inclusion Group and a Member of the HSF Global Partnership Council. Mark is a Director of Redkite Children's Charity and is a board member of the European Australian Business Council.

Other listed company directorships held in last three years: None.

Special responsibilities: Member of the Environment, Social and Governance Committee and Human Resources and Remuneration Committee (both from 20 March 2024).

Interests in shares: 21,650

Interests in options: None

Michael Carapiet
Board Chair and Non-Executive Director (retired 8 May 2024)

Qualifications: Michael holds a Master of Business Administration from Macquarie University.

Experience and expertise: Michael has more than 30 years' experience in the financial sector. Michael was previously the Chair of Link Administration Holdings Limited (ASX: LNK), a global provider of share registry, corporate market data analytics and asset management services, and the largest provider of administration services to the Australian superannuation sector. Michael has also served on several listed, State and Commonwealth Government boards including Southern Cross Media, SAS Trustee Corporation, icare, Infrastructure Australia, Clean Energy Finance Corporation and Export Finance Insurance Corporation.

Other listed company directorships held in last three years: Non-Executive Director of Link Administration Holdings Limited (ASX: LNK) (directorship held from June 2015 onwards, Link Administration Holdings Limited ceased to be listed in May 2024).

Special responsibilities (until retirement): Board Chair, member of the Audit and Risk Committee, Environment, Social and Governance Committee, Human Resources and Remuneration Committee, and IT and Innovation Committee.

Interests in shares: 2,381,412 (as at 8 May 2024)

Interests in options: None

Company Secretaries

Sophie MacIntosh was appointed Chief Legal Officer on 7 November 2016 and Joint Company Secretary on 13 December 2016. Sophie is an experienced legal and governance professional with more than 20 years' experience gained working in global law firms specialising in all aspects of corporate and commercial law. Sophie holds a Master of Laws from the University of Sydney and a Bachelor of Business and a Bachelor of Law from the University of Technology, Sydney.

Jonathan Swain was appointed as an additional Company Secretary effective 19 August 2019. Jonathan is a Senior Company Secretary with Company Matters Pty Ltd. He has previously worked in a range of legal, company secretarial and management roles. Jonathan is admitted as a solicitor in New South Wales and is a Fellow Member of the Governance Institute of Australia and a Graduate of the Australian Institute of Company Directors.

Meetings of Directors

The number of meetings of the Company's Board of Directors and each Board committee held during the year ended 31 December 2024, and the number of meetings attended by each director were as follows.

Director	Board		Audit and Risk Committee		Human Resources and Remuneration Committee		IT and Innovation Committee		Environment, Social and Governance Committee	
	H[1]	A[1]	H	A	H	A	H	A	H	A
John Prendiville	11	11	3	3	3	3	3	3	2	2
Carolyn Colley	11	11	–	–	3	3	3	3	3	3
Deborah Homewood	11	11	4	4	3	3	3	3	–	–
Anne McDonald	11	11	4	4	–	–	–	–	3	3
Mark Rigotti	11	10	–	–	2	2	–	–	2	2
Ian Watt	11	11	4	4	–	–	3	2	3	3
Scott Wharton	11	11	–	–	–	–	–	–	–	–
Michael Carapiet	5	5	1	1	1	1	1	1	1	1

1. Column H represents the number of meetings held during the year whilst the director held office or was a member of the relevant committee. Column A represents the numbers of those meetings attended by the director. In the case of committee meetings, column A records attendance by directors who are members of the relevant committee.

Introduction from the Chair of the Human Resources and Remuneration Committee

In 2024, consistent with the Executive Remuneration Framework described later in the Remuneration Report:

- remuneration for Executive Key Management Personnel (KMP) was structured to include an appropriate balance between a fixed component and a performance-based component (comprising a combination of short-term and long-term incentives), such that a significant part of the Executive KMP's total remuneration is linked to KPIs, company performance and shareholder returns;
- 50% of Executive KMP short-term incentives were conditional on the achievement of certain Group NPATA targets, with the other 50% conditional on the achievement of non-financial Group-based key performance indicators (KPIs) as set out in Table 3 on page 59, but only payable if a minimum overall Group NPATA target was achieved;
- subject to achievement of the relevant Group NPATA targets and non-financial Group-based KPIs, 50% of each Executive KMP's total potential short-term incentive entitlement was payable in cash, and the other 50% by awarding a number of performance rights under the Group's Short Term Incentive Plan in March 2024, with the number of performance rights vesting determined by reference to achievement of those targets and KPIs and vest over a 1-year period; and
- consistent with previous years, Executive KMP long term incentives were granted in the form of shares issued under the Group's Long Term Incentive Plan funded by way of interest-free loans, with vesting of these shares dependent on achievement of agreed earnings per share and relative total shareholder return targets over a three-year performance period ending 31 December 2026.

Details of the specific Group NPATA targets and non-financial Group-based KPIs approved by the Board for 2024 short term incentives, and the earnings per share and relative total shareholder return targets approved by the Board for the long term incentives granted in 2024, are set out later in the Remuneration Report.

During the year, there were a number of changes in Executive KMP:

- incoming Chief Financial Officer (CFO), Jason King is included as a member of KMP from 20 May 2024, the date on which Mr King's appointment commenced;
- former CFO, Anthony Dijanosic, ceased to be considered a member of KMP from 20 May 2024, the date on which Jason King assumed the CFO role. Mr Dijanosic's new role of Group Executive, Salary Packaging and Fleet, is not considered to be a KMP role; and
- former Chief Operating Officer (COO), Sarah Haas, ceased to be considered a member of KMP from 22 April 2024, the date on which Ms Haas's responsibilities as COO ceased. Ms Haas remained as an employee of the Group until January 2025, but not in a KMP role.

Key remuneration decisions and outcomes for 2024 affecting Executive KMP were as follows:

- fixed annual remuneration (FAR) for members of the Executive KMP was increased by an average of 8% following an executive remuneration market benchmarking exercise carried out in November 2023;
- The target short term incentive (STI) payment for the Managing Director and CEO in 2024 was 65% of FAR, which remains unchanged from 2023. The average target STI payment for the other members of the Executive KMP was 45% of FAR (2023: 51%) (see pages 56 to 57 for further details);
- the value of the long term incentives awarded to the Managing Director and CEO in 2024 remained at 130% of fixed annual remuneration, and so increased in absolute terms as a result of the increase in fixed annual remuneration, while the dollar value of long term incentives awarded to other members of Executive KMP remained unchanged (see pages 57 to 58 for further details);
- 94% of the total potential short-term incentives available to members of the Executive KMP for 2024 will be paid, and 87% of the performance rights issued to those members of Executive KMP in 2024 will vest (see page 59 for further details);
- 21% of the loan funded shares issued as long term incentives to continuing Executive KMP in 2022 vested in 2024, as the total shareholder return (TSR) result was in the 66th percentile, resulting in 82% of the TSR portion vesting. The earnings per share (EPS) did not meet the EPS hurdle and did not vest (see pages 60 to 61 for further details); and
- the Board determined that former COO, Sarah Haas, be treated as a Good Leaver for the purposes of the rules of the Smartgroup Loan Funded Share Plan, and that Ms Haas is therefore entitled to retain a number of unvested loan funded shares issued to her in 2023 and 2024 after the date on which her employment ceases, with those shares capable of vesting in December 2025 and December 2026 respectively having regard to the extent to which the performance conditions attached to those shares have been achieved (as determined by the Board at the relevant time).

Following a non-executive director fee benchmarking exercise carried out in November 2023, the remuneration payable to each non-executive director (including the Chair) was increased by $20,000 per annum (exclusive of superannuation), with effect from 1 July 2024. No change was made to the additional fees payable to non-executive directors for serving on Board Committees (see page 61 for further details).

Details of these decisions and outcomes are set out in more detail in the Remuneration Report. The Board believes that the 2024 remuneration outcomes fairly reflect the performance of the Company and Executive KMP.

We thank our shareholders for their support and welcome feedback on our Remuneration Report.

Deborah Homewood
Chair of the Human Resources and Remuneration Committee

About this report

The Remuneration Report describes the remuneration arrangements for the KMP of the Group for the year ended 31 December 2024. This report has been prepared in accordance with the requirements of section 300A of the Corporations Act 2001 and has been audited.

Who is covered by the report

The names and titles of the KMP during the year ended 31 December 2024 are set out below.

Name	Title	KMP for full year or part year
Non-Executive Directors		
John Prendiville	Board Chair[1] and Non-Executive Director	Full year
Carolyn Colley	Non-Executive Director	Full year
Deborah Homewood	Non-Executive Director	Full year
Anne McDonald	Non-Executive Director	Full year
Mark Rigotti	Non-Executive Director	Part year – became KMP on 1 February 2024 upon appointment as a Non-Executive Director
Ian Watt	Non-Executive Director	Full year
Michael Carapiet	Board Chair and Non-Executive Director	Part year – ceased to be KMP on 8 May 2024 upon resignation as Board Chair and Non-Executive Director
Continuing Executive KMP		
Scott Wharton	Managing Director and CEO	Full year
Jason King	Chief Financial Officer (CFO)	Part year – became KMP on 20 May 2024
Executives who ceased to be KMP during the year		
Anthony Dijanosic[2]	Former Chief Financial Officer (CFO)	Part year – ceased to be KMP on 20 May 2024
Sarah Haas[3]	Former Chief Operating Officer (COO)	Part year – ceased to be KMP on 22 April 2024

1 John Prendiville became Board Chair on 8 May 2024 following the retirement of Michael Carapiet. Prior to that, Mr Prendiville was the Deputy Chair.

2 Anthony Dijanosic ceased to be KMP with effect from 20 May 2024, the date on which Jason King assumed the role of Chief Financial Officer. From that date, Mr Dijanosic assumed the role of Group Executive, Salary Packaging and Fleet, which is not considered to be a KMP role. The disclosures in this report relating to Mr Dijanosic's remuneration cover the period for which Mr Dijanosic was KMP.

3 Sarah Haas ceased to be KMP with effect from 22 April 2024 following a restructure of the Group's Executive Leadership Team. Ms Haas remained as an employee of the group until 24 January 2025, but not in a KMP role. The disclosures in this report relating to Ms Haas's remuneration cover the period for which Ms Haas was KMP.

Executive KMP Remuneration Strategy

Smartgroup's Remuneration Strategy focuses Executive KMP on:

- sustained growth in earnings before interest, tax, depreciation and amortisation of intangibles, adjusted to exclude significant non-operating items (operating EBITDA) and net profit after tax, adjusted to exclude the non-cash tax-effected amortisation of intangibles and significant non-operating items (NPATA); and
- risk management and other key non-financial drivers of value.

The Board ensures that the remuneration of Executive KMP is:

- set in a way that is consistent with the strategy outlined above;
- transparent and clearly aligned to performance; and
- competitive but reasonable, and acceptable to shareholders.

The Board's Human Resources and Remuneration Committee (HRRC) assists the Board in fulfilling its corporate governance responsibilities, including reviewing and recommending remuneration arrangements for Directors and Executive KMP. The HRRC has structured an Executive Remuneration Framework that is competitive with the market and consistent with the overall Remuneration Strategy of the Group.

The Executive Remuneration Framework:

- is intended to attract, motivate and retain high-calibre executives who are critical to the organisation's growth and success;
- rewards team and individual performance, capability and experience;
- reflects competitive rewards for contributing to growth in shareholder wealth; and
- provides a clear structure for earning rewards.

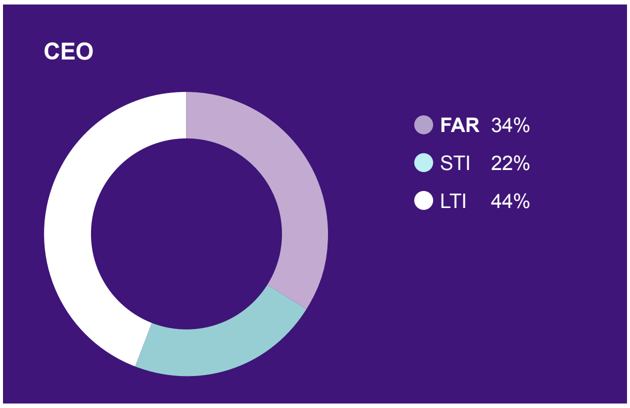
Components of Executive KMP remuneration

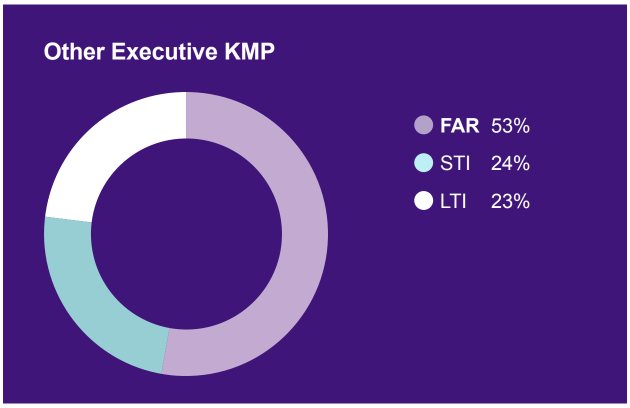
The Group aims to reward Executive KMP with a level and mix of remuneration based on position, responsibility and performance.

The Executive Remuneration and Reward Framework consists of four components:

- total fixed annual remuneration (FAR) comprising base salary, superannuation and non-monetary benefits;
- short-term performance incentives (STI);
- long-term performance incentives (LTI); and
- other statutory entitlements such as long service leave.

In alignment with its Remuneration Strategy, the Board's policy is to structure remuneration for Executive KMP so that it includes both a fixed component and an at-risk or performance-based component (comprising a combination of STI and LTI) such that a significant part of the Executive KMP's total remuneration is at risk.





The graphs above show the proportion of remuneration for the Managing Director and CEO, and other Executive KMP subject to performance conditions and the proportion that is fixed annual remuneration.

Further details on the components of Executive KMP remuneration are set out below.

Total fixed annual remuneration

Fixed annual remuneration, consisting of base salary, superannuation and non-monetary benefits, is reviewed annually by the HRRC, based on individual and business unit performance, the overall performance of the Group and comparable market remuneration.

Short-term incentives

Executive KMP are eligible to participate in the Company's Short-Term Incentive Program (STIP) in a manner determined by the Board. The STI Plan puts a proportion of each Executive KMP's remuneration at risk subject to meeting specific, predetermined performance measures linked to the Company's objectives set annually. This aligns employee interests with the Group's financial performance and the Group's organisational values. In setting STI entitlements, the Board and the HRRC have regard to comparative data from companies of a similar size. Data from competitors is also considered to ensure that the STI Plan remains competitive and attractive, and to incentivise the Executive Team to stay and to strive for exceptional performance.

Any amount that may be paid to the participants under the STI Plan is subject to the absolute discretion of the Board, after taking into account performance against KPIs, and any other matters determined by the Board to be relevant to its discretion including, without limitation, the conduct of the relevant Executive KMP.

In 2022, the Company established a new Short-Term Incentive Plan under which the Board may offer Executive KMP, and other eligible employees, options, performance rights and/or share appreciation rights (Awards) subject to vesting conditions, performance hurdles and/or exercise conditions approved by the Board. The terms of the STI Plan were approved by shareholders at the AGM held in May 2022.

The Board can structure STI payments for Executive KMP under the STI Plan so that they are payable partly in cash and partly by the issue of Awards under the STI Plan which only vest if the financial and non-financial KPIs and objectives approved by the Board are achieved. Any grant of securities under the STI Plan to the Managing Director and CEO is required to be approved by shareholders under the ASX Listing Rules. This approval will usually be sought at the Company's AGM.

Awards issued under the STI Plan lapse if relevant vesting conditions are not met or if the participant ceases employment before vesting (subject to the Board's discretion to permit vesting of Awards depending on the circumstances in which employment ceases). Where there is a change of control event, the Board may, at its discretion, determine that some or all of a participant's unvested Awards may vest.

The Board also has the discretion to issue Awards on terms that any ordinary shares received by the relevant participant on exercise of a vested Award are subject to disposal restrictions.

Long-term incentives

In early 2015, the Board established a Long-Term Incentive Plan (LTIP) for Executive KMP and other eligible employees, the terms of which were approved by shareholders at the 2015 AGM. Shareholders approved the future issue of shares under the LTI Plan as an exception to ASX Listing Rule 7.1 at the AGMs held in May 2018, May 2021 and May 2024.

The LTI Plan aligns reward with shareholder value by tying this component of executive remuneration to the achievement of performance measures that underpin sustainable long-term growth. Any grant of shares to the Managing Director and CEO under the LTI Plan is required to be approved by shareholders under the ASX Listing Rules. This approval is usually sought at the Company's AGM.

The LTI Plan is a loan-funded share plan. Shares are purchased by the participant and funded by a loan provided by the Company. The shares are held by the participant until they vest or are forfeited and are eligible for dividends. All dividends paid or distributions made by the Company to the participant are applied to repay the loan and to meet the tax liability on those dividends or distributions.

The loan is for five years from issue, is subject to limited recourse and is interest-free, as required by ASIC Class Order CO14/1000 (for offers made under the LTI Plan before 1 March 2023) and Division 1A of Part 7.12 of the Corporations Act and the ASIC Corporations (Employee Share Schemes) Instrument 2022/1021 (for offers made under the LTI Plan on or after 1 March 2023). The loan is repayable in full on the earlier of the termination date of the loan and the date on which the shares are sold. If the performance conditions are not met, or the shares do not vest for any other reason, the shares are bought back by the Company for the value of the outstanding loan.

Shares issued under the LTI Plan are forfeited if the performance hurdles are not met, or if the participant ceases employment before vesting (subject to the Board's discretion to permit vesting of shares depending on the circumstances in which employment ceases). Where there is a change of control event, the Board may, at its discretion, determine that some or all of a participant's unvested shares may vest.

From time to time, the Board may consider amending the vesting terms and the performance hurdles, to ensure they are aligned to market practice and to safeguard the best outcomes for the Company. Further, the Board has the absolute discretion to replace the issues of shares under the LTI Plan in any one or more years with issues of securities under the STI Plan or any other incentive plan approved by the Board.

2024 Executive KMP remuneration structure

Total fixed annual remuneration

Total fixed annual remuneration for Executive KMP in 2024, and a comparison with total fixed annual remuneration in 2023, is set out below:

Name and role	2024 FAR	2023 FAR
Scott Wharton, Managing Director and CEO	$900,000	$850,000
Jason King, CFO (from 20 May 2024)	$600,000	N/A
Anthony Dijanosic, CFO (until 20 May 2024)[1]	$470,000	$400,000
Sarah Haas, COO (until 22 April 2024)[2]	$463,000	$453,000

1. Anthony Dijanosic ceased to be KMP with effect from 20 May 2024, the date on which Jason King assumed the role of Chief Financial Officer. From that date, Mr Dijanosic assumed the role of Group Executive, Salary Packaging and Fleet, which is not considered to be a KMP role.
2. Sarah Haas ceased to be KMP with effect from 22 April 2024 following a restructure of the Group's Executive Leadership Team. Ms Haas remained as an employee of the group until 24 January 2025 but not in a KMP role.

Short-term incentives

Target STI

Participants in the STI Plan have a target STI payment set every year as a percentage of their FAR. In 2024, this target was:

- 65% of FAR for Managing Director and CEO, Scott Wharton (2023: 65%); and
- an average of 45% of FAR for the other Executive KMP (2023: 51%).

KPIs and conditions to payment of STI

Under the 2024 STI arrangements approved by the Board for Executive KMP:

- if a gateway Group NPATA of $67.0 million is achieved, a separate payment of up to 50% of the STI target amount may become payable based on the achievement of specific non-financial Group-based KPIs in the areas of customer, strategic initiatives (including sustainability), risk and people;
- 25% of the STI target amount is payable on the achievement of target Group NPATA of $68.0 million, rising on a straight-line basis to 50% of STI target amount on achievement of Group NPATA of $70.0 million;
- For the CEO if the target Group NPATA of $70.0 million is exceeded, a further "outperformance" payment of up to 20% of the STI target amount is payable for Group NPATA between $70.0 million and $73.0 million, rising on a straight-line basis.

The Board has absolute discretion to determine the amount of any payments made under the STI Plan after taking into account the above factors and any other matters the Board considers relevant.

Details of the specific non-financial Group-based KPIs approved by the Board for 2024, and the extent to which they were achieved, are set out in Table 3 on page 59.

Jason King received a $150,000 sign-on bonus after completing his probation period. This was paid in October 2024.

Form of payment of STI

Other than the sign-on bonus described in the paragraph above, 50% of the STI amount payable to Executive KMP will be paid in cash. The balance of the STI entitlement for each Executive KMP is realised by the awarding of performance rights under the Plan that vest over a period of one year. In 2024, the Board determined that:

- the number of performance rights to be issued to each member of Executive KMP (other than the incoming CFO, Jason King) is calculated by dividing the dollar amount equal to 50% of the Executive KMP's STI target amount by the volume weighted average price (VWAP) of Smartgroup shares over the 10-day trading period commencing on the trading day immediately after release of the 2023 full-year results, adjusted for any dividends declared; and

- the number of performance rights to be issued to the incoming CFO, Jason King, is calculated by dividing the dollar amount equal to 50% of Mr King's STI target amount by the VWAP of Smartgroup shares over the 10-day trading period commencing on the trading day immediately after the date of the Company's 2024 Annual General Meeting.

Performance rights issued under the STI Plan

The following performance rights were issued to Executive KMP under the STI Plan in respect of 2024 remuneration:

- an aggregate total of 21,197 performance rights were issued to Anthony Dijanosic (CFO until 20 May 2024) and Sarah Haas (COO until 22 April 2024) on 21 March 2024, with the number of rights determined based on a 10-day VWAP of $10.0252;
- 29,176 performance rights were issued to Managing Director and CEO, Scott Wharton, on 13 May 2024, with the number of rights determined based on a 10-day VWAP of $10.0252. Approval for the issue of these performance rights was obtained under ASX Listing Rule 10.14 at the Company's 2024 Annual General Meeting; and
- 9,259 performance rights were issued to incoming CFO, Jason King, on 3 June 2024, with the number of rights determined based on a 10-day VWAP of $8.2881.

All performance rights were issued subject to the following terms and conditions:

- the number of performance rights that vest, if any, is calculated by reference to the extent that the relevant KPIs and conditions to payment of STI described above have been met;
- each performance right that vests can be exercised in accordance with the terms of the STI Plan for one ordinary share; and
- any shares issued on the exercise of performance rights will be subject to a holding lock expiring on 31 December 2025 (that is, one year after the end of the financial year in respect of which the relevant performance rights formed part of the Executive KMP's remuneration).

Fair value

The performance rights granted under the STI Plan are in substance equivalent to options. The fair value of the performance rights used for grant allocation purposes was calculated using the spot price on the grant date. The fair value is different to the issue price, which is based on a 10-day VWAP as described above under the heading "Form of payment of STI".

Retention payments and cash bonuses

The company paid a one off sign on bonus of $150,000 to Jason King (less applicable tax and following the successful completion of a probation period).

Long-term incentives

Number and price of shares issued

Participants in the LTI Plan are granted a number of shares based on a proportion of the relevant executive's FAR. For 2024:

- the LTI Plan grant to Managing Director and CEO, Scott Wharton, was 130% of full year FAR; and
- the average LTI Plan grant to other Executive KMP was 42% of FAR (2023: 47%),

in each case as measured by the fair value of the shares on the grant allocation date, that is, when the number of shares to be issued was determined.

