ASX Announcement
Appendix 4E and 2023 Annual Report

Release date: 21 February 2024

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

- Appendix 4E, and
- 2023 Annual Report.

For further information, contact:

Scott Wharton

Scott Wharton
Managing Director and Chief Executive Officer
1300 665 855

Sophie MacIntosh
Chief Legal Officer 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 2023

Previous period: For the year ended 31 December 2022

2. Results for announcement to the market

		$'000		$'000
Revenues from ordinary activities	up	26,912	12.0% to	251,609
Profit from ordinary activities after tax attributable to the owners of Smartgroup Corporation Ltd	up	3,138	5.3% to	61,919
Profit for the year attributable to the owners of Smartgroup Corporation Ltd	up	3,138	5.3% to	61,919

Dividends

	Amount per security Cents	Franked amount per security Cents
Final ordinary dividend for the year ended 31 December 2022 (paid on 23 March 2023)	15.0	15.0
Special dividend for the year ended 31 December 2022 (paid on 23 March 2023)	14.0	14.0
Interim ordinary dividend for the year ended 31 December 2023 (paid on 22 September 2023)	15.5	15.5

On 20 February 2024, the Directors declared a fully franked final ordinary dividend for the year ending 31 December 2023 of 16.0 cents per share. The final dividend will be paid on 21 March 2024 to shareholders registered on 7 March 2024, resulting in a total distribution of $21,161,000.

On 20 February 2024, the Directors also declared a fully franked special dividend of 16.0 cents per share in respect of the 2024 financial year. The special dividend will be paid on 21 March 2024 to shareholders registered on 7 March 2024 with an expected total distribution of $21,161,000.

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

Comments

The profit for the Group after providing for income tax amounted to $61,919,000 (31 December 2022: $58,781,000).

Refer to the Chair's Report and Report From Our Managing Director and CEO for detailed commentary of the results.

Appendix 4E (continued)

Preliminary Final Report

3. Net tangible assets

	Reporting period Cents	Previous period Cents
Net tangible assets per ordinary security	(46.13)	(52.37)

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

4. Control gained over entities

There were no changes to control over entities in the period.

5. Details of associates and joint venture entities

	Reporting entity's percentage holding		Contribution to profit after tax	
Detail of joint ventures	31 Dec 2023 %	31 Dec 2022 %	31 Dec 2023 $'000	31 Dec 2022 $'000
Health-e Workforce Solutions Pty Ltd	50%	50%	304	339

6. Independent auditor's review

The financial report for the year ended 31 December 2023 has been audited by PricewaterhouseCoopers and an unqualified opinion has been issued.

7. Attachments

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

Smarter —— Tomorrow

Building a Smarter Tomorrow

Annual Report 2023

Smart Group

Acknowledgement of Country

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

Contents

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Our priorities

We summarise our new priorities for how we will deliver Smarter Benefits for a Smarter Tomorrow, by simplifying benefits and adding value to our employer clients and their employees (our customers), while enabling businesses to attract and retain great teams, as we build a more sustainable Australia