Under the 2024 LTI plan:

- an aggregate total of 216,218 shares were issued to Anthony Dijanosic (CFO until 20 May 2024) and Sarah Haas (COO until 22 April 2024) on 22 March 2024 at an issue price of $9.7853 per share, being the 20-day VWAP of shares up to and including the trading day immediately before the date of issue, with VWAP for the period prior to the ex-dividend date being reduced by the amount of declared dividends;
- 632,433 shares were issued to Managing Director and CEO, Scott Wharton, on 13 May 2024 at an issue price of $9.4842 per share, being the 20-day VWAP of shares up to and including the trading day immediately before the date of the Company's 2024 Annual General Meeting. Approval for the issue of these shares was obtained under ASX Listing Rule 10.14 at the Company's 2024 Annual General Meeting; and
- 82,958 shares were issued to Jason King (CFO), on 4 June 2024 at an issue price of $9.4842 per share, being the 20-day VWAP of shares up to and including the trading day immediately before the date of the Company's 2024 Annual General Meeting.

Vesting of shares

Vesting of 75% of the shares issued under the 2024 LTI Plan grant is subject to an earnings per share performance hurdle where earnings per share (EPS) is calculated based on the Company's reported NPATA. Vesting of the other 25% of the shares issued under the 2024 LTIP grant is subject to a total shareholder return (TSR) hurdle. The performance hurdles are described in more detail below. Shares issued under the 2024 LTI Plan grant will vest on 31 December 2026 if the relevant performance hurdles are met, and the shares have not previously been forfeited.

The shares awarded under the LTI Plan are economically equivalent to options. The principal value of the LTI Plan grant to members of Executive KMP therefore comes through the increase in market value of the shares over the issue price. This provides further alignment with shareholder interests and further links remuneration with Company performance.

The 2023 LTI Plan grants vesting on 31 December 2025 have been issued on the same terms as the 2024 LTI Plan.

EPS performance hurdle

The EPS performance hurdle applies to 75% of the total number of shares issued to each member of Executive KMP under the 2024 LTI Plan grant.

The EPS performance hurdle is based on achievement of a compound annual growth rate (CAGR) in the Company's EPS (based on NPATA) from the 2023 EPS of $0.476 (calculated on the basis of reported 2023 NPATA of $63.2 million and 132.8 million shares on issue) to the EPS for the financial year ending on 31 December 2026, as set out in the table below.

Table 1: EPS performance hurdle

EPS performance hurdle – applies to a maximum of 75% of the total number of shares issued under the 2024 LTI Plan grant

Measure	Vesting period	EPS CAGR %	EPS target $	Shares subject to vesting %
EPS CAGR (based on NPATA)	The period of three years ending 31 December 2026[1]	Below 4.0		Nil
		4.0	$0.535	50
		Between 4.0 and 8.0		Straight line between 50 and 100
		8.0 or greater	$0.599	100 (capped)

1. Or such other date on which the Board makes a determination as to whether the vesting condition has been met.

The EPS CAGR targets for the 2024 LTI Plan grant range from 4.0% (for 50% vesting) to 8.0% (for 100% vesting). These CAGR targets are consistent with the targets approved by the Board in 2023. The Board considers that the 2024 EPS performance hurdle remains an appropriate target.

TSR performance hurdle

The TSR performance hurdle applies to 25% of the total number of shares issued to each member of Executive KMP under the 2024 LTI Plan grant.

TSR measures the growth in the market price of shares plus cash distributions notionally reinvested in shares. Each of the companies in the S&P/ASX 200 Index is ranked from highest to lowest based on its TSR over the performance measurement period, being the three-year period starting on 1 January 2024 and ending on 31 December 2026. For the purpose of calculating the TSR, the relevant share prices are determined by reference to the VWAP over the 20 trading days up to and including 1 January 2024 (the performance measurement period start date) and the 20 trading days up to and including 31 December 2026 (the performance measurement period end date).

The TSR hurdle is based on the TSR performance of the Company over the performance measurement period compared to the TSR of companies in the S&P/ASX 200 Index, as set out in the table below.

The Board believes it is appropriate to have a proportion of the shares awarded under the LTI Plan to be subject to a TSR performance hurdle to provide a market-based hurdle.

Table 2: Relative TSR performance hurdle

TSR performance hurdle – applies to a maximum of 25% of the total number of shares issued under the 2024 LTI Plan grant

Measure	Vesting period	Smartgroup TSR performance compared to index (percentile)	Shares subject to vesting %
Relative TSR (ranking)	The period of three years ending 31 December 2026[1]	Less than 50th percentile	Nil
		50th percentile	50
		50th to 75th percentile	Straight line between 50 and 100
		75th to 100th percentile	100

1. Or such other date on which the Board makes a determination as to whether the vesting condition has been met.

Fair value

The shares granted as part of the LTI Plan are accounted for as options. The fair value of the shares used for grant allocation purposes was calculated using Black-Scholes-Merton simulations in respect of the EPS hurdles and Monte Carlo simulations in respect of the TSR hurdles. Refer to page 57 for further details on the calculation of the fair value. The fair value is different to the issue price, which is based on a 20-day VWAP as described above under the heading "Number and price of shares issued".

2024 Executive KMP remuneration outcomes

STI – achievement of KPIs and financial outcomes

The Company reported 2024 Group NPATA of $72.4 million, which is higher than target Group NPATA of $70.0 million, and is greater than the $67.0 million gateway for short-term incentive payments for achievement of non-financial Group-based KPIs. Refer to page 72 for a reconciliation of statutory results to adjusted results (NPATA). The overriding risk management condition described on page 54 was satisfied, and accordingly, for Executive KMP:

- 50% of the Executive KMP's STI target amount is payable for achievement of the target Group NPATA; and
- an additional 16% of the CEO's STI target amount is payable for Group NPATA outperformance; and
- short-term incentive payments for achievement of non-financial Group-based KPIs are to be made having regard to the Board's assessment of the extent to which those KPIs were achieved, as set out in the table below:

Table 3: 2024 non-financial KPIs for Executive KMP and achievement

	Metric	CEO Weighting[1]	CEO Performance	CFO Weighting[1]	CFO[2] Performance	COO Weighting[1]	COO[3] Performance
Financial metric (50% of STI)	$70m NPATA	50%	50%	50%	50%	50%	50%
Non-financial metrics (50% of STI)							
Client and customer	Growth in customers Customer feedback	10%	8%	10%	8%	20%	16%
Strategic initiatives	Various strategic initiatives including sustainability	20%	20%	20%	20%	10%	10%
Risk	Maintain risk culture survey score Risk monitoring and milestones	10%	10%	10%	10%	10%	10%
People	Employee engagement	10%	0%	10%	0%	10%	0%
Outcome			**88%**		**88%**		**86%**

1. This is the percentage of the overall target STI amount for each named KMP role which is payable for full achievement of the relevant KPI.
2. The CFO performance was measured across the 2024 year and applied to Anthony DIjanosic for the first four months of the year and to Jason King for the final eight months of the year.
3. The COO performance was measured across the period for which Sarah Haas was KMP, up to 22 April 2024.

The table below shows the actual STI outcome for all continuing Executive KMP for the year ended 31 December 2024 in absolute terms and as a percentage of their target STI opportunity, under the STI arrangements approved by the Board.

Table 4: 2024 STIP outcomes

Name of executive	Target STI[1] amount $	Percentage of target STI achieved %	Cash payment $	Number of performance rights vesting	Number of performance rights lapsing
Scott Wharton	585,000	102.1	339,649	25,675	3,501
Jason King[2]	153,472	88.0	67,528	8,148	1,111
Anthony Dijanosic[3]	200,000	86.0	33,131	8,579	1,396
Sarah Haas	225,000	86.0	29,871	9,651	1,571

1. Target STI amount does not include the potential additional STI amount for the CEO for outperformance of NPATA. Refer to page 56 for further details.
2. Jason King's target STI has been proportioned to reflect the date he became KMP (20 May 2024), while the target STI for other executives is for the full year.
3. Anthony Dijanosic's percentage of STI achieved reflects performance in the CFO role to 20 May 2024 and performance in the role of Group Executive, Salary Packaging and Fleet for the remainder of the year.

LTI – vesting of shares subject of 2022 grant under the LTI Plan

Shares issued under the 2022 LTI Plan grant had a vesting period ending on 31 December 2024. The vesting of these shares was subject to the achievement of an EPS hurdle (based on NPATA) and a TSR hurdle.

Shares subject to EPS hurdle

The EPS hurdle applied to 75% of the shares issued under the 2022 LTI Plan grant. It was based on the CAGR in the Company's EPS (based on NPATA) from the pro-forma 2021 EPS of $0.521. As at 31 December 2024, EPS (based on NPATA) was $0.541, which represents a CAGR of 1% from the pro-forma 2021 EPS. This result means that none of the shares issued under the 2022 LTI Plan grant that are subject to the EPS hurdle have vested. For the two Executive KMP who participated in the 2022 LTI Plan grant, the vesting of these shares is reflected in Tables 13 and 15 below.

Shares subject to TSR hurdle

The TSR hurdle applied to 25% of the LTI Plan shares issued under the 2022 LTI Plan grant. The Company's TSR performance was measured to be in the 66^{th} percentile of the S&P/ASX 200 Index. This result means that 82% of the shares issued under the 2022 LTI Plan grant that are subject to the TSR hurdle have vested. For the two Executive KMP who participated in the 2022 LTI Plan grant, the vesting of these shares is reflected in Tables 13 and 15 below.

The Company engaged PricewaterhouseCoopers to provide external verification of the above calculation.

Link between Executive KMP remuneration outcomes and financial performance

In considering the Group's performance, the benefit to shareholders and appropriate remuneration for executives, the Board, through the HRRC, has regard to financial and non-financial indices, including the ones shown in the table below in respect of the current financial year and the previous four financial years.

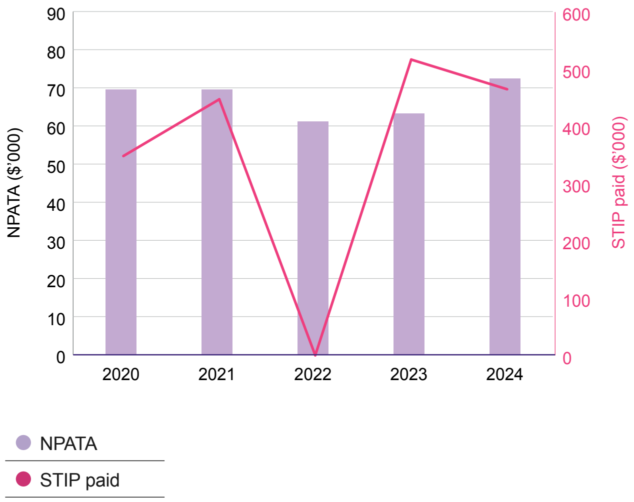
Table 5: Indices relevant to the Board's assessment of the Group's performance and the benefit to shareholders

Index	2020	2021	2022	2023	2024
NPATA ($m)	65.2	69.5	61.2	63.2	72.4
EPS (cents)	49.1	52.1	45.8	47.6	54.1
Ordinary dividends declared in respect of the financial year – per share (cents)	34.5	36.5	32.0	31.5	37.5
Special dividends declared in respect of the financial year – per share (cents)[1]	9.0	35.5	14.0	–	27.0
Share price – year-end ($)	6.89	7.75	5.10	8.72	7.77
Three-year TSR performance compared to S&P/ASX 200 (percentile)	33	24	31	82	66

1. On 20 February 2024, the directors declared a special dividend of 16.0cps as an interim dividend in respect of the 2024 financial year.

The graph below illustrates the relationship between the Group's performance and STI awards in respect of the financial year ended 31 December 2024 and the preceding four financial years.

Table 6: Relationship between the Group's performance and STI outcomes



The graph below illustrates the relationship between the Group's performance and LTI awards in respect of the financial year ended 31 December 2024 and the preceding four financial years.

Table 7: Relationship between the Group's performance and LTI outcomes

Year	2020	2021	2022	2023	2024
3-year EPS CAGR %	(1)	(4)	(9)	(1)	1
EPS vesting %	–	–	–	–	–
TSR percentile %	33	24	31	82	66
TSR vesting %	–	–	–	100	82

Non-Executive Directors' remuneration

Fees and payments to non-executive directors reflect the time committed by, and the responsibilities of, these directors. The Board decides the total amount paid to each non-executive director as remuneration for their services as a director. The total amount of fees paid to all directors for their services (excluding, for these purposes, the salary of any executive director) must not exceed the amount determined from time to time by the Company in general meeting. The aggregate sum includes any special and additional remuneration for special exertions and additional services performed by a director as determined appropriate by the Board.

The limit on the aggregate remuneration for non-executive directors was increased from $1,300,000 to $1,450,000 by a resolution passed at the AGM held in May 2022. Any further increase to the aggregate annual sum referred to above would require further approval by shareholders.

Following a non-executive director fee benchmarking exercise carried out in November 2023, the remuneration payable each non-executive director (including the chair) was increased by $20,000 per annum (exclusive of superannuation), with effect from 1 July 2024. The current fees (exclusive of superannuation) paid to the current non-executive directors are:

- $250,000 per annum for the chair ($230,000 per annum until 30 June 2024); and
- $120,000 per annum for each other non-executive director ($100,000 per annum until 30 June 2024).

In addition to the above:

- the deputy chair is paid $20,000 per annum (this role was held by current Chair John Prendiville until 8 May 2024 when Mr Prendiville became the Chair, but the Board has not appointed a replacement deputy chair);
- the chair of the Audit and Risk Committee is paid $25,000 per annum;
- each other member of the Audit and Risk Committee (other than the Chair of the Board) is paid $12,500 per annum;
- the chairs of each of the Environment, Social and Governance Committee, the Human Resources and Remuneration Committee and the IT and Innovation Committee are paid $20,000 per annum; and
- each other member of those committees (other than the Chair of the Board) is paid $10,000 per annum per committee.

The chair does not receive a separate fee for acting as a member of the Board committees on which he serves.

These additional fees remain unchanged from 2023.

In addition to the fees, superannuation contributions and GST, if applicable, are paid in each case. There are no retirement benefit schemes for non-executive directors, other than statutory superannuation contributions.

Detailed remuneration disclosures

Statutory remuneration details for 2024 and 2023

Details of the remuneration of the KMP of the Group are set out in the following tables in accordance with the Corporations Act 2001 and the Accounting Standards. Details of the KMP are set out on page 54.

Table 8: 2024 remuneration

	Short-term benefits			Post-employment benefits	Long-term benefits		
	Cash salary and fees[1] $	STIP – Cash bonus[2] $	STIP – Performance rights expense $	Superannuation $	Annual and long service leave[3] $	Net LTIP expense[4] $	Total $
Non-executive Directors							
John Prendiville	202,500	–	–	22,900	–	–	225,400
Carolyn Colley	149,500	–	–	16,844	–	–	166,344
Deborah Homewood	152,000	–	–	17,150	–	–	169,150
Anne McDonald	144,500	–	–	16,281	–	–	160,781
Mark Rigotti[5]	120,000	–	–	13,367	–	–	133,367
Ian Watt	152,500	–	–	17,181	–	–	169,681
Michael Carapiet[6]	81,613	–	–	8,977	–	–	90,590
Executive Directors							
Scott Wharton	858,835	339,649	257,519	28,666	(12,691)	1,257,747	2,729,725
Other Executive KMP							
Jason King[7]	353,497	217,528	67,528	21,816	(981)	32,445	691,833
Anthony Dijanosic[8]	172,150	33,131	33,131	13,699	23,735	19,281	295,727
Sarah Haas[9]	142,700	29,871	29,871	10,843	16,346	6,018	235,649
Total	2,530,395	620,179	388,049	187,724	26,409	1,315,491	5,068,247

1. Cash salary and fees includes salary packaged benefits including leased motor vehicles and FBT payable on these items.
2. Includes a one-off sign-on bonus and cash bonuses paid under the STI Plan as detailed in the 2024 executive remuneration information on page 56.
3. The amounts disclosed in this column represent the change in associated leave provisions. They may be negative where more leave is taken than accrued during the year.
4. Net LTI expense can be negative where there are forfeitures resulting from termination of employment and/or the reversal of LTI expense in relation to EPS hurdles that are not met.
5. Mark Rigotti was appointed as a non-executive director with effect from 1 February 2024.
6. Michael Carapiet retired as a director on 8 May 2024.
7. Jason King commenced in the role of Chief Financial Officer on 20 May 2024. The STI – cash bonus column for Mr King includes a one-off sign-on bonus of $150,000.
8. Anthony Dijanosic ceased to be KMP with effect from 20 May 2024, the date on which Jason King assumed the role of Chief Financial Officer. From that date, Mr Dijanosic assumed the role of Group Executive, Salary Packaging and Fleet, which is not considered a KMP role. The disclosures in this report relating to Mr Dijanosic's remuneration cover the period for which Mr Dijanosic was a member of KMP.
9. Sarah Haas ceased to be KMP with effect from 22 April 2024 following a restructure of the Group's Executive Leadership Team. Ms Haas remained as an employee of the group until 24 January 2025 but not in a KMP role. The disclosures in this report relating to Ms Haas's remuneration cover the period for which Ms Haas was KMP.

Table 9: 2023 remuneration

	Short-term benefits			Post-employment benefits	Long-term benefits		
	Cash salary and fees $	STIP – Cash bonus[1] $	STIP – Performance rights expense $	Superannuation $	Annual and long service leave[2] $	Net LTIP expense[3] $	Total $
Non-executive Directors							
Michael Carapiet	230,000	–	–	24,725	–	–	**254,725**
John Prendiville	142,500	–	–	15,319	–	–	**157,819**
Carolyn Colley	139,750	–	–	15,023	–	–	**154,773**
Deborah Homewood	132,250	–	–	14,479	–	–	**146,729**
Anne McDonald	134,750	–	–	14,704	–	–	**149,454**
Ian Watt	142,500	–	–	15,319	–	–	**157,819**
Executive Directors							
Scott Wharton[4]	378,658	243,811	96,311	13,699	23,449	414,406	**1,170,334**
Other Executive KMP							
Anthony Dijanosic	373,654	134,400	58,662	26,346	(19,173)	44,505	**618,394**
Sarah Haas	426,654	303,469	52,804	26,346	16,062	32,296	**857,631**
Total	**2,100,716**	**681,680**	**207,777**	**165,960**	**20,338**	**491,207**	**3,667,678**

1. Includes accruals for one off retention bonuses (with service periods ending February 2024), and cash bonuses paid under the STI Plan.
2. The amounts disclosed in this column represent the change in associated leave provisions. They may be negative where more leave is taken than accrued during the year.
3. Net LTI expense can be negative where there are forfeitures resulting from termination of employment and/or the reversal of LTI expense in relation to EPS hurdles that are not met.
4. Scott Wharton commenced in the role of CEO on 17 July 2023 and was appointed as a director on 25 July 2023. The STI – cash bonus column for Mr Wharton includes a one-off sign-on bonus of $150,000.

Other transactions with KMP

Cost reimbursements of $11,432 were paid to KMP in 2024 (2023: $8,360).

Table 10: Cost reimbursements to KMP

Reimbursements to key management personnel	2024 $	2023 $
Non-Executive Directors		
John Prendiville	3,992	–
Carolyn Colley	–	–
Deborah Homewood	–	–
Anne McDonald	260	–
Mark Rigotti	–	–
Ian Watt	6,100	7,450
Michael Carapiet[1]	447	–
Executive Directors		
Scott Wharton[2]	423	295
Other Executive KMP		
Jason King[3]	210	–
Anthony Dijanosic[4]	–	320
Sarah Haas[5]	–	295
Total	**11,432**	**8,360**

1. Michael Carapiet retired as a director on 8 May 2024.
2. Scott Wharton commenced in the role of CEO on 17 July 2023 and was appointed as a director on 25 July 2023.
3. Jason King commenced in the role of Chief Financial Officer on 20 May 2024.
4. Anthony Dijanosic ceased to be KMP with effect from 20 May 2024, the date on which Jason King assumed the role of Chief Financial Officer. From that date, Mr Dijanosic assumed the role of Group Executive, Salary Packaging and Fleet, which is not considered to be a KMP role. The disclosures in this report relating to Mr Dijanosic's remuneration cover the period for which Mr Dijanosic was KMP.
5. Sarah Haas ceased to be KMP with effect from 22 April 2024 following a restructure of the Group's Executive Leadership Team. Ms Haas remained as an employee of the group until 24 January 2025, but not in a KMP role. The disclosures in this report relating to Ms Haas's remuneration cover the period for which Ms Haas was KMP.

There were no other transactions with KMP in the period.

Proportion of remuneration linked to performance

The proportion of remuneration paid to the KMP of the Group that is linked to performance is set out in the table below.

Table 11: Proportion of remuneration

	Fixed remuneration %		At risk – STI %		At risk – LTI %	
	2024	2023	2024	2023	2024	2023
Non-executive Directors						
John Prendiville	100	100	–	–	–	–
Carolyn Colley	100	100	–	–	–	–
Deborah Homewood	100	100	–	–	–	–
Anne McDonald	100	100	–	–	–	–
Mark Rigotti	100	–	–	–	–	–
Ian Watt	100	100	–	–	–	–
Michael Carapiet[1]	100	100	–	–	–	–
Executive Directors						
Scott Wharton[2]	32	36	22	29	46	35
Other Executive KMP						
Jason King[3]	69	–	25	–	6	–
Anthony Dijanosic[4]	70	70	23	22	7	8
Sarah Haas[5, 6]	72	64	25	32	3	4

1. Michael Carapiet retired as a director on 8 May 2024.
2. Scott Wharton commenced in the role of CEO on 17 July 2023 and was appointed as a director on 25 July 2023.
3. Jason King commenced in the role of Chief Financial Officer on 20 May 2024.
4. Anthony Dijanosic ceased to be KMP with effect from 20 May 2024, the date on which Jason King assumed the role of Chief Financial Officer. From that date, Mr Dijanosic assumed the role of Group Executive, Salary Packaging and Fleet, which is not considered to be a KMP role. The disclosures in this report relating to Mr Dijanosic's remuneration cover the period for which Mr Dijanosic was KMP.
5. Sarah Haas ceased to be KMP with effect from 22 April 2024 following a restructure of the Group's Executive Leadership Team. Ms Haas remained as an employee of the group until 24 January 2025 but not in a KMP role. The disclosures in this report relating to Ms Haas's remuneration cover the period for which Ms Haas was KMP.
6. Percentages for 2023 exclude accrued retention payments, as they are neither fixed remuneration nor linked to performance, and the retention period end date is after 31 December 2023.

Service agreements

Non-Executive Directors

Non-executive directors do not have fixed-term contracts with the Company. On appointment to the Board, all non-executive directors enter into a service agreement with the Company in the form of a letter of appointment. The letter summarises the terms appointment, including compensation.

Executive directors

Remuneration and other terms of employment for executive directors are formalised in service agreements. Details of the service agreements in place with executive directors during the financial year are as follows.

Name	Scott Wharton
Role title	Managing Director and Chief Executive Officer
Commencement date	17 July 2023
Term of agreement	No fixed term. Mr Wharton's employment will continue until terminated by either party in accordance with the agreement.
Remuneration	During his employment Mr Wharton is entitled to receive fixed annual remuneration of $900,000 inclusive of superannuation entitlements. Mr Wharton is eligible to participate in the Smartgroup STI Plan with a maximum full year payment of 65% of fixed salary inclusive of superannuation. Payments under the STI Plan are payable as 50% cash and 50% performance rights issued under the Company's STI Plan. Shares issued on vesting of performance rights issued under the STI Plan will be subject to a further holding lock for 12 months following the end of the performance rights vesting period. The issue of performance rights will be subject to approval by shareholders in accordance with the ASX Listing Rules. The amount of any payment to Mr Wharton under the STI Plan in respect of any financial year will be determined by the Board having regard to: • the overall financial performance of Smartgroup against the budget approved by the Board for that financial year; • Smartgroup's overall performance against key performance indicators and objectives for Smartgroup approved by the Board for that financial year; and • Mr Wharton's own overall performance against personal key performance indicators and objectives approved by the Board. The Board has absolute discretion to determine the amount of any payment to Mr Wharton under the STI Plan after taking into account the above factors and any other matters the Board considers relevant, including Mr Wharton's conduct. Mr Wharton is also eligible to participate in the LTI Plan with the future issues of shares to Mr Wharton under the LTI Plan and the terms on which they are issued being at the discretion of the Board.
Termination	The employment contract may be terminated by either party giving 12 months' written notice or, in the case of termination by the Group, by payment in lieu of notice. The Group may terminate the employment contract immediately and without payment for notice or payment in lieu of notice in the event of serious misconduct or other specified circumstances. There is no contractual entitlement to termination payments in the event of termination.
Post-employment restrictions	Mr Wharton has agreed to certain post-employment restrictions which apply for up to 12 months from the date of termination of employment. The enforceability of these restrictions is subject to all usual legal requirements.

Other Executive KMP

Other Executive KMP have employment agreements setting out the terms and conditions of their employment. The agreements are not of a fixed duration. These agreements provide for:

- total compensation inclusive of a base salary and superannuation contribution;
- eligibility to receive potential short-term incentive payments and to participate in the LTI Plan;
- termination by either party giving six months' written notice, or in the case of termination by the Group, payment in lieu of notice;
- immediate termination by the Group without payment in lieu of notice in the event of serious misconduct or other specific circumstances;
- no entitlement to termination payments in the event of termination; and
- certain post-employment restrictions that apply for up to six months from the date of termination of employment, the enforceability of which is subject to all usual legal requirements.

Share-based compensation disclosures

Bonus shares and cash offers

No bonus shares were issued or cash offers made to directors or other members of KMP as part of compensation during the year ended 31 December 2024 or the year ended 31 December 2023.

LTI Plan and STI Plan

As described above, the Company has established an LTI Plan for Executive KMP and other senior management. The LTI Plan is in the form of a loan funded share plan. The securities issued under the LTI Plan are ordinary shares that are held subject to escrow until vesting. The terms of the LTI Plan are therefore such that the benefits to participants are similar to the benefits that would be received had the participant been granted options – that is, the participant benefits from the increase in the market price over the issue price of the share. Details of the performance conditions attaching to these shares are disclosed in Tables 1 and 2 on page 58.

Also as described above, the Company has established an STI Plan. Under the STI Plan, Performance Rights have been issued for nil consideration, with vesting of those performance rights conditional on achievement of individual targets and KPIs. As with the securities issued under the LTI Plan, the benefits to participants are similar to the benefits that would be received had the participant been granted options – that is, the participant benefits from the increase in the market price of shares that may be received on exercise of the performance rights.

Accordingly, for the purposes of compliance with the Corporations Act 2001 in relation to the disclosure of details of options, the Company provides the information in Tables 12 to 16 below in relation to the shares issued under the LTI Plan and performance rights issued under the STI Plan.

Table 12: Loan-funded shares issued under LTI Plan with performance periods ending in the future

KMP	Grant date	Performance period	Earliest exercise date	Expiry date	Exercise price	Number of shares issued	Fair value price at grant date (EPS) $	Fair value price at grant date (TSR) $	Total fair value at grant date $	Performance achieved %
Jason King	20 May 2024	Three years to 31 December 2026	1 January 2027	26 May 2029	$9.48	82,958	$1.64	$1.72	$35,673	To be determined
Scott Wharton	8 May 2024	Three years to 31 December 2026	1 January 2027	7 May 2029	$9.48	632,433	$1.64	$1.72	$271,947	To be determined
Anthony Dijanosic	22 March 2024	Three years to 31 December 2026	1 January 2027	21 March 2029	$9.79	108,109	$1.88	$1.98	$53,515	To be determined
Sarah Haas	22 March 2024	Three years to 31 December 2026	1 January 2027	21 March 2029	$9.79	108,109	$1.88	$1.98	$53,515	To be determined
Scott Wharton	10 May 2023	Three years to 31 December 2025	1 January 2026	9 May 2028	$6.92	936,679	$2.39	$2.33	$545,617	To be determined
Anthony Dijanosic	8 March 2023	Three years to 31 December 2025	1 January 2026	7 March 2028	$5.98	169,535	$2.14	$2.00	$84,769	To be determined
Sarah Haas	8 March 2023	Three years to 31 December 2025	1 January 2026	7 March 2028	$5.98	169,535	$2.14	$2.00	$84,769	To be determined

Table 13: Loan-funded shares issued under LTI Plan with a vesting period ending on 31 December 2024

KMP	Grant date	Performance period	Exercise date	Expiry date	Exer-cise price $	Number of non-forfeited shares[1]	Fair value price at grant date (EPS)	Fair value price at grant date (TSR) $	Perfor-mance achieved %	Number of shares vested at 31 December 2024[2]	% Vested at 31 December 2024
Anthony Dijanosic	8 March 2022	Three years to 31 December 2024	1 January 2025	7 March 2027	$7.57	134,193	$1.87	$1.78	21%	27,510	21%
Sarah Haas	8 March 2022	Three years to 31 December 2024	1 January 2025	7 March 2027	$7.57	134,193	$1.87	$1.78	21%	27,510	21%

1. Prior to performance determination by the Board.
2. As determined by the Board on 13 February 2025.

Table 14: Performance rights issued under the STI Plan with a vesting period ending on 31 December 2024

Name	Grant Date	Performance period	Exercise date	Expiry date	Exercise price $	Number of non-forfeited rights[1]	Fair value price at grant date $	Performance achieved %	Number of rights vested at 31 December 2024[2]	% vested at 31 December 2024
Scott Wharton	8 May 2024	Year ended 31 December 2024	1 January 2025	7 May 2029	0.00	29,176	10.03	88%	25,675	88%
Jason King	20 May 2024	Year ended 31 December 2024	1 January 2025	19 May 2029	0.00	9,259	8.12	88%	8,148	88%
Anthony Dijanosic	22 March 2024	Year ended 31 December 2024	1 January 2025	21 March 2029	0.00	9,975	9.34	86%	8,579	86%
Sarah Haas	22 March 2024	Year ended 31 December 2024	1 January 2025	21 March 2029	0.00	11,222	9.34	86%	9,651	86%

1. Prior to performance determination by the Board.
2. As determined by the Board on 13 February 2025.

Table 15: Long term incentives granted to KMP as remuneration as at 31 December 2024

Name	Balance at start of year – unvested	Granted during year as compensation – LTI Plan	Vested in year	Forfeited[1]	Balance at end of year – unvested	Balance at end of year – vested but unexercised[2]	Balance at end of year – vested and unvested
Scott Wharton	936,679	632,433	–	–	1,569,112	–	1,569,112
Jason King[3]	–	82,958	–	–	82,958	–	82,958
Anthony Dijanosic[4]	303,728	108,109	(27,510)	(106,683)	277,644	59,884	337,528
Sarah Haas[5]	303,728	108,109	(27,510)	(229,183)	155,144	63,481	218,625
Total KMP	**1,544,135**	**931,609**	**(55,020)**	**(335,866)**	**2,084,858**	**123,365**	**2,208,223**

1. Shares forfeited relate to the part of the LTI Plan grants on 8 March 2022 and 11 May 2022, which did not vest (see Table 13 above).
2. The shares listed in this column are loan-funded shares which have vested but in respect of which the holder has not repaid in full the loan advanced to them and which remain subject to a holding lock. Vested shares are "exercised" under the terms of the LTI Plan by the holder repaying the outstanding loan amount on those shares, following which the holding lock on those shares is released.
3. Jason King commenced in the role of Chief Financial Officer on 20 May 2024.
4. Anthony Dijanosic ceased to be KMP with effect from 20 May 2024, the date on which Jason King assumed the role of Chief Financial Officer. From that date, Mr Dijanosic assumed the role of Group Executive, Salary Packaging and Fleet, which is not considered to be a KMP role. The disclosures in this table relating to Mr Dijanosic's LTI Plan grants cover the full year, and not just the period for which Mr Dijanosic was KMP.
5. Sarah Haas ceased to be KMP with effect from 22 April 2024 following a restructure of the Group's Executive Leadership Team. Ms Haas remained as an employee of the group until 24 January 2025, but not in a KMP role. The disclosures in table relating to Ms Haas's LTI Plan grants cover the full year, and not just the period for which Ms Haas was KMP.

Table 16: Short term incentives granted to KMP as remuneration as at 31 December 2024

Name	Balance at start of year – unvested	Granted as compensation – STIP	Vested in year	Forfeited[1]	Balance at end of year – unvested	Balance at end of year – vested but unexercised	Balance at end of year – vested and unvested
Scott Wharton	–	29,176	(25,675)	(3,501)	–	25,675	25,675
Jason King[2]	–	9,259	(8,148)	(1,111)	–	8,148	8,148
Anthony Dijanosic[3]	–	9,975	(8,579)	(1,396)	–	8,579	8,579
Sarah Haas[4]	–	11,222	(9,651)	(1,571)	–	9,651	9,651
Total KMP	**–**	**59,632**	**(52,053)**	**(7,579)**	**–**	**52,053**	**52,053**

1. Short term incentives forfeited relate to performance rights granted during 2024 which did not vest.
2. Jason King commenced in the role of Chief Financial Officer on 20 May 2024.
3. Anthony Dijanosic ceased to be a member of KMP with effect from 20 May 2024, the date on which Jason King assumed the role of Chief Financial Officer. From that date, Mr Dijanosic assumed the role of Group Executive, Salary Packaging and Fleet, which is not considered to be a KMP role. The disclosures in this table relating to Mr Dijanosic's LTI Plan grants cover the full year, and not just the period for which Mr Dijanosic was KMP.
4. Sarah Haas ceased to be a member of KMP with effect from 22 April 2024 following a restructure of the Group's Executive Leadership Team. Ms Haas remained as an employee of the group until 24 January 2025, but not in a KMP role. The disclosures in table relating to Ms Haas's LTI Plan grants cover the full year, and not just the period for which Ms Haas was KMP.

The following long-term and short-term incentives were granted to officers who are among the five highest remunerated officers of the company, but are not key management personnel and hence not disclosed in the remuneration report.

Director and Executive KMP shareholdings

The number of shares in the Company held during the financial year by each director and other members of the KMP, including their personally related parties, is set out in the table below.

These numbers do not include unvested shares issued under the LTI Plan or shares issued under the LTI Plan that are vested but unexercised as at 31 December 2024.

Table 17: Director and Executive KMP shareholdings

	Balance at start of year including exercised LTIP	Received on the exercise of STIP[1]	Value of STIP exercised $	Received on the exercise of LTIP[2]	Value of LITP exercised $	Other additions	Disposals	Other change	Balance at end of year
Non-Executive Directors									
John Prendiville	675,000	–	–	–	–	70,000	–	–	745,000
Carolyn Colley	7,000	–	–	–	–	–	–	–	7,000
Deborah Homewood	6,618	–	–	–	–	3,382	–	–	10,000
Anne McDonald	21,000	–	–	–	–	4,000	–	–	25,000
Mark Rigotti[3]	–	–	–	–	–	21,650	–	–	21,650
Ian Watt	126,522	–	–	–	–	10,000	(5,000)	–	131,522
Michael Carapiet[4]	2,392,746	–	–	–	–	–	–	–	2,392,746
Executive Directors									
Scott Wharton	–	13,266	141,946	–	–	106	–	–	13,372
Other Executive KMP									
Jason King[5]	–	–	–	–	–	–	–	–	–
Anthony Dijanosic[6]	23,836	9,554	102,228	–	–	106	–	(33,496)	N/A
Sarah Haas[7]	291	8,600	92,020	35,971	342,084	–	(35,971)	(8,891)	N/A
Total	**3,253,013**	**31,420**	**336,194**	**35,971**	**342,084**	**109,244**	**(40,971)**	–	**3,388,677**

1. These shares were issued in February 2024 on the exercise of performance rights which vested in the year ended 31 December 2023. The shares were subject to a holding lock which expired on 31 December 2024.
2. This column comprises vested shares issued under the LTI Plan which are "exercised" under the terms of the LTI Plan by the holder repaying the outstanding loan amount on those vested shares, following which the holding lock on those shares is released.
3. Mark Rigotti was appointed as a non-executive director with effect from 1 February 2024.
4. Michael Carapiet's holdings disclosed in this table include 11,334 shares held by related parties in which Mr Carapiet does not have a relevant interest. Mr Carapiet retired as a director on 8 May 2024. The figure included in the column headed "Balance at end of year" for Mr Carapiet represents Mr Carapiet's shareholding at the date of his retirement.
5. Jason King commenced in the role of Chief Financial Officer on 20 May 2024.
6. Anthony Dijanosic ceased to be KMP with effect from 20 May 2024, the date on which Jason King assumed the role of Chief Financial Officer. From that date, Mr Dijanosic assumed the role of Group Executive, Salary Packaging and Fleet, which is not considered to be a KMP role.
7. Sarah Haas ceased to be KMP with effect from 22 April 2024 following a restructure of the Group's Executive Leadership Team. Ms Haas remained as an employee of the group until 24 January 2025, but not in a KMP role.

This concludes the Remuneration Report, which has been audited.

Shares under option

As at 31 December 2024, there were 2,207,356 unvested shares held by employees under the LTI Plan (being shares issued under the 2023 and 2024 LTI Plan grants). The LTI Plan shares are legally held by the employees. However, employees cannot deal in the shares until the vesting conditions are satisfied, and the loan is fully repaid. These have been treated as options in accordance with AASB 2 *Share-based Payment* issued by the Australian Accounting Standards Board.

In addition, the following options were granted to officers who are among the five highest remunerated officers of the Company and the Group, but are not KMP and hence not disclosed in the remuneration report:

Name of officer	Type	Grant date	Fair value price at grant date $	Number of shares/ rights granted
Sophie MacIntosh	LTIP	8 March 2024	$1.88	108,109
	STIP	22 March 2024	$9.34	8,977

Shares issued on the exercise of options and performance rights

No ordinary shares of Smartgroup Corporation Ltd were issued on the exercise of options during the year ended 31 December 2024 and up to the date of this report. A total of 64,333 ordinary shares of Smartgroup Corporation Ltd were issued on the exercise of performance rights during the year ended 31 December 2024 and up to the date of this report.

Indemnity and insurance of officers

The Company has indemnified the directors and certain executives of the Company for costs incurred in their capacity as a director or executive, for which they may be held personally liable, except where there is a lack of good faith. During the financial year, the Group paid a premium in respect of a contract to insure the directors and certain executives of the Company against a liability to the extent permitted by the Corporations Act 2001. The contract of insurance prohibits disclosure of the nature of the liability and the amount of the premium.

Indemnity and insurance of auditor

The Company has not, during or since the end of the year, indemnified or agreed to indemnify the auditor of the Company or any related entity against a liability incurred by the auditor. During the year, the Company has not paid a premium in respect of a contract to insure the auditor of the Company or any related entity.

Proceedings on behalf of the Company

No person has applied to the Court under section 237 of the Corporations Act 2001 for leave to bring proceedings on behalf of the Company, or to intervene in any proceedings to which the Company is a party for the purpose of taking responsibility on behalf of the Company for all or part of those proceedings.

Non-audit services

Details of the amounts paid or payable to the auditor for non-audit services provided during the financial year by the auditor are outlined in note 36 to the financial statements.

The Directors are satisfied that the provision of non-audit services during the financial year by the auditor (or by another person or firm on the auditor's behalf) is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001.

The Directors are of the opinion that the services disclosed in note 36 to the financial statements do not compromise the external auditor's independence requirements under the Corporations Act 2001 for the following reasons:

- All non-audit services have been reviewed and approved to ensure that they do not impact the integrity and objectivity of the auditor.
- None of the services undermine the general principles relating to auditor independence as set out in APES 110 Code of Ethics for Professional Accountants issued by the Accounting Professional Ethical Standards Board, including reviewing or auditing the auditor's own work, acting in a management or decision-making capacity for the Company, acting as advocate for the Company or jointly sharing economic risks and rewards.

Officers of the Company who are former partners of KPMG

There are no officers of the Company who are former partners of KPMG.

Rounding of amounts

The Company is of a kind referred to in ASIC Legislative Instrument 2016/191, relating to the rounding off of amounts in the Directors' report. Amounts in the Directors' report have been rounded off in accordance with the instrument to the nearest thousand dollars, or in certain cases, the nearest dollar.

Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out on the following page.

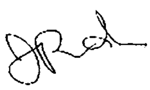
Auditor

KPMG continues in office in accordance with section 327 of the Corporations Act 2001.

Resolution of Directors

This report is made in accordance with a resolution of Directors, pursuant to section 298(2)(a) of the Corporations Act 2001.

On behalf of the Directors



John Prendiville
Chair of the Board

25 February 2025
Sydney

Reconciliation of Statutory Results to Adjusted Results

For the year ended 31 December 2024

$ million	CY2024	CY2023
Revenue	305.8	251.6
Product costs	(13.9)	(9.6)
Net revenue	**291.9**	**242.0**
Operating EBITDA	**118.7**	**100.3**
One-off costs[1]	(0.7)	(1.6)
Joint venture contribution	0.2	0.3
Segment results	**118.2**	**99.0**
Net finance costs	(3.4)	(3.0)
Depreciation expense	(6.6)	(5.0)
Amortisation expense	(4.2)	(2.9)
Gain on sale of businesses	3.7	–
PBT (statutory)	**107.7**	**88.1**
Income tax expense	(32.1)	(26.2)
NPAT (statutory)	**75.6**	**61.9**
Add back: tax-effected gain on sale of businesses	(3.7)	–
Addback: tax-effected one-off costs	0.5	1.2
Add back: tax-effected amortisation of acquired intangibles, and cash tax benefit	–	0.1
NPATA	**72.4**	**63.2**
Shares on issue (millions)	133.9	132.8
NPATA per share (cps)	54.1	47.6

1. Merger and acquisition transaction costs $0.7m (31 December 2023: restructuring costs $0.8m and CEO transition costs $0.8m).

Lead Auditor's Independence Declaration under Section 307C of the Corporations Act 2001

To the Directors of Smartgroup Corporation Ltd

I declare that, to the best of my knowledge and belief, in relation to the audit of Smartgroup Corporation Ltd for the financial year ended 31 December 2024 there have been:

i. no contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the audit; and

ii. no contraventions of any applicable code of professional conduct in relation to the audit.

KPMG

KPMG

Hopkins

Karen Hopkins

Partner

Sydney

25 February 2025

Financial statements

Financial Report 2024 Smartgroup Corporation Ltd
31 December 2024 ABN 48 126 266 831

For more information on our annual results, please visit **smartgroup.com.au**

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2024

Consolidated	Note	2024 $'000	2023 $'000
Revenue	3	305,842	251,609
Share of profits from joint venture accounted for using the equity method		196	304
Expenses			
Product costs		(13,938)	(9,558)
Employee benefits expense		(124,071)	(103,816)
Administration and corporate expenses		(37,457)	(33,511)
Occupancy expenses	6	(1,597)	(1,535)
Advertising and marketing expenses		(8,277)	(2,948)
Depreciation expense	6	(6,615)	(5,021)
Amortisation of acquired intangible assets	6	(54)	(136)
Amortisation of contract rights and internally developed intangibles	6	(4,114)	(2,770)
Other expenses		(1,812)	(1,499)
Operating profit		**108,103**	**91,119**
Gain on sale of business		3,673	–
Finance income	6	1,997	746
Finance costs	6	(5,421)	(3,755)
Merger and acquisition transaction costs		(667)	(15)
Profit before income tax expense		**107,685**	**88,095**
Income tax expense	7	(32,086)	(26,176)
Profit after income tax expense attributed to the ordinary equity holders		**75,599**	**61,919**
Other comprehensive income			
Items that may be subsequently reclassified to profit or loss			
Net change in fair value of cash flow hedges taken to equity, net of tax		(108)	(694)
Other comprehensive income, net of tax attributed to the ordinary equity holders		**(108)**	**(694)**
Total comprehensive income attributed to the ordinary equity holders		**75,491**	**61,225**

		Cents	Cents
Basic earnings per share	5	58.3	47.7
Diluted earnings per share	5	58.0	47.7

The above Consolidated Statement of Profit or Loss and Other Comprehensive Income should be read in conjunction with the accompanying notes.

Consolidated Statement of Financial Position

As at 31 December 2024

Consolidated	Note	2024 $'000	2023[1] $'000
ASSETS			
Current assets			
Cash and cash equivalents	19	34,648	32,794
Restricted cash and cash equivalents[1]	20	245,067	141,091
Trade and other receivables	11	30,528	19,937
Income tax receivable	7	2,947	–
Other assets	12	6,936	6,054
Assets classified as held for sale	13	–	1,129
Total current assets		**320,126**	**201,005**
Non–current assets			
Deferred tax assets	7	11,478	15,287
Intangible assets	9	298,123	285,433
Property and equipment	10	21,087	14,289
Right–of–use assets	18	2,480	4,379
Derivative financial instruments	22	63	172
Total non–current assets		**333,231**	**319,560**
Total assets		**653,357**	**520,565**
LIABILITIES			
Current liabilities			
Trade and other payables	14	39,650	35,291
Customer salary packaging liability[1]	20	245,067	141,091
Provisions	15	17,477	15,341
Contract liabilities	16	6,668	8,079
Income tax payable	7	–	1,375
Lease liabilities	18	1,203	3,830
Other liabilities	17	3,152	2,042
Liabilities directly associated with assets classified as held for sale	13	–	625
Total current liabilities		**313,217**	**207,674**
Non–current liabilities			
Provisions	15	1,549	1,302
Contract liabilities	16	304	1,343
Lease liabilities	18	849	1,731
Borrowings	21	79,155	64,693
Total non–current liabilities		**81,857**	**69,069**
Total liabilities		**395,074**	**276,743**
Net assets		**258,283**	**243,822**
EQUITY			
Issued capital	25	264,106	263,418
Reserves	27	17,358	13,388
Accumulated losses		(23,181)	(32,984)
Equity attributable to the owners of Smartgroup Corporation Ltd		**258,283**	**243,822**
Total equity		**258,283**	**243,822**

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

1. The prior period balance has been adjusted to be consistent with the current year. For more details refer to note 2 – basis of preparation.

Consolidated Statement of Changes in Equity

For the year ended 31 December 2024

Consolidated	Note	Issued capital $'000	Reserves $'000	Retained earnings/ (accumulated losses) $'000	Total equity $'000
Balance at 1 January 2023		**263,418**	**12,958**	**(36,034)**	**240,342**
Profit for the year		–	–	61,919	61,919
Other comprehensive income, net of tax		–	(694)	–	(694)
Total comprehensive income for the year		**–**	**(694)**	**61,919**	**61,225**
Transactions with owners in their capacity as owners:					
Share–based payments	27	–	1,124	–	1,124
Dividends provided for or paid	8	–	–	(58,869)	(58,869)
Balance at 31 December 2023		**263,418**	**13,388**	**(32,984)**	**243,822**

Consolidated	Note	Issued capital $'000	Reserves $'000	Retained earnings/ (accumulated losses) $'000	Total equity $'000
Balance at 1 January 2024		**263,418**	**13,388**	**(32,984)**	**243,822**
Profit for the year		–	–	75,599	75,599
Other comprehensive income, net of tax		–	(108)	–	(108)
Total comprehensive income for the year		**–**	**(108)**	**75,599**	**75,491**
Transactions with owners in their capacity as owners:					
Share–based payments	27	–	4,078	–	4,078
Contributions of equity, net of tax	25	688	–	–	688
Dividends provided for or paid	8	–	–	(65,796)	(65,796)
Balance at 31 December 2024		**264,106**	**17,358**	**(23,181)**	**258,283**

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

Consolidated Statement of Cash Flows

For the year ended 31 December 2024

Consolidated	Note	2024 $'000	2023 $'000
Cash flows from operating activities			
Receipts from customers (including GST)		352,523	292,410
Payments to suppliers and employees (including GST)		(243,903)	(198,714)
Transaction costs relating to mergers and acquisitions		(667)	(15)
Interest received from restricted cash		7,314	5,953
Interest and transaction costs paid on borrowings		(4,962)	(3,595)
Interest paid on lease liabilities	18	(498)	(706)
Income taxes paid		(32,264)	(30,135)
Net cash inflow from operating activities	31	**77,543**	**65,198**
Net cash inflow/(outflow) in restricted cash from salary packaging receipts and payments		**103,976**	**(8,209)**
Cash flows from investing activities			
Proceeds from sale of business	13	3,216	–
Payments for internally developed software and websites	9	(11,998)	(909)
Payments for property and equipment	10	(11,209)	(8,522)
Payments for contract rights		(4,860)	–
Dividends received from joint venture		650	–
Interest received		1,358	746
Net cash outflow from investing activities		**(22,843)**	**(8,685)**
Cash flows from financing activities			
Proceeds from borrowings	21	15,000	11,100
Dividends paid	8	(65,796)	(58,869)
Proceeds from long term incentive plan		1,938	876
Principal repayments on lease liabilities	18	(3,988)	(3,533)
Net cash outflow from financing activities		**(52,846)**	**(50,426)**
Net increase in cash and cash equivalents		**1,854**	**6,087**
Cash and cash equivalents at the beginning of the year		32,794	26,707
Cash and cash equivalents at the end of the year		**34,648**	**32,794**
Restricted cash at the beginning of the year		141,091	149,300
Net increase/(decrease) in restricted cash and cash equivalents		**103,976**	**(8,209)**
Restricted cash at the end of the year		**245,067**	**141,091**

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2024

Note 1. General information

The consolidated financial statements cover Smartgroup Corporation Ltd (referred to as the 'Company' or 'parent entity') and its subsidiaries (collectively referred to as the 'Group'). The consolidated financial statements are presented in Australian dollars, which is Smartgroup Corporation Ltd's functional and presentation currency.

Smartgroup Corporation Ltd is a listed public company limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business is:

Level 8, 133 Castlereagh Street
Sydney, Australia, 2000

A description of the nature of the Group's operations and its principal activities is included in the Directors' Report, which is not part of the financial statements.

The consolidated financial statements were authorised for issue, in accordance with a resolution of Directors, on 25 February 2025. The Directors have the power to amend and reissue the consolidated financial statements.

Note 2. Basis of preparation

These general purpose consolidated financial statements have been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board (AASB) and the *Corporations Act 2001*. These consolidated financial statements also comply with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB). Smartgroup Corporation Ltd is a for-profit entity for the purpose of preparing the consolidated financial statements.

Historical cost convention

The financial statements have been prepared on the basis of historical cost, except for the revaluation of financial instruments. Cost is based on the fair values of the consideration given in exchange for assets.

Net current asset position

As at 31 December 2024, the Group had net current assets of $6,909,000.

As at the end of the prior year, the Group had net current liabilities of $6,669,000.

The Group has prepared projected cash flows for the 12 months from the date of the Directors' Declaration. These forecasts indicate that the Group is expected to generate sufficient levels of operating cash flows to enable it to pay its debts as when they fall due.

Further, the Group currently has undrawn debt facilities of $40,000,000 that may be drawn for operational liquidity purposes, with these facilities maturing on 28 September 2028. These factors support the Group's ability to continue as a going concern.

Parent entity information

In accordance with the Corporations Act 2001, these financial statements present the results of the Group only. Supplementary information about the parent entity is disclosed in note 30.

Presentation of restricted cash

The Group administers funds on behalf of customers as part of the salary packaging service. The restricted cash in the Consolidated Statement of Financial Position represents funds held by the Group on behalf of certain customers. The use of these funds is restricted to the making of salary packaging payments on behalf of those customers only and therefore not available for general use. The Group recognises a liability for all restricted cash balances to reflect the amounts owing to its customers.

There is judgement involved in determining whether these funds are assets owned and controlled by the Group under the Accounting Standards. The judgement relates to the benefits received from holding the restricted cash and the operational obligation underpinning the services provided by the Group, while recognising the restricted cash is not available for general use to settle the Group's liabilities.

The Group has recognised restricted cash and the associated liability of $245,067,000 on the Consolidated Statement of Financial Position at 31 December 2024. In the prior period $141,091,000 of restricted cash was not recognised as an asset of the Group and was instead disclosed as an off-balance sheet arrangement. The Group has determined that this cash meets the definition of an asset for the Group and has changed the comparatives to include this amount within current assets with a corresponding current liability as at 31 December 2023. The impact of this change as at 1 January 2023 was a $113,280,000 increase to total assets and liabilities, with no impact to net assets.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2024

Note 2. Basis of preparation (continued)

	Year ended 31 December 2023 $'000	Change $'000	Adjusted 31 December 2023 $'000
Current cash			
Restricted cash and cash equivalents	38,053	103,038	141,091
Total current assets	**97,967**	**103,038**	**201,005**
Current liabilities			
Customer salary packaging liability	38,053	103,038	141,091
Total current liabilities	**104,636**	**103,038**	**207,674**

Comparatives

Where relevant, certain comparative figures may be restated to conform with the current year financial statement presentation.

Rounding of amounts

These consolidated financial statements are presented in Australian dollars which is the Company's functional currency. The Group is of a kind referred to in ASIC Corporations (Rounding in Financial/ Directors' Reports) Instrument 2016/191 and in accordance with that instrument, amounts in the consolidated financial statements and directors' report have been rounded off to the nearest thousand dollars, unless otherwise stated.

Critical accounting judgements, estimates and assumptions

The preparation of consolidated financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgements and estimates in relation to assets, liabilities, revenue and expenses.

Management bases its judgements, estimates and assumptions on historical experience and on other factors that management believes to be reasonable under the circumstances, including expectations of future events. The resulting accounting judgements and estimates will seldom equal the eventual actual results. The judgements, estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Goodwill and other intangible assets

Goodwill and other intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired, in accordance with the accounting policy stated in note 9. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of assumptions, including estimated discount rates based on the current cost of capital and growth rates of the estimated future cash flows.

Expected credit loss

Inputs used in assessing expected credit losses relating to trade receivables and other receivables are subject to uncertainty. Using the Group's own direct experience/ knowledge as well as forward looking information, obtained by reviewing external analyst reports and public forecasts, the inputs to these estimates were stress-tested, with the carrying values re-evaluated.

For more detailed information about key assumptions used in estimating expected credit losses, see note 11.

Operations provision

The Group exercises judgement in measuring and recognising provisions relating to its operations, including potential customer and supplier disputes. Judgement is necessary in assessing the likelihood that a claim will arise, and to quantify the possible range of financial settlements. Because of the inherent uncertainty in this evaluation process, actual losses may be different from the originally estimated provision.

Note 3. Revenue

Consolidated	2024 $'000	2023 $'000
Sales revenue		
Products and services commissions	202,441	154,440
Administration and management fees	80,026	75,831
Performance fees and rebates	18,092	18,102
Revenue from contracts with customers	**300,559**	**248,373**
Leased fleet revenue	5,283	3,236
Statutory revenue	**305,842**	**251,609**

Accounting policy for revenue recognition

The Group recognises revenue when it transfers control over a product or a service to a customer. Revenue is measured based on the consideration specified in a contract with a customer and excludes amounts collected on behalf of third parties. Amounts disclosed as revenue are net of returns, trade allowances, rebates and amounts collected on behalf of third parties.

Nature of goods and services

The following is a description of the principal activities from which the Group generates its revenue.

For more detailed information about reportable segments, see note 4.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2024

Note 3. Revenue (continued)

Products and services commissions

The Group earns upfront commissions from suppliers relating to the financing and sourcing of vehicles, and the sale of certain insurance products and auxiliary products. The revenue recognised for the performance of services is the agreed fee for the services, with revenue recognised upon delivery of the product or service to the customer. For revenue recognised at a point in time, such as vehicle sourcing services for customers, revenue is recognised when the customer gains control over the asset or product. The customer is deemed to have control over the asset or product where the Group has a present right to payment for sourcing the asset or product, where the customer is exposed to the risks and rewards of ownership of the asset or product, and where the customer is deemed to have accepted the asset or product.

Administration and management fees

The Group generates revenue from arranging and administering outsourced salary packaging and fleet management services on behalf of employers. Administration fees for salary packaging are paid by the employers through amounts deducted from their employees' pre-tax salary. Revenue is recognised over the contracted period of administration and includes interest earned from restricted cash.

Fleet management fees are paid by employers in respect of fleet management services and revenue is recognised over the contracted period of administration.

The revenue recognised for the performance of services is the agreed fee for the services. For revenue recognised over time, such as salary packaging administration fees, the Group recognises revenue based on completion of the contracted term, with revenue recognised as the Group performs each obligation over time. There may be timing differences between the recognition of revenue and the receipt of cash. Where cash is received in advance of the revenue being recognised, a contract liability is recognised. Where revenue is recognised in advance of the receipt of cash, a contract asset is recognised within other receivables.

Performance fees and rebates

The Group earns performance fees and rebates from various suppliers relating to the maintenance of a vehicle finance book, the arrangement of certain insurance products, and the arrangement or provision of ancillary vehicle consumables. The Group also acts as a distributor of salary packaging debit cards for a major financial institution.

The revenue recognised for the performance of services is the agreed fee or rebate for the services. Performance revenue is recognised in accordance with AASB 15 *Revenue from Contracts with Customers*, either at the point in time at which services are performed, or over time where the related services are performed over time. The total consideration under the contracts is allocated to each unique performance obligation, with revenue recognised as the Group performs each obligation either at a point in time or over time.

Contract balances

Contract assets primarily relate to the Group's rights to consideration for products and services provided and not billed at the reporting date. Incremental costs and directly attributable costs to fulfil a contract with a term over one year which are recoverable, are capitalised in accordance with AASB 15, and included within contract rights in note 9.

Contract liabilities primarily relate to consideration received in advance from customer contracts for which revenue is recognised on satisfaction of outstanding performance obligations.

Receivable and contract asset balances at the reporting date are disclosed in note 11 as trade receivables and contract assets, respectively, and contract liability balances are disclosed in note 16.

Significant changes in contract assets and liabilities during the period result from satisfaction of performance obligations.

Transaction price allocated to the remaining performance obligations

The Group applies the practical expedients available in AASB 15 and does not disclose information about its remaining performance obligations, the amount of the transaction price allocated to the remaining performance obligations, or an explanation of when the Group expects to recognise that amount as revenue.

Note 4. Operating segments

To reflect the Group's new strategy, part of which involves the disposal of non-core assets, being Smartsalary Payroll Solutions Pty Ltd and Health-e Work Solutions Pty Ltd, the Group has updated its reportable operating segments in the current period. The operating segment information relating to the prior comparative periods in note 4 has been updated to reflect the revised disclosures.

Identification of reportable operating segments

The Group has identified its segments based on the internal reports that are reviewed and used by the Chief Executive Officer and Chief Financial Officer, who are identified as the Chief Operating Decision Makers (CODM), in assessing performance and in determining the allocation of resources. There is no aggregation of operating segments.

The CODM reviews EBITDA (Earnings Before Interest, Tax, Depreciation and Amortisation). The accounting policies adopted for internal reporting to the CODM are consistent with those adopted in the financial statements.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2024

Note 4. Operating segments (continued)

Types of products and services

The principal products and services of each of these operating segments are as follows:

Outsourced administration (OA)	This part of the business provides outsourced salary packaging and novated leasing services.
Vehicle services (VS)	This part of the business provides end-to-end fleet management services.

Intersegment transactions

Intersegment transactions were made at market rates. Intersegment transactions are eliminated on consolidation.

Intersegment receivables, payables and loans

Intersegment loans are initially recognised at the consideration received. Intersegment loans receivable and loans payable that earn or incur non-market interest rates are not adjusted to fair value based on market interest rates. Intersegment loans are eliminated on consolidation.

Operating segment information

Consolidated – 2024	OA $'000	VS $'000	Corporate $'000	Intersegment eliminations	Total $'000
Revenue[1]					
Products and services commissions	202,441	–	–	–	202,441
Administration and management fees	70,972	14,337	–	–	85,309
Performance fees and rebates	14,455	3,637	–	–	18,092
Intersegment sales	–	3,891	–	(3,891)	–
Total revenue	**287,868**	**21,865**	**–**	**(3,891)**	**305,842**
Total expenses	**(140,762)**	**(6,022)**	**(40,839)**	**–**	**(187,623)**
Segment results (EBITDA)	**147,106**	**15,843**	**(40,839)**	**(3,891)**	**118,219**
Depreciation					(6,615)
Amortisation					(4,168)
Gain on sale of business					3,673
Finance income					1,997
Finance costs					(5,421)
Profit before income tax expense					**107,685**
Income tax expense					(32,086)
Profit after income tax expense					**75,599**
Total assets	**293,625**	**53,775**	**305,957**	**–**	**653,357**
Total liabilities	**272,189**	**16,209**	**106,676**	**–**	**395,074**
Property and equipment expenditure	58	9,829	1,322	–	11,209
Intangibles expenditure	2,200	–	9,798	–	11,998

Notes to the Consolidated Financial Statements

For the year ended 31 December 2024

Note 4. Operating segments (continued)

Operating segment information (continued)

Consolidated – 2023	OA $'000	VS $'000	Corporate $'000	Intersegment eliminations	Total $'000
Revenue[1]					
Products and services commissions	154,440	–	–	–	154,440
Administration and management fees	67,698	11,369	–	–	79,337
Performance fees and rebates	14,798	3,304	–	–	18,102
Intersegment sales	–	3,445	–	(3,445)	–
Total revenue	**236,936**	**18,118**	**–**	**(3,445)**	**251,609**
Total expenses	**(116,764)**	**(5,876)**	**(29,938)**	**–**	**(152,578)**
Segment results (EBITDA)	**120,172**	**12,242**	**(29,938)**	**(3,445)**	**99,031**
Depreciation					(5,021)
Amortisation					(2,906)
Finance income					746
Finance costs					(3,755)
Profit before income tax expense					**88,095**
Income tax expense					(26,176)
Profit after income tax expense					**61,919**
Total assets[1]	**251,529**	**36,098**	**232,938**	**–**	**520,565**
Total liabilities[1]	**208,864**	**6,085**	**61,794**	**–**	**276,743**
Property and equipment expenditure	29	7,586	832	–	8,447
Intangibles expenditure	–	–	909	–	909

1. The prior period balance has been adjusted to be consistent with the current year. To reflect the Group's new strategy, part of which involves the disposal of non-core assets, being Smartsalary Payroll Solutions Pty Ltd and Health-e Work Solutions Pty Ltd, the Group has updated its reportable operating segments in the current period. SDGS has been reallocated to the other existing segments in 2024, while 2023 balances have been restated to reflect the new structure. For more details refer to note 2 - basis of preparation.

Revenues of approximately $50.2 million (2023: $27.6 million) are derived from a single customer. These revenues are attributable to the Outsourced Administration segment.

Accounting policy for operating segments

Operating segments are presented using the 'management approach', where the information presented is on the same basis as the internal reports provided to the CODM. The CODM is responsible for the allocation of resources to operating segments and assessing their performance.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2024

Note 5. Earnings per share

Consolidated	2024 $'000	2023 $'000
Profit after income tax attributable to the owners of Smartgroup Corporation Ltd	**75,599**	**61,919**

Consolidated	2024 Number	2023 Number
Weighted average ordinary shares used in calculating basic earnings per share	129,750,121	129,695,807
Basic earnings per share	**58.3**	**47.7**
Adjustments for calculation of diluted earnings per share:		
Effect of rights and shares granted under incentive and share plans	498,697	81,947
Weighted average number of ordinary and potential ordinary shares used as the denominator in calculating diluted earnings per share	130,248,818	129,777,754
Diluted earnings per share	**58.0**	**47.7**

Accounting policy for earnings per share

(i) Basic earnings per share

Basic earnings per share is calculated by dividing the profit attributable to the owners of Smartgroup Corporation Ltd, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding, excluding shares issued under the LFSP, during the financial year.

(ii) Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares, including unvested restricted shares issued under the LFSP, that could be converted into ordinary shares. These unvested shares issued under LFSP are only included where the average market price of ordinary shares during the period exceeds the exercise price of the LFSP shares.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2024

Note 6. Expenses

Consolidated	2024 $'000	2023 $'000
Depreciation		
Office equipment	72	97
Computer equipment	528	444
Furniture, fittings and equipment	45	36
Leased motor vehicles	3,442	1,872
Leasehold improvements	150	144
Right-of-use assets	2,378	2,428
Total depreciation	**6,615**	**5,021**
Amortisation		
Customer contracts	54	136
Contract rights	1,537	1,034
Internally developed software and websites	2,577	1,736
Total amortisation of contract rights and internally developed intangibles	**4,168**	**2,906**
Total depreciation and amortisation	**10,783**	**7,927**
Net finance costs		
Interest and finance charges paid/payable	4,923	3,049
Interest on lease liabilities	498	706
Finance income	(1,997)	(746)
Net finance costs	**3,424**	**3,009**
Occupancy expense		
Other occupancy related costs	1,597	1,535
Total occupancy expense	**1,597**	**1,535**
Superannuation expense		
Defined contribution superannuation expense	9,515	8,234
Share–based payments expense		
Share–based payments expense	2,823	247

Notes to the Consolidated Financial Statements

For the year ended 31 December 2024

Note 7. Income tax

Income tax expense

Consolidated	2024 $'000	2023 $'000
Current tax	28,250	26,345
Deferred tax – origination and reversal of temporary differences	3,836	(169)
Aggregate income tax expense	**32,086**	**26,176**
Deferred tax included in income tax expense comprises:		
Decrease/(increase) in deferred tax assets	3,836	(169)

Numerical reconciliation of income tax expense and tax at the statutory rate

Consolidated	2024 $'000	2023 $'000
Profit before income tax expense	**107,685**	**88,095**
Tax at the statutory tax rate of 30%	32,306	26,429
Tax effect of amounts which are not deductible/(taxable) in calculating taxable income:		
Non–deductible expenses	20	28
Share–based payments	847	74
Share of profits – joint venture	(59)	(130)
Gain on sale of business	(1,028)	–
	32,086	**26,401**
Over provision of tax in respect of prior years	–	(225)
Income tax expense	**32,086**	**26,176**

Amounts recognised directly in equity

Consolidated	2024 $'000	2023 $'000
Amounts (credited) directly to equity:		
Deferred tax assets	(19)	(297)

Notes to the Consolidated Financial Statements

For the year ended 31 December 2024

Note 7. Income tax (continued)

Deferred tax assets

Consolidated	2024 $'000	2023 $'000
Deferred tax assets comprises of temporary differences attributable to:		
Impairment of receivables	105	108
Employee benefits	2,679	2,736
Accruals and other provisions	8,164	8,342
Property and equipment	(1,706)	(2,528)
Contract liabilities	2,079	2,814
Acquisition costs	3,068	3,148
Leased property and equipment - assets	(744)	(1,314)
Leased property and equipment - liabilities	616	1,668
Intangible assets	(2,735)	589
Derivative financial instruments	–	(52)
Prepayments	(56)	(1)
Back-to-back leased vehicles	(570)	(419)
Contract assets	(295)	(399)
Other current liabilities	946	613
Sundry items	(99)	(17)
Total temporary differences	**11,452**	**15,288**
Amounts recognised in equity:		
Derivative financial instruments	26	(1)
Net deferred tax assets	**11,478**	**15,287**

Consolidated	2024 $'000	2023 $'000
Movement in temporary differences:		
Opening balance	15,287	14,821
(Charged)/credited to profit or loss	(3,836)	169
Credited to other comprehensive income	46	297
(Credited) directly to equity	(19)	–
Closing balance	**11,478**	**15,287**

Consolidated	2024 $'000	2023 $'000
Income tax receivable/(payable)	**2,947**	**(1,375)**

Notes to the Consolidated Financial Statements

For the year ended 31 December 2024

Note 7. Income tax (continued)

Accounting policy for income tax

The income tax expense for the year is the tax payable on the current period's taxable income based on the applicable corporate tax rate of 30%, adjusted for changes in deferred tax assets and liabilities arising from temporary differences, unused tax losses and adjustments recognised in relation to prior periods, where applicable. Current tax liabilities are measured at the amount expected to be paid to/recovered from taxation authorities at the tax rates and tax laws enacted or substantively enacted at the reporting date.

Deferred tax

Deferred tax assets and liabilities are recognised for temporary differences which arise when accounting income is not the same as taxable income, based on tax rates that are enacted or substantively enacted and expected to apply when the assets are recovered or liabilities are settled. Deferred tax is not recognised for the following temporary differences:

- initial recognition of goodwill;
- the initial recognition of assets or liabilities in a transaction that is not a business combination and at the time of the transaction (i) affects neither accounting nor taxable profit or loss and (ii) does not give rise to equal taxable and deductible temporary differences; and
- differences relating to investments in subsidiaries to the extent that they are unlikely to reverse in the foreseeable future

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

The carrying amount of recognised and unrecognised deferred tax assets is reviewed at each reporting date. Deferred tax assets recognised are reduced to the extent that it is no longer probable that future taxable profits will be available for the carrying amount to be recovered. Previously unrecognised deferred tax assets are recognised to the extent that it is probable that there are future taxable profits available to recover the asset.

Deferred tax assets and liabilities are offset only where there is a legally enforceable right to offset current tax assets against current tax liabilities and deferred tax assets against deferred tax liabilities; and they relate to the same taxable authority on either the same taxable entity or different taxable entities which intend to settle simultaneously.

Current and deferred tax expense for the year

Current and deferred tax expense is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

Tax consolidation

Smartgroup Corporation Ltd is the head of the tax consolidated group which includes its wholly owned Australian resident subsidiaries. As a consequence, all members of the tax consolidated group are taxed as a single entity. The head entity and each subsidiary in the tax consolidated group continue to account for their own current and deferred tax amounts. The tax consolidated group has applied the 'separate taxpayer within group' approach in determining the appropriate amount of taxes to allocate to members of the tax consolidated group.

Members of the tax consolidated group have entered into a tax sharing agreement and a tax funding arrangement. This arrangement requires that in addition to its own current and deferred tax amounts, the head entity also recognises the current tax liabilities/assets and the deferred tax assets arising from unused tax losses and unused tax credits assumed from each subsidiary in the tax consolidated group.

Assets or liabilities arising under tax funding agreements with the tax consolidated entities are recognised as amounts receivable from/payable to other entities in the tax consolidated group. The tax funding arrangement ensures that the intercompany charge equals the current tax liability/benefit of each tax consolidated group member, resulting in neither a contribution by the head entity to the subsidiaries nor a distribution by the subsidiaries to the head entity.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2024

Note 8. Dividends

Dividends

Dividends paid during the financial year were as follows:

Consolidated	2024 $'000	2023 $'000
Final ordinary dividend for the year ended 31 December 2023 of 16.0 cents (2022: 15.0 cents) per ordinary share	21,171	19,800
Special dividend for the year ended 31 December 2024 of 16.0 cents (2022: 14.0 cents) per ordinary share	21,171	18,480
Interim ordinary dividend for the year ended 31 December 2024 of 17.5 cents (2023: 15.5 cents) per ordinary share	23,454	20,589
	65,796	**58,869**

On 25 February 2025, the Directors declared a fully franked dividend of 20.0 cents per ordinary share. The final dividend will be paid on 21 March 2025 to shareholders registered on 7 March 2025 with an expected total distribution of $26,691,000.

On 25 February 2025, the Directors also declared a fully franked special dividend of 11.0 cents per share, in respect of the year ended 31 December 2024. The special dividend will be paid on 21 March 2025 to shareholders registered on 7 March 2025 with an expected total distribution of $14,680,000.

The final ordinary and special dividends had not been declared at the reporting date and therefore are not reflected in the consolidated financial statements.

Dividends are paid out from the parent entity which has retained earnings as at 31 December 2024 of $49,212,000. As at 31 December 2024, the Group has retained losses of $23,181,000. The difference in retained earnings is primarily due to the amortisation of intangible assets recognised in the consolidated financial statements arising from historic business combinations.

Franking credits

Consolidated	2024 $'000	2023 $'000
Franking credits available at the reporting date based on a tax rate of 30%	22,450	17,004
Franking credits that will arise from the (receipt)/payment of the amount of the (receivable)/ provision for income tax at the reporting date based on a tax rate of 30%	(2,947)	1,375
Franking credits available for subsequent financial years based on a tax rate of 30%	**19,503**	**18,379**

The impact on the franking account of the dividend recommended by the Directors since 31 December 2024, but not recognised as a liability at the reporting date, will be a reduction in the franking account of $17,731,000 (2023: $18,144,000).

Accounting policy for dividends

Dividends are recognised as a liability in the period in which they are declared.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2024

Note 9. Intangible assets

Consolidated	2024 $'000	2023 $'000
Goodwill – at cost	272,664	272,664
Goodwill	**272,664**	**272,664**
Customer contracts – at cost	63,609	63,609
Less: accumulated amortisation	(63,609)	(63,555)
Customer contracts	**–**	**54**
Contract rights – at cost	10,028	5,168
Less: accumulated amortisation	(6,121)	(4,584)
Contract rights	**3,907**	**584**
Brand names and logos – at cost	1,304	1,304
Brand names and logos	**1,304**	**1,304**
Internally developed software and websites – at cost	24,883	12,885
Less: accumulated amortisation	(4,635)	(2,058)
Internally developed software and websites	**20,248**	**10,827**
Intangible assets	**298,123**	**285,433**

Reconciliations

Reconciliations of the written down values at the beginning and end of the current and previous financial year are set out below:

Consolidated	Goodwill $'000	Customer contracts $'000	Contract rights $'000	Brand names and logos $'000	Internally developed software and websites $'000	Total $'000
Balance at 1 January 2023	**272,664**	**190**	**1,618**	**1,304**	**13,154**	**288,930**
Additions[1]	–	–	–	–	909	909
Amortisation expense	–	(136)	(1,034)	–	(1,736)	(2,906)
Derecognition[2]	–	–	–	–	(1,500)	(1,500)
Balance at 31 December 2023	**272,664**	**54**	**584**	**1,304**	**10,827**	**285,433**
Additions[1]	–	–	4,860	–	11,998	16,858
Amortisation expense		(54)	(1,537)	–	(2,577)	(4,168)
Balance at 31 December 2024	**272,664**	**–**	**3,907**	**1,304**	**20,248**	**298,123**

1. $1,442,000 of research and development (as defined in AASB 138 *Intangible Assets*) was completed on internally developed software and websites and expensed in 2024 (2023: $333,000).
2. Following a review of capitalised development costs, $1,500,000 of internally developed intangibles were derecognised, given future economic benefits would no longer be expected from its use nor disposal in accordance with AASB 138 *Intangible Assets*.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2024

Note 9. Intangible assets (continued)

Impairment testing

The Group monitors its business through cash-generating units (CGU), being Outsourced administration (OA), Vehicle services (VS), Autopia, and Public Benevolent Institutions (PBI).

To reflect the Group's new strategy, part of which involves the disposal of non-core assets, being Smartsalary Payroll Solutions Pty Ltd and Health-e Work Solutions Pty Ltd, the Group has updated its CGU allocations in the current period.

For the purpose of impairment testing, a probability-weighted scenario has been applied for each CGU to determine their recoverable amount. Goodwill acquired through business combinations has been allocated to the Group's CGUs as follows:

Goodwill	2024 $'000	2023 $'000
CGU 1: Outsourced Administration	154,669	154,669
CGU 2: Vehicle Services	9,048	9,048
CGU 3: Autopia	31,856	31,856
CGU 4: PBI	77,091	77,091
Total goodwill	**272,664**	**272,664**

Brand names and logos have been allocated to the following CGUs:

Brand names and logos	2024 $'000	2023 $'000
CGU 1: Outsourced Administration	1,289	1,289
CGU 2: Vehicle Services	15	15
Total brand names and logos	**1,304**	**1,304**

The recoverable amount of a CGU is determined based on value-in-use calculations. These calculations use cash flow projections covering a five-year period based on a financial budget approved by the Board for the 2025 year and management forecasts for the financial years from 2026 to 2029. Cash flows beyond the five year period are extrapolated using the estimated growth rates stated below. These growth rates and the terminal growth rate do not exceed the long-term average growth rates for the industry in which each CGU operates.

In addition to testing the carrying amount of goodwill and intangible assets with an indefinite useful life against the recoverable amount of a CGU, property and equipment, right-of-use assets, and working capital are also included in the carrying value tested.

The following key assumptions were used in the discounted cash flow model for different CGUs:

Pre-tax discount rates	2024	2023
CGU 1: Outsourced Administration	14.3%	12.1%
CGU 2: Vehicle Services	15.9%	12.9%
CGU 3: Autopia	13.7%	11.8%
CGU 4: PBI	13.4%	11.6%

In performing the value-in-use calculations for each CGU, the Group has applied post-tax discount rates to discount the estimated future post-tax cash flows. The equivalent pre-tax discount rates are disclosed above. The recoverable amount of net assets in each CGU is greater than the carrying value of the assets and therefore, the intangible assets are not considered to be impaired.

The increase in the pre-tax discount rates calculated between 2023 and 2024 is largely driven by an increase in the risk-free rate.

A projected terminal growth rate of 3.0% (2023: 2.0%) to perpetuity has been used for all CGUs based on long-term growth forecasts.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2024

Note 9. Intangible assets (continued)

Sensitivity analysis

Under the probability-weighted revenue and earnings scenario, no reasonably expected change in assumptions would cause the CGUs' carrying amounts to exceed their forecast recoverable amounts. Management does not expect any significant changes to salary packaging tax legislation or the Group's ability to sell add-on insurance products in the foreseeable future.

Goodwill

Goodwill arises on the acquisition of a business, and is carried at cost less accumulated impairment losses. Goodwill is not amortised. Instead, goodwill is tested annually for impairment, or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses. Impairment losses on goodwill are taken to profit or loss and are not subsequently reversed.

Customer contracts

Customer contracts acquired in a business combination are amortised on a straight-line basis over the period of their expected benefit, being 5 to 6 years.

Contract rights

Contract rights consist of exclusive rights to distribute services to certain customers in accordance with AASB 138 Intangible Assets, as well as capitalised incremental costs and fulfilment costs arising from contractual obligations over a period greater than one year which are recoverable and generate revenue in accordance with AASB 15 *Revenue from Contracts with Customers*. Amortisation is on a straight-line basis over the period of their expected benefit, being the life of the contract, which is up to 5 years.

Brand names and logos

Brand names and logos acquired in a business combination are recognised separately to goodwill and included in other intangible assets. They have been assessed as having an indefinite useful life on the basis that the asset is allocated to businesses that are expected to continue into perpetuity.

Software and websites including capitalised development costs

Research costs are expensed in the period in which they are incurred. Development costs are capitalised when they meet the definition of intangible assets and it is probable that the project will be a success considering its commercial and technical feasibility and ability to provide future economic benefit. Amortisation commences when the asset is available for use, that is, when it is in the location and condition necessary for it to be capable of operating in the manner intended by management. The software costs are amortised on a straight-line basis over the period of their expected benefit, being 2 to 5 years.

Accounting policy for intangible assets

Intangible assets acquired as part of a business combination, other than goodwill, are initially measured at their fair value at the date of the acquisition. Intangible assets acquired separately are initially recognised at cost. Indefinite life intangible assets are not amortised and are subsequently measured at cost less any impairment. Finite life intangible assets are subsequently measured at cost less amortisation and any impairment. The gains or losses recognised in the Consolidated Statement of Profit or Loss and Other Comprehensive Income arising from the derecognition of intangible assets are measured as the difference between net disposal proceeds and the carrying amount of the intangible asset. The method and useful lives of finite life intangible assets are reviewed annually. Changes in the expected pattern of consumption or useful life are accounted for prospectively by changing the amortisation method or period. Internally generated intangible assets, excluding capitalised development costs, are not capitalised and expenditure is recognised in the Consolidated Statement of Profit or Loss and Other Comprehensive Income in the year in which the expenditure is incurred.

Accounting policy for impairment of goodwill and non-financial assets

Goodwill is not subject to amortisation and is tested annually for impairment, or more frequently if events or changes in circumstances indicate that it might be impaired. Impairment losses on goodwill are taken to profit or loss and are not subsequently reversed. Other non-financial assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount.

Recoverable amount is the higher of an asset's fair value less costs of disposal and value-in-use. The value-in-use is the present value of the estimated future cash flows relating to the asset using a pre-tax discount rate specific to the asset or cash-generating unit to which the asset belongs. Assets that do not have independent cash flows are grouped together to form a cash-generating unit.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2024

Note 10. Property and equipment

Consolidated	2024 $'000	2023 $'000
Computer equipment		
At cost	4,825	3,869
Less: accumulated depreciation	(2,962)	(2,434)
	1,863	**1,435**
Furniture, fittings and equipment		
At cost	383	297
Less: accumulated depreciation	(187)	(143)
	196	**154**
Office equipment		
At cost	1,100	919
Less: accumulated depreciation	(775)	(700)
	325	**219**
Leasehold improvements		
At cost	1,619	1,459
Less; accumulated depreciation	(1,303)	(1,152)
	316	**307**
Leased motor vehicles		
At cost	24,388	14,890
Less: accumulated depreciation	(6,001)	(2,716)
	18,387	**12,174**
Property and equipment	**21,087**	**14,289**

Notes to the Consolidated Financial Statements

For the year ended 31 December 2024

Note 10. Property and equipment (continued)

Reconciliations

Reconciliations of the written down values at the beginning and end of the current and previous financial year are set out below:

Consolidated	Computer equipment $'000	Furniture, fittings and equipment $'000	Office equipment $'000	Leasehold improvements $'000	Leased motor vehicles $'000	Total $'000
Year ended 31 December 2024						
Opening net book amount	1,435	154	219	307	12,174	14,289
Additions	956	87	178	159	9,829	11,209
Disposals	–	–	–	–	(174)	(174)
Depreciation expense	(528)	(45)	(72)	(150)	(3,442)	(4,237)
Closing net book amount	**1,863**	**196**	**325**	**316**	**18,387**	**21,087**
Year ended 31 December 2023						
Opening net book amount	1,245	152	204	299	6,547	8,447
Additions	634	38	112	152	7,586	8,522
Disposals	–	–	–	–	(87)	(87)
Depreciation expense	(444)	(36)	(97)	(144)	(1,872)	(2,593)
Closing net book amount	**1,435**	**154**	**219**	**307**	**12,174**	**14,289**

Accounting policy for property and equipment

Property and equipment is stated at historical cost less accumulated depreciation and impairment. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Depreciation is calculated using the straight-line method to allocate their cost or revalued amounts, net of their residual values, over their estimated useful lives or lease term as follows:

- Computer equipment 2 – 5 years
- Furniture, fittings and equipment 3 – 7 years
- Office equipment 3 – 6 years
- Leasehold improvements Period of lease
- Leased motor vehicles Period of lease

The residual values, useful lives and depreciation methods are reviewed annually and adjusted if appropriate.

Property and equipment under lease are depreciated over the unexpired period of the lease or the estimated useful life of the assets, whichever is shorter.

An item of property and equipment is derecognised upon disposal or when there is no future economic benefit to the Group. Gains and losses between the carrying amount and the disposal proceeds are taken to profit or loss.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2024

Note 11.Trade and other receivables

Consolidated	2024 $'000	2023 $'000
Trade receivables	12,564	11,278
Less: allowance for expected credit losses	(351)	(359)
Total trade receivables	**12,213**	**10,919**
Contract assets	11,375	6,398
Other receivables	6,940	2,620
Total other receivables	**18,315**	**9,018**
Total trade and other receivables	**30,528**	**19,937**

Age	2024 $'000	2023 $'000
Current	6,288	6,559
0 – 30 days	5,336	3,311
31 – 60 days	444	796
61 – 90 days	231	273
90+ days	265	339
Total	**12,564**	**11,278**

Accounting policy for trade and other receivables

Trade receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less any allowance for expected credit losses. Trade receivables are generally due for settlement between 14 and 30 days.

Collectability of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off by reducing the carrying amount directly. Trade receivables have been grouped based on shared credit risk characteristics and the days past due. Contract assets predominantly consist of accrued revenues with funds held in restricted cash accounts, with a corresponding customer salary packaging liability balance. These are unbilled transactions for commission-based revenue, with no associated credit loss as funds have been collected and are held within the restricted cash accounts.

Other receivables are recognised at amortised cost, less any allowance for expected credit losses. Other receivables relate to floats for client salary packaging payments, and have been assessed as similar in nature to Grade 1 risk.

Expected credit loss assessment for customers

The Group applies the simplified approach to the expected credit loss (ECL) calculation used for trade receivables, and measures the ECL allowance at an amount equal to lifetime ECL.

The Group allocates each exposure to a credit risk grade based on data that is determined to be predictive of the risk of loss and applying experienced credit judgement. Credit risk grades are defined using qualitative and quantitative factors that are indicative of the risk of default. Exposures within each credit risk grade are generally based on actual historical credit loss experience.

ECL rates are adjusted to reflect current and forward-looking information on macroeconomic factors that may affect the ability of the customers to settle the receivables, such as GDP rates. They are also adjusted to reflect historical and current debtor-based information impacting the probability that certain debtors will enter bankruptcy or financial reorganisation, or default on payments (more than 60 days overdue). Smartgroup obtains the updated credit scores from external sources to determine the average expected credit loss rate by customer group, and applies these rates to the receivables balances by customer group to calculate the ECL allowance. In addition, specific provisions totalling $344,000 (2023: $344,000) were raised for at-risk customer groups. There were no material write-offs for debtors in 2024 (2023: $nil).

Notes to the Consolidated Financial Statements

For the year ended 31 December 2024

Note 11.Trade and other receivables (continued)

The Group has identified motor vehicle dealers, and small to medium corporates as the groups most at-risk of credit loss, with the expected credit loss allowance in 2024 totalling $7,000 (2023: $15,000). The credit loss rates are based on a 3-year rolling average between 0.0% - 0.2% (2023: 0.0% - 0.2%) and derived using counterparty-specific information and historical data from previous recessions and economic projections.

The Group has additionally provided $232,000 (2023: $337,000) in relation to counterparty arrangements with motor vehicle dealerships. This provision is reflected in Operations Provision within Current Provisions in the Consolidated Statement of Financial Position.

The following table provides information about the exposure to credit risk and ECL for trade receivables as at 31 December 2024.

31 December 2024	Gross carrying amount ($'000)	Expected credit loss allowance ($'000)	Specific loss allowance ($'000)	Total loss allowance ($'000)	Weighted–average loss rate
Grade 1 (Financiers and supply chain partners)	1,222	–	(114)	(114)	9.32%
Grade 2 (Employer/Corporate)	8,677	(6)	(112)	(118)	1.36%
Grade 3 (Dealers)	2,665	(1)	(118)	(119)	4.47%
Total expected credit loss exposure	**12,564**	**(7)**	**(344)**	**(351)**	

31 December 2023	Gross carrying amount ($'000)	Expected credit loss allowance ($'000)	Specific loss allowance ($'000)	Total loss allowance ($'000)	Weighted-average loss rate
Grade 1 (Financiers and supply chain partners)	2,126	(3)	(116)	(119)	5.60%
Grade 2 (Employer/Corporate)	8,467	(11)	(165)	(176)	2.08%
Grade 3 (Dealers)	685	(1)	(63)	(64)	9.34%
Total expected credit loss exposure	**11,278**	**(15)**	**(344)**	**(359)**	

The amount of the loss allowance is the difference between the asset's carrying amount and the present value of management's estimate of future cash flows, discounted at the original effective interest rate. Cash flows relating to short-term receivables are not discounted if the effect of discounting is immaterial.

The loss allowance for trade receivables as at 31 December 2024 reconciles to the opening loss allowance as follows:

Consolidated	2024 $'000	2023 $'000
Allowance for expected credit losses - opening balance	(359)	(555)
Bad debts written off	15	16
Additional provision (recognised)/derecognised	(7)	180
Total allowance for expected credit losses	**(351)**	**(359)**

Notes to the Consolidated Financial Statements

For the year ended 31 December 2024

Note 12. Other assets

Consolidated	2024 $'000	2023 $'000
Current		
Prepayments	5,000	4,641
Back-to-back leased fleet vehicles	1,900	1,397
Other	36	16
Other assets	**6,936**	**6,054**

A financial liability is secured against each back-to-back leased fleet vehicle and reflected in note 17. The lease liability is measured in accordance with AASB 16 *Leases*, extinguished on lease termination, and therefore, also on a term of less than 12 months.

Lease rental income and expense on motor vehicles is recognised in profit or loss on a straight-line basis over the lease term.

Note 13. Assets and liabilities held for sale

Description

In the second half of 2023, a plan was considered to divest 50% of the Group's shares in Health-e Workforce Solutions Pty Ltd and 100% of the Group's shares in Smartsalary Payroll Solutions Pty Ltd. Accordingly, as at 31 December 2023, Health-e Workforce Solutions Pty Ltd and Smartsalary Payroll Solutions were a disposal group classified as assets held for sale.

Smartsalary Payroll Solutions Pty Ltd

On 3 April 2024, Smartgroup completed the sale of 100% of the share capital of Smartsalary Payroll Solutions Pty Ltd for upfront consideration of $215,000 and contingent consideration of $361,000 with transaction and other costs of $118,000. Smartsalary Payroll Solutions had $224,000 of net assets prior to the sale, with a gain of $234,000 recognised in 2024.

Health-e Workforce Solutions Pty Ltd

On 17 July 2024, Smartgroup sold its 50% share in Health-e Workforce Solutions (HWS) for total upfront consideration of $3,001,000 and contingent consideration of $662,000 with transaction and other costs of $177,000. The carrying value of HWS prior to the sale was $47,000, resulting in a gain on sale of $3,439,000 recognised in 2024.

Assets and liabilities of disposal group classified as held for sale
The following assets and liabilities classified as held for sale in relation to the disposal group as at 31 December 2023, were sold in 2024:

Consolidated	2024 $'000	2023 $'000
Assets		
Trade and other receivables	–	161
Income tax receivable	–	290
Investments accounted for using the equity method	–	678
Total assets classified as held for sale	–	**1,129**

Consolidated	2024 $'000	2023 $'000
Liabilities		
Trade and other payables	–	625
Total liabilities directly associated with assets classified as held for sale	**–**	**625**

Notes to the Consolidated Financial Statements

For the year ended 31 December 2024

Note 14. Trade and other payables

Consolidated	2024 $'000	2023 $'000
Current		
Trade payables	4,375	2,309
Accrued expenses	24,279	24,820
Other payables and accruals	10,996	8,162
Trade and other payables	**39,650**	**35,291**

Refer to note 23 for further information on financial instruments.

Accounting policy for trade and other payables

These amounts represent liabilities for goods and services provided to the Group prior to the end of the financial year and which are unpaid. Due to their short-term nature they are measured at amortised cost and are not discounted. The amounts are unsecured and are usually paid within 30 days of recognition.

Note 15. Provisions

Consolidated	2024 $'000	2023 $'000
Current		
Employee benefits	9,024	7,974
Operations provision	8,453	7,367
Provisions – current	**17,477**	**15,341**
Non-current		
Employee benefits	1,019	847
Make good provision	530	455
Provisions – non-current	**1,549**	**1,302**
Total provisions	**19,026**	**16,643**

Employee benefits

The provision for employee benefits relates to the Group's liability for annual leave and long service leave. Refer to note 37 for the accounting policy relating to employee benefits.

Operations provision

The provision relates to negative employee salary packaging account balances that may be uncollectible, customer and supplier disputes as well as provisions relating to indirect tax obligations.

Amounts not expected to be settled within the next 12 months

The current provision for employee benefits includes all unconditional entitlements where employees have completed the required period of service and also those where employees are entitled to pro-rata payments in certain circumstances. The entire amount is presented as current, since the Group does not have an unconditional right to defer settlement. However, based on past experience, the Group does not expect all employees to take the full amount of accrued leave or require payment within the next 12 months.

The following amounts reflect leave that is not expected to be taken within the next 12 months:

Consolidated	2024 $'000	2023 $'000
Employee benefits obligation expected to be settled after 12 months	4,851	4,636

Notes to the Consolidated Financial Statements

For the year ended 31 December 2024

Note 15. Provisions (continued)

Make good provision

The provision represents the present value of the estimated costs to make good the premises leased by the Group at the end of the respective lease terms.

Movements in provisions

Movements in each class of provision (current and non-current) during the financial year, other than employee benefits, are set out below:

Consolidated 2024	Make good provision $'000	Operations provision $'000
Carrying amount at start of year	455	7,367
Additional provisions recognised	75	2,992
Amounts used or reversed	–	(1,906)
Carrying amount at end of year	**530**	**8,453**

Accounting policy for provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and the amount can be reliably estimated. The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting date, taking into account the risks and uncertainties surrounding the obligation. If the time value of money is material, provisions are discounted using a current pre-tax rate specific to the liability. The increase in the provision resulting from the passage of time is recognised as a finance cost.

Note 16. Contract liabilities

Consolidated	2024 $'000	2023 $'000
Contract liabilities – current	6,668	8,079
Contract liabilities – non-current	304	1,343
Total contract liabilities	**6,972**	**9,422**

Expected timing of performance obligations satisfied at 31 December 2024:

Consolidated 2024	1 year or less $'000	1 to 2 years $'000	2 to 5 years $'000	Over 5 years $'000	Total $'000
Contract liabilities	6,668	298	6	–	6,972

	2024 $'000	2023 $'000
Movements:		
Opening balance	9,422	13,084
Revenue received in advance	5,889	4,581
Revenue recognised on meeting performance obligations	(8,339)	(8,243)
Closing balance	**6,972**	**9,422**

Contract liabilities primarily relate to income received in advance from customer contracts for which revenue is recognised on satisfaction of outstanding performance obligations. The revenue related to these contract liabilities are disclosed in note 3.

Contract liabilities have decreased by $2,450,000 (2023: decreased $3,662,000) primarily due to the further recognition of commissions received upfront in 2022, following transition away from a novated lease financier. Management expects 96% of the contract liabilities ($6,669,000) (2023: 86% and $8,079,000) with performance obligations not yet fulfilled will be recognised in the following financial year, with the remaining 4% ($304,000) (2023: 14% and $1,343,000) recognised over time until February 2027. All other contract liabilities are for periods of one year or less.

Refer to note 3 for the accounting policy for contract liabilities.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2024

Note 17. Other liabilities

Consolidated	2024 $'000	2023 $'000
Fleet vehicle borrowings – current	**3,152**	**2,042**

Refer to note 12 for further details of back-to-back leased fleet vehicles where the Group is the lessor.

Note 18. Leases

Amounts recognised in the balance sheet

As a lessee

The Consolidated Statement of Financial Position shows the following amounts relating to leases:

Consolidated	Property $'000	Equipment $'000	Total $'000
Right-of-use assets			
Balance at 1 January 2023	6,560	32	6,592
Depreciation charge for the year	(2,321)	(107)	(2,428)
Remeasurement of leases	61	154	215
Balance at 31 December 2023	**4,300**	**79**	**4,379**
Depreciation charge for the year	(2,299)	(79)	(2,378)
Remeasurement of leases	352	–	352
Additions	–	127	127
Balance at 31 December 2024	**2,353**	**127**	**2,480**

A reconciliation of the current and non-current portions of lease liabilities is outlined below:

Consolidated	2024 $'000	2023 $'000
Lease liabilities		
Current	1,203	3,830
Non-current	849	1,731
Total	**2,052**	**5,561**

Consolidated	2024 $'000	2023 $'000
Lease liabilities		
Balance at 1 January	5,561	8,879
Interest incurred	498	706
Interest paid on lease liabilities	(498)	(706)
Payments of lease liabilities	(3,988)	(3,533)
Remeasurement of leases	352	215
Additions	127	–
Balance at 31 December	**2,052**	**5,561**

Maturity analysis – contractual undiscounted cashflows

At 31 December 2024	Contractual undiscounted cash flows $'000	1 year or less $'000	1 to 2 years $'000	2 to 5 years $'000	Over 5 years $'000
Lease liabilities	2,524	1,203	745	576	–

Notes to the Consolidated Financial Statements

For the year ended 31 December 2024

Note 18. Leases (continued)

Amounts recognised in the statement of profit or loss

As a lessee

The Consolidated Statement of Profit or Loss and Other Comprehensive Income shows the following amounts relating to leases:

Consolidated	2024 $'000	2023 $'000
Interest on lease liabilities (included in finance costs)	498	706

Amounts recognised in the statement of cash flows

As a lessee

The total cash outflow for leases in the year was $4,485,000 (2023: $4,239,000).

Accounting policy for leases

As a lessee

The Group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability, adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to restore the underlying asset, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain re-measurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the Group's incremental borrowing rate.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee; and
- the exercise price under a purchase option that the Group is reasonably certain to exercise, lease payments in an optional renewal period if the Group is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Group is reasonably certain not to terminate early.

The lease liability is measured at amortised cost using the effective interest method. It is re-measured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, or if the Group changes its assessment of whether it will exercise a purchase, extension or termination option.

When the lease liability is re-measured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

Extension and termination options

Extension and termination options are included in a number of property leases. These are used to maximise operational flexibility in terms of managing the assets used in the group's operations. The extension and termination options held are exercisable only by the Group and not by the respective lessor. The Group reassesses whether it is reasonably certain to exercise the options if there is a significant event or significant changes in circumstances within its control. No such event or changes in circumstances have occurred and the Group has not chosen to exercise any extension option.

Short-term leases and leases of low-value assets

The Group has elected not to recognise right-of-use assets and lease liabilities for short-term leases of 12 months or less and leases of low-value assets. The Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2024

Note 19. Cash and cash equivalents

Consolidated	2024 $'000	2023 $'000
Cash at bank and in hand	34,648	32,794

Accounting policy for cash and cash equivalents

Cash and cash equivalents includes cash on hand, term deposits held at call with financial institutions, and other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value.

Note 20. Restricted cash and associated liabilities

The Group administers restricted cash and this can take one of two forms:

- Restricted cash (pooled customer funds in Smartgroup's name)
- Cash held on behalf of customers, in segregated bank accounts in Smartgroup's name.

Restricted cash

Consolidated	2024 $'000	2023 $'000
Restricted cash	**245,067**	**141,091**
Customer salary packaging liability	**(245,067)**	**(141,091)**

The restricted cash in the Consolidated Statement of Financial Position and Consolidated Statement of Cash Flows represents funds held by the Group on behalf of certain customers. The use of these funds is restricted to the making of salary packaging payments on behalf of those customers only and therefore not available for general use. The Group recognises a liability for all restricted cash balances to reflect the amounts owing to its customers.

Refer to note 2 for further details on the presentation of restricted cash.

The restricted cash accounts are held with Australia's major financial institutions. Depending on commercial arrangements, the Group may earn finance income from these accounts. For the year ended 31 December 2024, the Group has recognised within revenue, finance income of $7,314,000 (31 December 2023: $5,953,000) from restricted cash.

Refer to note 23 for interest rate sensitivity analysis on restricted cash balances.

Cash held on behalf of customers not recognised in the statement of financial position:

	2024		2023	
	Weighted average interest rate	31 December 2024 $'000	Weighted average interest rate	31 December 2023 $'000
Accounts established by customers directly	4.20%	66,139	3.72%	48,218
		66,139		**48,218**

Cash held on behalf of salary packaging customers is deposited by customers into segregated bank accounts, owned and controlled by customers, to be used only to settle their employees' salary packaging obligations to suppliers. The Group cannot use these funds for any other purpose than as directed by its customers. Customers are liable to ensure adequate funds are kept in the segregated bank accounts for salary packaging payments. The Group has assessed that these assets are held in a fiduciary capacity rather than being assets of the Group and as such, have excluded them from the Consolidated Statement of Financial Position.

The segregated bank accounts used for cash held on behalf of customers are with Australia's major financial institutions.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2024

Note 21. Borrowings

Consolidated	2024 $'000	2023 $'000
Bank loan	80,000	65,000
Borrowing costs and interest at amortised cost	(845)	(307)
Borrowings	**79,155**	**64,693**

Refer to note 23 for further information on financial instruments.

Secured liabilities

The total secured liabilities (current and non-current) are as follows:

Consolidated	2024 $'000	2023 $'000
Bank loan	**80,000**	**65,000**

As at 31 December 2024 , the following bank facilities were available to the Group:

- A revolving facility of $120,000,000 (31 December 2023: $85,000,000);
- A letter of credit facility of $15,000,000 (31 December 2023: $7,000,000); and
- Ancillary facilities of $1,000,000 (31 December 2023: $1,000,000)

The banking facilities are guaranteed and secured by the Company and certain of the Company's subsidiaries. The facilities are subject to a variable interest rate, which is based on the 3-month BBSY (Bank Bill Swap Bid Rate) plus a margin. The fair value of borrowings is approximate to carrying value as the debt is at BBSY margin. In March 2024, an additional $15,000,000 was drawn down. The loan facility was refinanced in June 2024, increasing the revolving facility limit by $35,000,000 to $120,000,000 and increasing the letter of credit facility by $8,000,000 to $15,000,000.

Gross debt drawn down at 31 December 2024 is $80,000,000. The banking facilities mature on 28 September 2028.

The Group is subject to certain financing covenants and meeting these is given priority in all capital risk management decisions. These covenants include leverage and interest cover ratios with reference to adjusted earnings before interest, tax, depreciation and amortisation, and with distribution restrictions on dividends. These covenants relate to the revolving facility and the letter of credit facility. The carrying value of the revolving facility at 31 December 2024 is $79,155,000. The Group is required to comply with the loan covenant requirements on a semi-annual basis, with the next compliance period in March 2025. There have been no events of default on the financing arrangement during the year (2023: nil).

Financing arrangements

Unrestricted access was available at the reporting date to the following lines of credit:

Consolidated	2024 $'000	2023 $'000
Total facilities		
Bank loan	120,000	85,000
Letter of credit facility	15,000	7,000
	135,000	**92,000**
Used at the reporting date		
Bank loan	80,000	65,000
Letter of credit facility	9,514	4,514
	89,514	**69,514**
Unused at the reporting date		
Bank loan	40,000	20,000
Letter of credit facility	5,486	2,486
	45,486	**22,486**

Notes to the Consolidated Financial Statements

For the year ended 31 December 2024

Note 21. Borrowings (continued)

Accounting policy for borrowings

Loans and borrowings are initially recognised at fair value less attributable transaction costs, and are subsequently measured at amortised cost using the effective interest method. Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw down occurs. If there is no evidence of a probable drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the terms of the facility to which it relates.

Accounting for finance costs

Finance costs attributable to qualifying assets are capitalised as part of the asset. All other finance costs are expensed in the period in which they are incurred, including interest on short-term and long-term borrowings.

Accounting for finance income

Interest income on corporate accounts is recognised as interest accrues using the effective interest method. This is a method of calculating the amortised cost of a financial asset and allocating the interest income over the relevant period using the effective interest rate, which is the rate that discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

Note 22. Derivative financial instruments

Consolidated	2024 $'000	2023 $'000
Non–current		
Derivative financial instruments	63	172
Total derivative financial instruments	**63**	**172**

Accounting policy for derivative financial instruments

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and subsequently remeasured to their fair value at each reporting date. The accounting for subsequent changes in fair value depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged.

Derivatives that qualify for hedge accounting

Interest rate swaps

Interest rate swaps currently in place cover 50% (2023: 50%) of the bank loan principal outstanding and 100% (2023: 100%) of the Fleet loan balance outstanding. The fixed interest rates of the swaps range between 3.60% and 3.90% (2023: 3.62% and 4.15%) and the variable rates of the loans are 1.50% above the 3-month AUD BBSY rate which at the end of the reporting period was 4.47% (2023: 4.20%). The swap contracts require settlement of net interest receivable or payable every three months. The settlement dates coincide with the dates on which interest is payable on the underlying debt. The effects of the interest rate swaps on the group's financial position and performance are as follows:

Interest rate swaps	2024 $'000	2023 $'000
Carrying amount (non-current asset)	63	172
Notional amount	54,370	41,434
Maturity date	Sep 2028 – Oct 2029	Sep 2026 – Nov 2028
Hedge ratio	1:1	1:1
Change in fair value of outstanding hedging instruments since 1 January	(109)	(890)
Change in value of hedged item used to determine hedge effectiveness	109	890
Weighted average hedge rate for the year	4.41%	3.96%

Refer to note 24 for further information on fair value measurement.

Cash flow hedges

Cash flow hedges are used to cover the Group's exposure to variability in cash flows that is attributable to particular risks associated with a recognised asset or liability or a firm commitment which could affect profit or loss. The effective portion of the gain or loss on the hedging instrument is recognised in other comprehensive income through the cash flow hedge reserve in equity, whilst the ineffective portion is recognised in profit or loss. Amounts taken to equity are transferred out of equity and included in the measurement of the hedged transaction when the forecast transaction occurs.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2024

Note 22. Derivative financial instruments (continued)

Cash flow hedges are tested for effectiveness on a regular basis both retrospectively and prospectively to ensure that each hedge is effective and continues to be designated as a cash flow hedge. If the forecast transaction is no longer expected to occur, the amounts recognised in equity are transferred to profit or loss.

If the hedging instrument is sold, terminated, expires, is exercised without replacement or rollover, or if the hedge becomes ineffective and is no longer a designated hedge, the amounts previously recognised in equity remain in equity until the forecast transaction occurs.

Note 23. Financial instruments

Financial risk management objectives

The Group's activities expose it to a variety of financial risks: market risk (including foreign currency risk, price risk and interest rate risk), credit risk and liquidity risk. The Group's overall financial risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Group. The Group may use derivative financial instruments such as interest rate swap contracts to hedge certain risk exposures. Derivatives are exclusively used for risk management purposes, i.e. not as trading or other speculative instruments. The Group uses different methods to measure different types of risk to which it is exposed. These methods include sensitivity analysis in the case of interest rate, foreign exchange and other price risks, ageing analysis for credit risk and rolling cash flow forecasts for analysis of liquidity risk.

Risk management is carried out centrally by the management team under oversight from the Board. These policies include identification and analysis of the risk exposure of the Group and appropriate procedures, controls and risk limits. The management team identifies, evaluates and may hedge financial risks within the Group's operating units.

Market risk

Foreign exchange risk

The Group operates primarily in Australia and is not exposed to any significant foreign currency risk.

Interest rate risk

The Group's main interest rate risk arises from long-term borrowings, cash and cash equivalents, and restricted cash and cash equivalents, which are subject to variable interest rates. The exposure to interest rate risk on long-term borrowings is managed through the use of interest rate swaps.

As at the reporting date, the Group had the following variable rate borrowings, cash and cash equivalents, restricted cash and cash equivalents and interest rate swap contracts outstanding:

	2024		2023	
Consolidated	Weighted average interest rate %	Balance $'000	Weighted average interest rate %	Balance $'000
Bank loans	5.95%	(80,000)	5.33%	(65,000)
Interest rate swaps (notional principal amount)	4.41%	54,370	3.96%	41,434
Cash and cash equivalents	4.20%	34,648	3.77%	32,794
Restricted cash	4.20%	245,067	3.72%	141,091
Net exposure to cash flow interest rate risk		**254,085**		**150,319**

Sensitivity analysis – interest rate risk

An increase/(decrease) in interest rates of 100 basis points (2023: increase 100/decrease 100) on the above exposures would have a favourable/(adverse) effect on profit before tax, and equity, of $2,779,000 / ($5,240,000) (2023: $1,986,000 / ($2,067,000)).

Derivatives interest rate swap

The Group has entered into interest rate swap contracts with notional/principal value as at 31 December 2024 of $54,370,000 (2023: $41,434,000). The interest rate contracts hedge the Group's risk against an increase in variable interest rates. The weighted average fixed rate is 3.74% (2023: 2.90%).

Profit or loss is sensitive to higher/lower interest income and expense from cash and cash equivalents, and bank loans, as a result of changes in interest rates. Other components of equity change as a result of an increase/decrease in the fair value of the cash flow hedges of borrowings.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2024

Note 23. Financial instruments (continued)

Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group has procedures in place to monitor credit risk, which include obtaining references and setting appropriate credit limits. The Group obtains guarantees where appropriate to mitigate credit risk. The maximum exposure to credit risk at the reporting date to recognised financial assets is the carrying amount, net of any provisions for impairment of those assets, as disclosed in note 11. The Group does not hold any collateral, and nor does the Group utilise supplier financing.

Sensitivity analysis

An increase of 100 basis points to the average expected credit loss by customer group would result in an increase of $77,000 to the expected credit loss allowance.

Financing arrangements

The Group had access to undrawn borrowing facilities at the reporting date. Refer to note 21 for the breakdown.

Liquidity risk

Prudent liquidity risk management requires the Group to maintain sufficient liquid assets (mainly cash and cash equivalents) and available borrowing facilities to be able to pay debts as and when they become due and payable.

The Group manages liquidity risk by maintaining adequate cash reserves and available borrowing facilities by continuously monitoring actual and forecast cash flows and matching the maturity profiles of financial assets and liabilities.

Remaining contractual maturities

The following tables detail the Group's remaining contractual maturities for its financial instrument liabilities. The tables reflect the undiscounted cash flows of financial liabilities based on the earliest date on which the financial liabilities are required to be paid. The tables include both interest and principal cash flows disclosed as remaining contractual maturities and therefore these totals may differ from their carrying amount in the consolidated statement of financial position.

	Carrying amount	Contractual cash flows $'000	1 year or less $'000	1 to 2 years $'000	2 to 5 years $'000	Over 5 years $'000
At 31 December 2024						
Non-derivative						
Trade payables (including GST)	(4,375)	(4,375)	(4,375)	–	–	–
Customer salary packaging liability	(245,067)	(245,067)	(245,067)	–	–	–
Bank loans	(79,155)	(97,900)	(4,750)	(4,776)	(88,374)	–
Lease liabilities	(2,052)	(2,524)	(1,203)	(745)	(576)	–
Derivative						
Interest rate derivatives – net inflows	63	1,235	328	328	579	–
Financial liabilities	**(330,586)**	**(348,631)**	**(255,067)**	**(5,193)**	**(88,371)**	**–**
At 31 December 2023						
Non-derivative						
Trade payables (including GST)	(2,309)	(2,309)	(2,309)	–	–	–
Customer salary packaging liability	(141,091)	(141,091)	(141,091)	–	–	–
Bank loans	(64,693)	(75,578)	(3,852)	(3,842)	(67,884)	–
Lease liabilities	(5,561)	(7,382)	(3,830)	(2,339)	(1,213)	–
Derivative						
Interest rate derivatives – net inflows	172	625	228	227	170	–
Financial liabilities	**(213,482)**	**(225,735)**	**(150,854)**	**(5,954)**	**(68,927)**	**–**

The cash flows in the maturity analysis above are not expected to occur significantly earlier than disclosed above.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2024

Note 24. Fair value measurement

Consolidated	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
2024				
Assets				
Interest rate swap contracts – cash flow hedges	–	63	–	63
Total assets	**–**	**63**	**–**	**63**
2023				
Assets				
Interest rate swap contracts – cash flow hedges	–	172	–	172
Total assets	**–**	**172**	**–**	**172**

Accounting policy for fair value measurement

Assets and liabilities measured at fair value are classified into three levels, using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. Classifications are reviewed at each reporting date and transfers between levels are determined based on a reassessment of the lowest level of input that is significant to the fair value measurement.

Fair value is measured using the assumptions that market participants would use when pricing the asset, or liability, assuming they act in their economic best interests. Valuation techniques that are appropriate in the circumstances, and for which sufficient data is available are used to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

When an asset or liability, financial or non-financial, is measured at fair value for recognition or disclosure purposes, the fair value is based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date and assumes that the transaction will take place either in the principal market or, in the absence of a principal market, in the most advantageous market.

For recurring and non-recurring fair value measurements, external valuers may be used either when internal expertise is not available or when the valuation is deemed to be significant. External valuers are selected based on market knowledge and reputation. Where there is a significant change in fair value of an asset or liability from one period to another, an analysis is undertaken, which includes a verification of the major inputs applied in the latest valuation and a comparison, where applicable, with external sources of data.

Fair value hierarchy

The table above details the Group's assets and liabilities that are measured at fair value using the three-level fair value hierarchy, which are different valuation methods based on the inputs used:

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date.

Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3: unobservable inputs for the asset or liability.

There were no transfers between levels during the financial year.

The carrying amounts of trade and other receivables and trade and other payables approximate their fair values due to their short-term nature. The fair value of financial liabilities is estimated by discounting the remaining contractual maturities at the current market interest rate that is available for similar financial liabilities.

Valuation techniques for fair value measurements categorised within Level 2 and Level 3

Derivatives - interest rate swap contracts

Derivative financial instruments have been valued at the present value of cash flows using quoted market interest rates. This valuation technique maximises the use of observable market data where it is available and relies as little as possible on entity specific estimates.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2024

Note 25. Issued capital

	2024 Shares	2023 Shares	2024 $'000	2023 $'000
Ordinary shares — issued and fully paid	133,878,152	132,836,669	297,149	284,692
Less: treasury shares associated with the loan funded share plan (LFSP)	(4,118,012)	(3,140,862)	(33,043)	(21,274)
	129,760,140	**129,695,807**	**264,106**	**263,418**

Movements in ordinary share capital

Details	Issue Date	Shares	Total $'000
Opening balance 2023	1 January 2023	133,670,773	289,479
Shares issued for LFSP	10 March 2023	983,304	5,878
	19 July 2023	936,679	6,485
Buy-back of forfeited LFSP shares	6 March 2023	(1,664,826)	(9,382)
	12 May 2023	(255,029)	(1,733)
	30 August 2023	(834,232)	(6,035)
Balance	**31 December 2023**	**132,836,669**	**284,692**
Exercise of performance rights	26 February 2024	64,333	688
Shares issued for LFSP	22 March 2024	802,712	7,855
	13 May 2024	632,433	5,998
	4 June 2024	229,625	2,178
	19 August 2024	59,685	483
Buy-back of forfeited LFSP shares	11 January 2024	(18,000)	(104)
	21 February 2024	(563,533)	(3,311)
	16 September 2024	(27,028)	(264)
	16 December 2024	(138,744)	(1,066)
Balance	**31 December 2024**	**133,878,152**	**297,149**

Movements in the loan funded share plan

Details	Issue Date	Shares	Total $'000
Opening balance	1 January 2023	(3,974,966)	(26,061)
Shares issued for LFSP	10 March 2023	(983,304)	(5,878)
	19 July 2023	(936,679)	(6,485)
Buy-back of forfeited shares	6 March 2023	1,664,826	9,382
	12 May 2023	255,029	1,733
	30 August 2023	834,232	6,035
Balance	**31 December 2023**	**(3,140,862)**	**(21,274)**
Shares issued for LFSP	22 March 2024	(802,712)	(7,855)
	13 May 2024	(632,433)	(5,998)
	4 June 2024	(229,625)	(2,178)
	19 August 2024	(59,685)	(483)
Buy-back of forfeited LFSP shares	11 January 2024	18,000	104
	21 February 2024	563,533	3,311
	16 September 2024	27,028	264
	16 December 2024	138,744	1,066
Balance	**31 December 2024**	**(4,118,012)**	**(33,043)**

Notes to the Consolidated Financial Statements

For the year ended 31 December 2024

Note 25. Issued capital (continued)

Accounting policy for issued capital

Ordinary shares are classified as equity. Issued capital represents the amount of consideration received for shares issued by the Company. Transaction costs of an equity transaction are accounted for as a deduction from equity, net of any related income tax benefit.

Ordinary shares

Ordinary shares entitle the holder to participate in dividends and the proceeds on the winding up of the Company in proportion to the number of and amounts paid on the shares held. The fully paid ordinary shares have no par value and the Company does not have a limited amount of authorised capital.

On a show of hands, every member present at a meeting in person or by proxy shall have one vote; and upon a poll, each share shall have one vote.

Loan funded share plan (LFSP)

Shares granted as part of the LFSP are eligible for dividends and are held by the participant until they vest or are forfeited. Should the Company pay dividends or make capital distributions in the future, any dividends paid, or distributions made to the participant will be applied to repay the loan and to meet the tax liability on those dividends or distributions. The vesting of the shares is subject to two performance hurdles, being an earnings growth hurdle and a total shareholder return hurdle, and a continuous employment condition. The shares can only be exercised after the participant has repaid the loan.

The issue price is calculated based on the 20-day volume weighted average price of shares trading on the ASX up to and including grant date. Shares vest over a 3-year period subject to two vesting conditions, the “EPS Performance Hurdle” and the “TSR Performance Hurdle”.

Shares issued under the LFSP are accounted for as options. As a consequence of this classification, the unvested shares issued under the LFSP have been treated as contingently issuable, as the vesting conditions have not been satisfied at the balance date. Therefore, the shares issued under the LFSP are excluded from basic earnings per share.

Details of the loan funded shares (LFS) granted in 2024 are set out in Note 26.

LFSP shares forfeited

For the year ended 31 December 2024, 747,305 shares issued under the LFSP were bought back as vesting conditions on the shares had not been met and the shares were forfeited, resulting in a $4,745,000 reduction in ordinary share capital.

Performance Rights

Performance rights have a nil exercise price and the number of shares are determined based on the 10-day volume weighted average price of shares traded on the ASX up to and including the grant date. Performance rights vest over a 1-year period, being 1 January to 31 December.

Performance rights granted do not include voting rights nor attract dividends, and are subject to vesting conditions, being performance hurdles relating to the annual Key Performance Indicators (KPIs). Performance rights cannot be transferred and are not quoted on the ASX.

Details of the performance rights granted in 2024 are set out in note 26.

Share buy-back

There is no current on-market share buy-back of the Company’s shares.

Capital risk management

The Group’s objectives when managing capital are to safeguard its ability to continue as a going concern, so that it can provide returns for shareholders and benefits for other stakeholders and to maintain an optimum capital structure to reduce the cost of capital. The Group’s debt and capital includes ordinary share capital and financial liabilities, supported by financial assets.

Capital is regarded as total equity, as recognised in the statement of financial position, plus net debt. Net debt is calculated as total borrowings excluding prepaid borrowing costs less cash and cash equivalents, and excludes restricted cash and cash equivalents.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt. The Group would look to raise capital when an opportunity to invest in a business or company was seen as value adding relative to the current Company’s share price at the time of the investment or to reduce debt.

Notes to the Consolidated Financial Statements

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Note 26. Share-based payments

Performance Rights (PR) and Loan Funded Share Plan (LFSP)

The LFSP is a long-term incentive plan for the senior management team. Refer to note 25 for the terms of LFSP. The LFSP shares are legally held by the employees, however, they cannot trade in the shares until the vesting conditions are satisfied and the loan is fully repaid.

The performance rights are a short-term incentive plan (STIP) for the executive management team. Refer to note 25 for the terms of the performance rights. The performance rights are subject to vesting conditions, cannot be transferred and are not quoted on the ASX.

The share-based payments have been treated as options in accordance with AASB 2 *Share-based payment*.

Set out below are summaries of performance rights and loan funded shares granted under the Company's STIP and LFSP:

Type	Grant date	Vesting date	Exercise price	Balance at start of the year	Granted during the year	Exercised during the year	Forfeited during the year	Balance at end of the year	Vested and exercisable at end of the year
2024									
LFSP	8 March 2021	31 December 2023	$7.00	155,470	–	(137,470)	–	18,000	18,000
LFSP	12 May 2021	31 December 2023	$6.97	32,374	–	–	–	32,374	32,374
LFSP	8 March 2022	31 December 2024	$7.57	509,932	–	–	(406,933)	102,999	102,999
LFSP	11 May 2022	31 December 2024	$8.78	111,106	–	–	(88,329)	22,777	22,777
LFSP	8 March 2023	31 December 2025	$5.98	813,769	–	–	(60,336)	753,433	–
LFSP	10 May 2023	31 December 2025	$6.92	936,679	–	–	–	936,679	–
LFSP	22 March 2024	31 December 2026	$9.79	–	802,712	–	(97,935)	704,777	–
LFSP	8 May 2024	31 December 2026	$9.48	–	632,433	–	–	632,433	–
LFSP	16 May 2024	31 December 2026	$9.48	–	146,667	–	–	146,667	–
LFSP	20 May 2024	31 December 2026	$9.48	–	82,958	–	–	82,958	–
LFSP	19 August 2024	31 December 2026	$8.10	–	59,685	–	–	59,685	–
PR	23 March 2023	31 December 2023	–	48,291	–	(48,291)	–	–	–
PR	10 May 2023	31 December 2023	–	13,266	–	(13,266)	–	–	–
PR	22 September 2023	31 December 2023	–	2,776	–	(2,776)	–	–	–
PR	22 March 2024	31 December 2024	–	–	56,608	–	(7,980)	48,628	–
PR	8 May 2024	31 December 2024	–	–	29,176	–	–	29,176	–
PR	20 May 2024	31 December 2024	–	–	19,950	–	–	19,950	–
PR	19 August 2024	31 December 2024	–	–	7,993	–	–	7,993	–
				2,623,663	**1,838,182**	**(201,803)**	**(661,513)**	**3,598,529**	**176,150**
Weighted average exercise price				$6.82	$8.98	$4.77	$7.82	$7.75	$7.56
2023									
LFSP	8 March 2021	31 December 2023	$7.00	737,002	–	–	(581,532)	155,470	155,470
LFSP	12 May 2021	31 December 2023	$6.97	561,152	–	–	(528,778)	32,374	32,374
LFSP	8 March 2022	31 December 2024	$7.57	630,705	–	–	(120,773)	509,932	–
LFSP	11 May 2022	31 December 2024	$8.78	599,177	–	–	(488,071)	111,106	–
LFSP	8 March 2023	31 December 2025	$5.98	–	983,304	–	(169,535)	813,769	–
LFSP	10 May 2023	31 December 2025	$6.92	–	936,679	–	–	936,679	–
PR	23 March 2023	31 December 2023	–	–	75,594	–	(27,303)	48,291	48,291
PR	10 May 2023	31 December 2023	–	–	17,981	–	(4,715)	13,266	13,266
PR	22 September 2023	31 December 2023	–	–	3,730	–	(954)	2,776	2,776
				2,528,036	**2,017,288**	**–**	**(1,921,661)**	**2,623,663**	**252,177**
Weighted average exercise price				$7.56	$6.13	–	$7.27	$6.82	$5.21

Notes to the Consolidated Financial Statements

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Note 26. Share-based payments (continued)

The loan funded shares have an expiry date of 5 years from the date of issue and their weighted average remaining contractual life outstanding at the end of the financial year was 3.8 years (2023: 4.0 years). The fair value of the shares used for grant allocation purposes was calculated using Black-Scholes-Merton simulations in respect of EPS hurdles and Monte Carlo simulations in respect of TSR hurdles.

Assumptions made in determining the fair value of loan funded shares granted under the LFSP are:

Grant date	Vesting date	Share price at grant date	Exercise price	Expected volatility of Smartgroup's shares	Dividend yield	Risk–free interest rate	Fair value at grant date
22 March 2024	31 December 2026	$9.29	$9.79	32.50%	5.60%	3.85%	$1.91
8 May 2024	31 December 2026	$8.74	$9.48	32.50%	6.00%	4.22%	$1.66
16 May 2024	31 December 2026	$8.41	$9.48	32.50%	6.00%	4.22%	$1.66
20 May 2024	31 December 2026	$8.13	$9.48	32.50%	6.00%	4.22%	$1.66
19 August 2024	31 December 2026	$8.60	$8.10	32.50%	5.95%	3.75%	$2.02

The fair value of performance rights granted under the STIP has been calculated based on the 10-day volume weighted average share price up to and including the grant date as follows:

Grant date	Vesting date	Share price at grant date	Fair value at grant date
22 March 2024	31 December 2024	$9.29	$9.34
8 May 2024	31 December 2024	$8.74	$10.03
20 May 2024	31 December 2024	$8.41	$8.12
19 August 2024	31 December 2024	$8.60	$8.33

Note 27. Reserves

	2024 $'000	2023 $'000
Cash flow hedge reserve	(106)	2
Share-based payments reserve	16,170	12,092
Other reserves	1,294	1,294
	17,358	**13,388**

Hedging reserve — cash flow hedges

The hedging reserve is used to record the effective portion of the gains or losses on derivatives which qualify as cash flow hedge instruments and are recognised in other comprehensive income. Amounts are reclassified to profit or loss when the associated hedged transaction affects profit or loss.

Share-based payments reserve

The reserve is used to recognise the value of equity benefits provided to executive KMP and other senior management as part of their remuneration.

Other reserves

Other reserves are used to record increments and decrements to the valuation of non-current assets, and preserve current profits for the purpose of paying dividends in future years.

Movements in reserves

Movements in each class of reserve during the current and previous financial year are set out below:

Notes to the Consolidated Financial Statements

For the year ended 31 December 2024

Note 27. Reserves (continued)

Consolidated	Cash flow hedges $'000	Share-based payments $'000	Other reserves $'000	Total $'000
Balance at 1 January 2023	696	11,823	439	12,958
Movements in hedges	(991)	–	–	(991)
Deferred tax	297	–	–	297
Transfer from share-based payments reserve to other reserves	–	(855)	855	–
Share-based payments	–	3,834	–	3,834
LFSP exercised	–	(2,710)	–	(2,710)
Balance at 31 December 2023	**2**	**12,092**	**1,294**	**13,388**
Movements in hedges	(135)	–	–	(135)
Deferred tax	27	–	–	27
Share-based payments	–	4,766	–	4,766
LFSP exercised	–	(688)	–	(688)
Balance at 31 December 2024	**(106)**	**16,170**	**1,294**	**17,358**

Note 28. Interests in subsidiaries

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries in accordance with the accounting policy described throughout the consolidated financial statements:

Name	Principal place of business/country of incorporation	2024 %	2023 %
ABM Corporation Pty Limited	Australia	100	100
AccessPay Pty Ltd	Australia	100	100
Australian Vehicle Consultants Pty Ltd	Australia	100	100
Autopia Group Pty Limited	Australia	100	100
Autopia Management Pty Limited	Australia	100	100
Fleet West Pty Ltd	Australia	100	100
Pay-Plan Pty Ltd	Australia	100	100
PBI Benefit Solutions Pty Limited	Australia	100	100
Salary Packaging Solutions Pty Ltd	Australia	100	100
Salary Solutions Australia Pty Ltd	Australia	100	100
Selectus Pty Ltd	Australia	100	100
SET Leasing Pty Ltd	Australia	100	100
Smartfleet Management Pty Ltd	Australia	100	100
Smartgroup Benefits Pty Ltd	Australia	100	100
Smartsalary Payroll Solutions Pty Ltd	Australia	–	100
Smartsalary Pty Limited	Australia	100	100
Smartsalary Software Solutions Pty Ltd	Australia	100	100

Notes to the Consolidated Financial Statements

For the year ended 31 December 2024

Note 29. Deed of cross guarantee

The following entities are parties to a deed of cross guarantee under which each company guarantees the debts of the others:

Smartgroup Corporation Ltd
AccessPay Pty Ltd
Autopia Group Pty Limited
Autopia Management Pty Limited
Salary Packaging Solutions Pty Ltd
Salary Solutions Australia Pty Ltd
Selectus Pty Ltd
Smartfleet Management Pty Ltd
Smartgroup Benefits Pty Ltd
Smartsalary Pty Limited

By entering into the deed, the wholly-owned entities have been relieved from the requirements for preparation, audit and lodgement of financial reports and Directors' reports, subject to certain conditions set out therein, under ASIC Corporations (Wholly-owned Companies) Instrument 2016/785.

The above companies represent a 'Closed Group' for the purposes of the Corporations Instrument, and as there are no other parties to the deed of cross guarantee that are controlled by Smartgroup Corporation Ltd, they also represent the 'Extended Closed Group'.

Set out below is a consolidated statement of profit or loss and other comprehensive income and statement of financial position of the 'Closed Group'.

Consolidated statement of profit or loss and other comprehensive income and summary of movements in consolidated retained earnings

Closed Group	2024 $'000	2023 $'000
Consolidated Statement of Profit or Loss and Other Comprehensive Income		
Revenue	304,350	249,654
Product costs	(13,938)	(9,558)
Employee benefits expense	(120,880)	(102,589)
Administration and corporate expenses	(35,467)	(31,924)
Occupancy expenses	(1,599)	(1,535)
Advertising and marketing expenses	(8,183)	(2,948)
Amortisation of acquired intangibles	(1)	(83)
Amortisation of contract rights and internally developed intangibles	(4,183)	(2,759)
Depreciation expense	(6,579)	(5,021)
Other expenses	(2,802)	(1,511)
Operating profit before income tax expense	**110,718**	**91,726**
Finance income	1,977	729
Finance costs	(5,421)	(3,755)
Gain on sale of business	3,673	–
Profit before income tax expense	**110,947**	**88,700**
Income tax expense	(33,165)	(26,669)
Profit after income tax expense	**77,782**	**62,031**
Other comprehensive income		
Net change in the fair value of cash flow hedges taken to equity, net of tax	(108)	(694)
Total comprehensive income for the year	**77,674**	**61,337**

Closed Group	2024 $'000	2023 $'000
Summary of movements in consolidated retained earnings		
Retained earnings at the beginning of the financial year	**(36,138)**	**(39,300)**
Profit after income tax expense	77,782	62,031
Dividends paid	(65,796)	(58,869)
Retained earnings at the end of the financial year	**(24,152)**	**(36,138)**

Notes to the Consolidated Financial Statements

For the year ended 31 December 2024

Note 29. Deed of cross guarantee (continued)

Consolidated Statement of Financial Position

Closed Group	2024 $'000	2023[1] $'000
Current assets		
Cash and cash equivalents	33,883	32,139
Restricted cash and cash equivalents	245,067	141,091
Trade and other receivables	34,139	23,542
Other current assets	6,738	6,054
Assets classified as held for sale	–	1,129
Income tax receivable	1,721	–
Total current assets	**321,548**	**203,955**
Non-current assets		
Investments in subsidiaries	27,947	27,719
Derivative financial instruments	63	172
Deferred tax assets	11,263	15,190
Property and equipment	21,087	14,289
Intangible assets	268,182	257,662
Right-of-use assets	2,480	4,379
Total-non-current assets	**331,022**	**319,411**
Total assets	**652,570**	**523,366**
Current liabilities		
Trade and other payables	40,027	41,814
Customer salary packaging liability	245,067	141,091
Lease liabilities	1,203	3,830
Contract liabilities	6,477	7,635
Income tax payable	–	1,476
Provisions	17,477	15,341
Other current liabilities	3,152	2,042
Liabilities directly associated with assets classified as held for sale	–	625
Total current liabilities	**313,403**	**213,854**
Non-current liabilities		
Provisions	1,548	1,302
Borrowings	79,155	64,693
Contract liabilities	304	1,343
Lease liabilities	849	1,731
Total non-current liabilities	**81,856**	**69,069**
Total liabilities	**395,259**	**282,923**
Net assets	**257,311**	**240,443**
Equity		
Issued capital	264,106	263,193
Reserves	17,357	13,388
Retained earnings	(24,152)	(36,138)
Total equity	**257,311**	**240,443**

1. The prior period balance has been adjusted to be consistent with the current year. For more details refer to Note 2 Basis of preparation in 2024.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2024

Note 30. Parent entity financial information

Summary financial information

Set out below is the supplementary information about the parent entity.

Statement of Profit or Loss and Other Comprehensive Income

Smartgroup Corporation Ltd	2024 $'000	2023 $'000
Profit after income tax expense	94,538	30,605
Total comprehensive income	**94,538**	**30,605**

Statement of Financial Position

Smartgroup Corporation Ltd	2024 $'000	2023 $'000
Current assets	338,641	356,962
Total assets	**428,042**	**447,193**
Current liabilities	18,630	85,644
Total liabilities	**97,500**	**150,284**
Issued capital	264,106	262,418
Reserves		
Hedging reserve – cash flow hedges	135	2
Share-based payments reserve	15,795	11,718
Other reserves	1,294	1,294
Retained earnings	49,212	21,477
Total equity	**330,542**	**296,909**

Guarantees entered into by the parent entity

The parent entity and certain of its subsidiaries are party to an ASIC deed of cross guarantee under which each company guarantees the debts of the others. No deficiencies of assets exist in any of these subsidiaries. Refer to note 29 for further details.

The parent entity has also provided guarantees in respect of banking facilities provided to the Group.

Contingent liabilities of the parent entity

The parent entity has given bank guarantees as at 31 December 2024 of $5,624,000 (2023: $624,000).

Capital commitments – property and equipment

The parent entity had no capital commitments for property and equipment as at 31 December 2024 and 31 December 2023.

Material accounting policies

The accounting policies of the parent entity are consistent with those of the Group, as disclosed in note 2 and note 37, except for the following:

- Investments in subsidiaries are accounted for at cost, less any impairment, in the parent entity.
- Dividends received from subsidiaries are recognised as other income by the parent entity.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2024

Note 31. Reconciliation of profit after income tax to net cash from operating activities

Reconciliation of profit after income tax to net cash inflow from operating activities

Consolidated	2024 $'000	2023 $'000
Profit for the year	**75,599**	**61,919**
Adjustments for		
Share of profits – joint ventures	(196)	(304)
Share-based payments	2,823	247
Fair value change to derivative financial instruments	101	(196)
Interest received – disclosed under investing activities	(1,358)	(746)
Amortisation of interest and borrowing costs	273	37
Depreciation	6,615	5,021
Amortisation	4,168	2,906
Gain on sale of business	(3,216)	–
Derecognition of intangibles	–	1,500
Change in operating assets and liabilities:		
(Increase) in trade and other receivables	(15,990)	(4,656)
Decrease/(increase) in net deferred tax assets	4,724	(671)
(Increase) in other current assets	(1,412)	(1,565)
Increase in trade and other payables	10,426	5,674
(Decrease) in provision for income tax	(4,902)	(3,790)
(Decrease) in provisions and other liabilities	(112)	(178)
Net cash from operating activities	**77,543**	**65,198**

Changes in liabilities arising from financing activities

This section sets out an analysis of net debt and the movements in net debt for each of the years presented.

Consolidated	Borrowings $'000
Balance as at 1 January 2023	**53,784**
Proceeds from borrowings	11,100
Borrowing costs	(228)
Amortisation of borrowing costs (non-cash)	37
Balance as at 31 December 2023	**64,693**
Proceeds from borrowings	15,000
Borrowing costs	(647)
Amortisation of borrowing costs (non-cash)	109
Balance as at 31 December 2024	**79,155**

Notes to the Consolidated Financial Statements

For the year ended 31 December 2024

Note 32. Related party transactions

Parent entity

Smartgroup Corporation Ltd is the parent entity.

Subsidiaries

Interests in subsidiaries are set out in note 28.

Key management personnel compensation

Disclosures relating to key management personnel are set out in note 33 and the Remuneration Report included in the Directors' Report.

Transactions with other related parties

$11,432 in cost reimbursements were paid to key management personnel in 2024 (2023: $8,360).

Receivable from/payable to related parties

There were no trade receivables from or trade payables to related parties at the current and previous reporting date.

Loans to/from related parties

There were no loans to/from related parties at the current and previous reporting date, except for the LFSP (refer to note 26).

Note 33. Key management personnel disclosures

Compensation

The aggregate compensation made to Directors and other members of key management personnel of the Group is set out below:

Consolidated	2024 $	2023 $
Short-term employee benefits	3,150,574	3,364,352
Post-employment benefits	187,724	200,747
Long-term benefits	26,409	(175,185)
Termination benefits	–	680,000
Share-based payments	1,703,540	(97,922)
	5,068,247	**3,971,992**

Note 34. Contingent liabilities

The Group had contingent liabilities at 31 December 2024 of $4,064,000 (2023: $4,514,000) which primarily relate to guarantees on property leases against the contractual payment of rent. The Group has given guarantees for performance of contracts to its customers as at 31 December 2024 of $5,450,000 (2023: $450,000).

Note 35. Events occurring after the reporting period

No matter or circumstance has occurred subsequent to year end that has significantly affected, or may significantly affect, the operations of the Group, the results of those operations or the state of affairs of the Group in subsequent financial years.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2024

Note 36. Remuneration of auditors

During the year the following fees were paid or payable for services provided by KPMG, the auditor of the Company. In 2023, the auditor of the Company was PricewaterhouseCoopers:

Consolidated	2024 $	2023 $
Audit and review of financial statements	668,800	750,000
Non-audit services:		
Risk and governance	–	12,500
Total	**668,800**	**762,500**

Note 37. Material accounting policies

The principal accounting policies adopted in the preparation of the financial statements are set out below and in the respective notes. These policies have been consistently applied to all the years presented, unless otherwise stated.

New or amended Accounting Standards and Interpretations adopted

The Group has adopted all of the new or amended Accounting Standards and Interpretations issued by the Australian Accounting Standards Board (AASB) that are mandatory for the current reporting period with the following standards and amendments applied for the annual reporting period commencing 1 January 2024:

- Amendments to AASB 2020-1 *Classification of Liabilities as Current or Non-Current*;
- Amendments to AASB 2022-5 *Lease Liability in a Sale and Leaseback*;
- Amendments to AASB 2022-6 *Non-current liabilities with Covenants*;
- Amendments to AASB 2023-1 *Supplier Finance Arrangements*.

The adoption of these Accounting Standards and Interpretations did not have any material impact on the financial performance or position of the Group.

New standards and interpretations not yet adopted

The following accounting standards have been issued but are not yet in effect for the current reporting period. The Group has not elected to early adopt any accounting standards during the year.

AASB 18 *Presentation and Disclosure in Financial Statements*

AASB 18 *Presentation and Disclosure in Financial Statements* replaces AASB 101 *Presentation of Financial Statements*. AASB 18 requires changes to the presentation of the statement of profit or loss to classify income and expenses into operating, investing and financing categories, with the introduction of defined subtotals, operating profit and profit before financing and income taxes. AASB 18 also enhances guidance around aggregation principles within the primary financial statements and information disclosed in the notes, and requires management-defined performance measures used in public communications that are subtotals of income and expense to be reconciled to the subtotals required by AASBs. The standard is effective for annual periods beginning on or after 1 January 2027. The Group expects AASB 18 to lead to changes in the way information is presented in the primary financial statements in the financial report for the year ended 31 December 2027, however at this time does not anticipate any other impacts.

There are no other standards that are not yet effective and that would be expected to have a material impact on the entity in the current or future reporting years and on foreseeable future transactions.

AASB 2024-2 *Amendments to Australian Accounting Standards – Classification and Measurement of Financial Instruments*

On 29 July 2024, the AASB issued targeted amendments to AASB 9 and AASB 7 to respond to recent questions arising in practice, and to include new requirements not only for financial institutions but also for corporate entities. These amendments:

- clarify the date of recognition and derecognition of some financial assets and liabilities, with a new exception for some financial liabilities settled through an electronic cash transfer system;
- clarify and add further guidance for assessing whether a financial asset meets the solely payments of principal and interest (SPPI) criterion;
- add new disclosures for certain instruments with contractual terms that can change cash flows (such as some financial instruments with features linked to the achievement of environment, social and governance targets); and
- update the disclosures for equity instruments designated at fair value through other comprehensive income (FVOCI).

The standard is effective for annual periods beginning on or after 1 January 2026. The Group has not yet completed its assessment of the impact of AASB 2024-2 but does not expect it to have a material impact on its operations or financial statements.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2024

Note 37. Material accounting policies (continued)

Additional material accounting policies

(a) Principles of consolidation

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Smartgroup Corporation Ltd as at 31 December 2024 and the results of all subsidiaries for the year then ended.

Subsidiaries are all those entities over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

Intercompany transactions, balances and unrealised gains on transactions between entities in the Group are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

The acquisition of subsidiaries is accounted for using the acquisition method of accounting. A change in ownership interest, without the loss of control, is accounted for as an equity transaction, where the difference between the consideration transferred and the book value of the share of the resulting non-controlling interest is recognised directly in equity attributable to the parent.

Non-controlling interests in the results and equity of subsidiaries are shown separately in the Statement of Profit or Loss and Other Comprehensive Income, Statement of Financial Position and Statement of Changes in Equity of the Group. Losses incurred by the Group are attributed to the non-controlling interest in full, even if that results in a deficit balance.

Where the Group loses control over a subsidiary, it derecognises the assets including goodwill, liabilities and non-controlling interest in the subsidiary together with any cumulative translation differences recognised in equity. The Group recognises the fair value of the consideration received and the fair value of any investment retained, together with any gain or loss in profit or loss.

(b) Current and non-current classification

Assets and liabilities are presented in the statement of financial position based on current and non-current classification.

An asset is current when: it is expected to be realised or intended to be sold or consumed in the entity's normal operating cycle; it is held primarily for the purpose of trading; it is expected to be realised within 12 months after the reporting period; or the asset is cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period. All other assets are classified as non-current.

A liability is current when: it is expected to be settled in the entity's normal operating cycle; it is held primarily for the purpose of trading; it is due to be settled within 12 months after the reporting period; an unconditional right does not exist to defer the settlement of the liability for at least 12 months after the reporting period. All other liabilities are classified as non-current.

Deferred tax assets and liabilities are always classified as non-current.

(c) Financial instruments (note 23)

Recognition and measurement

Trade receivables are initially recognised when they are originated. All other financial assets and financial liabilities are initially recognised when the Group becomes a party to the contractual provisions of the instrument.

Classification and subsequent measurement

Financial assets

On initial recognition, a financial asset is classified as measured at:

- Amortised cost;
- Fair value through profit or loss (FVTPL); or
- Fair value through other comprehensive income (FVOCI)

Financial assets are not subsequently reclassified unless the Group changes its business model for managing financial assets.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All financial assets not classified as measured at amortised cost or FVOCI are measured at FVTPL. On initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or FVOCI, as FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise. Financial assets as FVTPL are measured at fair value and changes therein are recognised in profit or loss.

Financial liabilities

Financial liabilities are classified as measured at amortised cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognised in profit or loss. Other financial liabilities are subsequently measured at amortised cost using the effective interest

Notes to the Consolidated Financial Statements

For the year ended 31 December 2024

Note 37. Material accounting policies (continued)

method. Interest expense is recognised in profit or loss. Any gain or loss on derecognition is also recognised in profit or loss.

Derecognition

Financial assets

The Group derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Group neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

Financial Liabilities

The Group derecognises a financial liability when its contractual obligations are discharged or cancelled, or expire. The Group also derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognised at fair value.

On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid is recognised in profit or loss.

(d) Employee benefits

Short-term employee benefits (note 15)

Liabilities for wages and salaries, including non-monetary benefits, annual leave and long service leave expected to be settled within 12 months of the reporting date are recognised in current liabilities in respect of employees' services up to the reporting date and are measured at the amounts expected to be paid when the liabilities are settled.

Other long-term employee obligations (note 15)

The liability for long term employee benefits is measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on corporate bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

Defined contribution superannuation expense (Note 6)

Contributions to defined contribution superannuation plans are expensed in the period in which they are incurred.

Share-based payments (note 26)

Equity-settled share-based compensation benefits are provided to employees.

Equity-settled transactions are awards of shares, or options over shares, that are provided to employees in exchange for the rendering of services.

The cost of equity-settled transactions is measured at fair value on grant date for the Loan Funded Share Plan. Fair value is independently determined using Black-Scholes-Merton (in respect of EPS hurdles) and Monte Carlo (in respect of TSR hurdles) simulations that take into account the exercise price, the term of the option, the impact of dilution, the share price at grant date, expected price volatility of the underlying share, the expected dividend yield and the risk free interest rate for the term of the option, together with performance conditions that do not determine whether the Group receives the services that entitle the employees to receive payment. No account is taken of any other vesting conditions.

Shares are contingently issued on grant date in the employees' name and recognised in equity initially as share capital, with an offset in treasury shares. The cost of equity-settled transactions is recognised as an expense with a corresponding increase in equity over the vesting period. The cumulative charge to profit or loss is calculated based on the grant date fair value of the award, the best estimate of the number of awards that are likely to vest and the expired portion of the vesting period. The amount recognised in profit or loss for the period is the cumulative amount calculated at each reporting date, less amounts already recognised in previous periods. Treasury share capital is converted to ordinary share capital at such time as the employee exercises share options or performance rights vest. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Group's own equity instruments.

Market conditions are taken into consideration in determining fair value. Therefore, any awards subject to market conditions are considered to vest irrespective of whether that market condition has been met, provided all other conditions are satisfied.

If equity-settled awards are modified, as a minimum an expense is recognised as if the modification has not been made. An additional expense is recognised over the remaining vesting period for any modification that increases the total fair value of the share-based compensation benefit as at the date of modification.

If the performance condition is within the control of the Group or employee, the failure to satisfy the condition is treated as a cancellation. If the condition is not within the control of the Group or employee and is not satisfied during the vesting period, any remaining expense for the award is recognised over the remaining vesting period, unless the award is forfeited.

If equity-settled awards are cancelled they are treated as if they have vested on the date of cancellation, and any remaining expense is recognised immediately. If new awards are substituted for the cancelled awards, the cancelled and new awards are treated as if they were a modification.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2024

Note 37. Material accounting policies (continued)

(e) Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the taxation authority. In this case it is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the taxation authority is included with other receivables or payables in the balance sheet.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the taxation authority, are presented as operating cash flows.

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

Consolidated Entity Disclosure Statement of Smartgroup Corporation Ltd

Set out below is the disclosure statement required under the *Corporations Act 2001* (Cth), which requires Australian public companies to disclose information about their consolidated subsidiaries. For each consolidated subsidiary that is part of the consolidated entity at the end of the financial year, Smartgroup Corporation Ltd must disclose the following details:

- The name and type of the entity (i.e. body corporate, partnership or trust); For a body corporate, the place of incorporation and percentage of issued share capital held by Smartgroup Corporation Ltd;
- Whether the entity is a trustee of a trust, a partner in a partnership, or a participant in a joint venture. This is only required where that trust, partnership or joint venture is also consolidated;
- If the entity was an Australian resident or a foreign resident at the end of the financial year; and
- If the entity was a foreign resident, each jurisdiction in which the entity was a resident.

Entity Registered Name	Body corporate, partnership or trust	Place formed or incorporated	Percentage of share capital held (%)	Australian or foreign tax resident	Jurisdiction for foreign tax resident
ABM Corporation Pty Limited	Body corporate	Australia	100	Australia	N/A
AccessPay Pty Ltd	Body corporate	Australia	100	Australia	N/A
Australian Vehicle Consultants Pty Ltd	Body corporate	Australia	100	Australia	N/A
Autopia Group Pty Limited	Body corporate	Australia	100	Australia	N/A
Autopia Management Pty Limited	Body corporate	Australia	100	Australia	N/A
Fleet West Pty Ltd	Body corporate	Australia	100	Australia	N/A
Pay-Plan Pty Ltd	Body corporate	Australia	100	Australia	N/A
PBI Benefit Solutions Pty Limited	Body corporate	Australia	100	Australia	N/A
Salary Packaging Solutions Pty Ltd	Body corporate	Australia	100	Australia	N/A
Salary Solutions Australia Pty Ltd	Body corporate	Australia	100	Australia	N/A
Selectus Pty Ltd	Body corporate	Australia	100	Australia	N/A
SET Leasing Pty Ltd	Body corporate	Australia	100	Australia	N/A
Smartfleet Management Pty Ltd	Body corporate	Australia	100	Australia	N/A
Smartgroup Benefits Pty Ltd	Body corporate	Australia	100	Australia	N/A
Smartgroup Corporation Ltd	Body corporate	Australia	N/A	Australia	N/A
Smartsalary Pty Limited	Body corporate	Australia	100	Australia	N/A
Smartsalary Software Solutions Pty Ltd	Body corporate	Australia	100	Australia	N/A

Directors' Declaration

For the year ended 31 December 2024

In the Directors' opinion:

(a) The financial statements and notes set out on pages 74 to 121 are in accordance with the *Corporations Act 2001* (Cth), including:

   (i) complying with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements, and

   (ii) complying with International Financial Reporting Standards as issued by the International Accounting Standards Board, and

   (iii) giving a true and fair view of the consolidated entity's financial position as at 31 December 2024 and of its performance for the financial year ended on that date.

(b) In the opinion of the Directors of Smartgroup Corporation Ltd, the consolidated entity disclosure statement as at 31 December 2024 set out on page 122 is true and correct.

(c) There are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

(d) At the date of this declaration, there are reasonable grounds to believe that the members of the extended closed Group identified in note 29 will be able to meet any obligations or liabilities to which they are, or may become, subject by virtue of the deed of cross guarantee described in note 29.

The Directors have been given the declarations required by section 295A of the *Corporations Act 2001* (Cth).

Signed in accordance with a resolution of Directors made pursuant to section 295(5)(a) of the *Corporations Act 2001* (Cth).

On behalf of the Directors

John Prendiville
Chairman

25 February 2025
Sydney

Independent Auditor's Report

To the shareholders of Smartgroup Corporation Ltd

Report on the audit of the Financial Report

Opinion

We have audited the ***Financial Report*** of Smartgroup Corporation Ltd (the Company).

In our opinion, the accompanying Financial Report of the Company gives a true and fair view, including of the ***Group***'s financial position as at 31 December 2024 and of its financial performance for the year then ended, in accordance with the *Corporations Act 2001*, in compliance with *Australian Accounting Standards* and the *Corporations Regulations 2001*.

The ***Financial Report*** comprises:

- Consolidated Statement of Financial Position as at 31 December 2024;
- Consolidated Statement of Profit or Loss and Other Comprehensive Income, Consolidated Statement of Changes in Equity, and Consolidated Statement of Cash Flows for the year then ended;
- Notes, including material accounting policies;
- Consolidated Entity Disclosure Statement and accompanying basis of preparation as at 31 December 2024; and
- Directors' Declaration.

The ***Group*** consists of the Company and the entities it controlled at the year end or from time to time during the financial year.

Basis for opinion

We conducted our audit in accordance with *Australian Auditing Standards*. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the Financial Report* section of our report.

We are independent of the Group in accordance with the *Corporations Act 2001* and the ethical requirements of the *Accounting Professional and Ethical Standards Board's APES 110 Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the Financial Report in Australia. We have fulfilled our other ethical responsibilities in accordance with these requirements.

KPMG

Key Audit Matters

The ***Key Audit Matters*** we identified are:

- Revenue recognition
- Recoverability of goodwill and intangible assets

Key Audit Matters are those matters that, in our professional judgement, were of most significance in our audit of the Financial Report of the current period.

These matters were addressed in the context of our audit of the Financial Report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Revenue recognition ($306m)

Refer to Note 3 to the Financial Report

The key audit matter	How the matter was addressed in our audit

The majority of the Group's revenue relates to the provision of salary packaging including novated leasing, fleet management and their related services.
 	
Revenue recognition is a key audit matter due to the financial significance of revenue to the Group's financial statements and the high volume of transactions across key revenue streams, increasing our audit effort thereon.
	Our procedures included:
	
	• We obtained an understanding of the nature of the Group's key revenue streams and the related revenue recording processes, systems and controls;
	
	• We assessed the appropriateness of the Group's revenue recognition accounting policies, against the requirements of the accounting standards and our understanding of the business and industry practice;
	
	• We tested, on a sample basis, revenue transactions recorded throughout the year. This included assessing:
	    • Existence of an underlying arrangement with the customer;
	    • The amounts invoiced to customers in accordance with the signed customer contracts;
	    • The timing of revenue recognition based on completed performance obligations and the Group's revenue recognition policy.
	
	• For point in time revenue transactions, we used data analytic routines to compare invoices raised to cash receipts;
	
	• For a sample of revenue items recognised by the Group either side of the year-end, we checked revenue was recognised in the period when the service was provided. We did this by inspecting to the source data and the signed customer contract;

	• We evaluated the adequacy of disclosures in the financial report using our understanding obtained from our testing and against the requirements of Australian Accounting Standards.

Recoverability of goodwill and intangible assets ($298m)	
Refer to Note 9 to the Financial Report	
The key audit matter	**How the matter was addressed in our audit**
A key audit matter for us was the Group's annual testing of goodwill and intangible assets for impairment, given the size of the balance (being 46% of total assets). We focussed on the key forward-looking assumptions the Group applied in their value in use models, including: • Forecast operating cash flows – these are influenced by subjective drivers as they rely on the Group's expectation of future customer activity and market performance. • Discount rates - these are complicated in nature and vary according to the conditions and environment the specific Cash Generating Unit (CGU) is subject to from time to time. We involved valuation specialists to supplement our senior audit team members in assessing this key audit matter.	Working with our valuation specialists, our procedures included: • Evaluating the appropriateness of the value in use method applied by the Group to perform the annual test of goodwill and intangible assets for impairment against the requirements of the accounting standards. • Evaluating the Group's determination of their CGUs based on our understanding of the operations of the Group's business, and how independent cash inflows are generated against the requirements of the accounting standards. • Assessing the integrity of the value in use models used, including the accuracy of the underlying calculation formulas. • Assessing the forecast cash flows contained in the value in use models for consistency with the Board approved budget and using our knowledge of the Group and market experience. • Assessing the accuracy of previous Group forecasts to inform our evaluation of forecasts incorporated in the models. • Considering the sensitivity of the models by varying key assumptions, such as forecast cash flows and discount rates, within a reasonably possible range. We did this to identify those CGUs at higher risk of impairment and to focus our further procedures.

	• Independently developing a discount rate range considered comparable using publicly available market data for comparable entities, adjusted by risk factors specific to the Group and the industry it operates in. • Assessing the disclosures in the financial report using our understanding of the issue obtained from our testing and against the requirements of the accounting standards.

Other Information

Other Information is financial and non-financial information in Smartgroup Corporation Ltd's annual report which is provided in addition to the Financial Report and the Auditor's Report. The Directors are responsible for the Other Information.

Our opinion on the Financial Report does not cover the Other Information and, accordingly, we do not express an audit opinion or any form of assurance conclusion thereon, with the exception of the Remuneration Report and our related assurance opinion.

In connection with our audit of the Financial Report, our responsibility is to read the Other Information. In doing so, we consider whether the Other Information is materially inconsistent with the Financial Report or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We are required to report if we conclude that there is a material misstatement of this Other Information, and based on the work we have performed on the Other Information that we obtained prior to the date of this Auditor's Report we have nothing to report.

Responsibilities of the Directors for the Financial Report

The Directors are responsible for:

- preparing the Financial Report in accordance with the *Corporations Act 2001*, including giving a true and fair view of the financial position and performance of the Group, and in compliance with *Australian Accounting Standards* and the *Corporations Regulations 2001*;
- implementing necessary internal control to enable the preparation of a Financial Report in accordance with the *Corporations Act 2001*, including giving a true and fair view of the financial position and performance of the Group, and that is free from material misstatement, whether due to fraud or error; and
- assessing the Group and Company's ability to continue as a going concern and whether the use of the going concern basis of accounting is appropriate. This includes disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they either intend to liquidate the Group and Company or to cease operations, or have no realistic alternative but to do so.

KPMG

Auditor's responsibilities for the audit of the Financial Report

Our objective is:

- to obtain reasonable assurance about whether the Financial Report as a whole is 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 *Australian Auditing Standards* will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error. They are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the Financial Report.

A further description of our responsibilities for the audit of the Financial Report is located at the *Auditing and Assurance Standards Board* website at: https://www.auasb.gov.au/media/bwvjcgre/ar1_2024.pdf This description forms part of our Auditor's Report.

Report on the Remuneration Report

Opinion

In our opinion, the Remuneration Report of Smartgroup Corporation Ltd for the year ended 31 December 2024, complies with *Section 300A* of the *Corporations Act 2001*.

Directors' responsibilities

The Directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with *Section 300A* of the *Corporations Act 2001*.

Our responsibilities

We have audited the Remuneration Report included in pages 54 to 70 of the Directors' report for the year ended 31 December 2024.

Our responsibility is to express an opinion as to whether the Remuneration Report complies in all material respects with *Section 300A* of the *Corporations Act 2001*, based on our audit conducted in accordance with *Australian Auditing Standards*.

KPMG

KPMG

Hopkins

Karen Hopkins

Partner

Sydney

25 February 2025

Additional information

This section contains the additional information required by ASX Listing Rule 4.10 which is not disclosed anywhere else in this report. The information in this section is current as at 31 January 2025.

Number of holders of each class of equity securities

As at 31 January 2025, there were:

- 133,878,152 ordinary shares on issue held by 9,188 holders; and
- 105,747 performance rights held by 9 holders. The performance rights are not quoted. All performance rights were issued under an employee incentive scheme.

Voting rights attaching to each class of equity securities

The voting rights attached to ordinary shares are set out in the article 9.15 of the Company's Constitution. Under article 9.15:

- on a show of hands each member present in person and each other person present as a proxy, attorney or representative of a member has one vote; and
- on a poll each person present as proxy, attorney or representative of a member has one vote for each fully paid share held by the member that the person represents.

No voting rights attach to the performance rights.

Distribution of ordinary shareholders

Size of holding	Number of holders	Total shares held	% of total shares
1 – 1,000	4,623	1,939,251	1.45
1,001 – 5,000	3,324	8,346,910	6.23
5,001 – 10,000	728	5,332,650	3.98
10,001 – 100,000	467	10,702,630	7.99
100,001 and over	46	107,556,711	80.35
Total	**9,188**	**133,878,152**	**100.00**

Distribution of performance rights holders

Size of holding	Number of holders	Total rights held	% of total rights
1 – 1,000	–	–	–
1,001 – 5,000	–	–	–
5,001 – 10,000	6	54,658	51.69
10,001 – 100,000	3	51,089	48.31
100,001 and over	–	–	–
Total	**9**	**105,747**	**100.00**

Holders of ordinary shares holding less than a marketable parcel

As at 31 January 2025, there were no holders of ordinary shares with less than a marketable parcel based on the closing market price on that date.

Twenty largest shareholders of ordinary shares

Name	Number of ordinary shares	Percentage of ordinary shares
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	33,443,211	24.98
J P MORGAN NOMINEES AUSTRALIA PTY LIMITED	25,834,171	19.30
CITICORP NOMINEES PTY LIMITED	22,475,346	16.79
BNP PARIBAS NOMINEES PTY LTD AGENCY LENDING A/C	3,337,895	2.49
BNP PARIBAS NOMS PTY LTD	1,885,119	1.41
NATIONAL NOMINEES LIMITED	1,775,196	1.33
BNP PARIBAS NOMINEES PTY LTD HUB24 CUSTODIAL SERV LTD	1,569,913	1.17
SCOTT WHARTON[1]	1,569,112	1.17
BNP PARIBAS NOMINEES PTY LTD AGENCY LENDING COLLATERAL	1,566,600	1.17
BKI INVESTMENT COMPANY LIMITED	1,410,000	1.05
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED - A/C 2	1,335,493	1.00
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED NT-COMNWLTH SUPER CORP A/C	1,112,037	0.83
ANACACIA PTY LTD WATTLE FUND	948,654	0.71
GENTILLY HOLDINGS 2 PTY LIMITED	807,500	0.60
POINT CAPITAL PTY LTD	625,000	0.47
GENTILLY HOLDINGS PTY LTD GENTILLY SUPERANNUATION A/C	573,135	0.43
GENTILLY HOLDINGS 2 PL	564,281	0.42
ANTHONY DIJANOSIC[1]	444,211	0.33
SARAH HAAS[1]	411,837	0.31
ALFONZO VENTURI[1]	388,750	0.29
Total[1]	**102,077,461**	**76.25**

1. Includes unvested shares that are subject to future performance hurdles.

Substantial shareholders

The names of the substantial holders in the Company and the number of equity securities in which each substantial holder and their associates have a relevant interest, as disclosed in substantial holding notices lodged with ASX are as follows:

Name of substantial holder	Number of shares	Voting power
Mitsubishi UFJ Financial Group, Inc.	7,316,813	5.50%
First Sentier Investors Holdings Pty Ltd and related bodies corporate and associates	7,307,083	5.45%
State Street Corporation and subsidiaries	7,266,510	5.43%

Restricted securities or securities subject to voluntary escrow

There are no restricted securities or securities subject to voluntary escrow. In accordance with the ASX Listing Rules, securities issued under the Company's LTIP that have restrictions on their transfer are not taken to be subject to voluntary escrow for these purposes.

Other matters

There is no current on-market buy-back. There are no issues of securities approved for the purposes of item 7 of section 611 of the Corporations Act which have not yet been completed. No securities were purchased on market during the reporting period for any of the purposes specified in ASX Listing Rule 4.10.22.

Five year summary

Index	2024	2023	2022	2021	2020
Income statement ($m)					
Revenue	305.8	251.6	224.7	221.8	216.3
EBITDA	118.7	100.3	93.4	103.0	95.4
NPAT (statutory)	75.6	61.9	58.8	58.8	41.3
NPATA	72.4	63.2	61.2	69.5	65.2
Statement of financial position ($m)					
Assets	653.4	417.5	405.8	408.3	408.4
Liabilities	395.1	173.7	165.5	142.1	137.5
Net assets	258.3	243.8	240.3	266.2	270.9
Net cash/(debt)	(45.4)	(32.2)	(27.2)	3.6	2.5
Share information					
Ordinary shares (million shares)	133.9	132.8	133.7	133.5	132.8
Dividends per share (cents per share)					
Interim	17.5	15.5	17.0	17.5	17.0
Final	20.0	16.0	15.0	19.0	17.5
Special	11.0	16.0[1]	14.0	35.5	9.0
Total dividends	**48.5**	**47.5**	**46.0**	**72.0**	**43.5**
Share price at 31 December ($)	7.77	8.72	5.10	7.75	6.83
NPATA/ordinary shares (cents per share)	54.1	47.6	45.8	52.1	49.1
Ratios					
Ordinary dividend payout ratio	69%	66%	70%	70%	70%
Total dividend payout ratio	90%	100%	100%	138%	88%
Operating cashflow[2]/NPATA	108%	103%	117%	113%	115%
Net debt/EBITDA	0.4	0.3	0.3	N/A	N/A
Operational metrics					
Workforce	870	835	743	685	666
Packages	445,000	396,000	379,000	377,500	360,500
Novated leases under management	74,300	61,100	57,700	64,700	66,700

1. 2023 special dividend is an interim dividend in respect of the 2024 financial year.
2. Operating cashflow excluding significant, non-operating items.

Glossary of terms

AASB	Australian Accounting Standards Board
AGM	The annual general meeting of the Company
ANCAP	Australasian New Car Assessment Program
ARC	Audit and Risk Committee
ASRS	Australian Sustainability Reporting Standards
Board	Board of Directors
Company	Smartgroup Corporation Ltd ABN 48 126 266 831
CAGR	Compound annual growth rate
CEO	Managing Director and Chief Executive Officer
CFO	Chief Financial Officer
CGS	Corporate Governance Statement. Available on the website at https://ir.smartgroup.com.au/Investors/?page=Corporate-Governance
CIO	Chief Information Officer
CLO	Chief Legal Officer
COO	Chief Operating Officer
Customer	Employer clients' employees
Director	Director means a director of the Company
EBITDA	Earnings Before Interest, Tax, Depreciation and Amortisation adjusted for significant non-operating items
EPS	Earnings per share
ESG	Environmental, Social and Governance
EV	Electric vehicle
Executive	The CEO and each of his direct reports
Executive KMP	The KMP, excluding the Non-Executive Directors
FAR	Fixed annual remuneration
FBT	Fringe Benefits Tax
Greenfleet	An environmental not-for-profit organisation whose mission is to protect the climate by restoring forests
GRI	The Global Reporting Initiative is an international independent standards organisation that developed the GRI Standards and helps businesses, governments and other organisations understand and communicate their impacts on issues such as climate change, human rights and corruption.
Group	The consolidated entity, comprising Smartgroup Corporation Ltd and its controlled entities
GST	Goods and Services Tax
HRRC	Human Resources and Remuneration Committee
ITIC	IT and Innovation Committee
KMP	Key management personnel, being those employees who had authority and responsibility for planning, directing and controlling the activities of the Group and includes the Directors
KPI	Key performance indicator
LFS	Loan funded shares
LTIP	Long-term incentive plan
NALSPA	National Automotive Leasing and Salary Packaging Association
Net debt	Cash and cash equivalents less corporate borrowings adjusted to exclude capitalised borrowing costs and fleet borrowings
Non-Executive Director	Director who is not an executive
NPAT	Net Profit After Tax
NPATA	Net Profit After Tax adjusted to exclude the non-cash tax-effected acquired amortisation of intangibles and significant non-operating items
NPS	Net Promoter Score – a measure of how likely a customer is to provide a word-of-mouth referral measured on a scale of -100 to +100
PBI	Public benevolent institution
PBT	Profit before tax
RAP	Reconciliation Action Plan
ROE	Return on equity
Smartgroup	Smartgroup Corporation Ltd ABN 48 126 266 831
STIP	Short-term incentive plan
TSR	Total shareholder return
VWAP	Volume-weighted average price
WGEA	Workplace Gender Equality Agency
Website	smartgroup.com.au
ZLEV	Zero or Low Emission Vehicles

Corporate directory

Directors

John Prendiville

Carolyn Colley

Deborah Homewood

Anne McDonald

Mark Rigotti
(appointed 1 February 2024)

Ian Watt

Scott Wharton

Michael Carapiet
(retired 8 May 2024)

Company secretaries

Sophie MacIntosh

Jonathan Swain

Registered office and principal place of business

Smartgroup Corporation Ltd
Level 8, 133 Castlereagh Street
Sydney NSW Australia 2000
Tel: 1300 665 855

Share register

MUFG Corporate Markets (AU) Limited
Level 12, 680 George Street
Sydney NSW Australia 2000
Tel: 1300 554 474

Auditor

KPMG
Level 38, Tower 3
300 Barangaroo Avenue
Sydney NSW Australia 2000

Bankers

Westpac Group

275 Kent Street
Sydney NSW Australia 2000

Australia and New Zealand Banking Group Limited

242 Pitt Street
Sydney NSW Australia 2000

Securities Exchange listing

Smartgroup Corporation Limited shares are listed on the Australian Securities Exchange (ASX code: SIQ)

Website

smartgroup.com.au

Corporate Governance Statement

The Corporate Governance Statement, which was approved at the same time as the Annual Report, can be found at: ir.smartgroup.com.au/Investors/?page=Corporate-Governance

Annual General Meeting

14 May 2025 11am.
Please refer to the website for further details.

Building a Smarter Tomorrow

smartgroup.com.au

Smartgroup Corporation Ltd
National Head Office
Level 8, 133 Castlereagh Street
Sydney NSW 2000

Smart Group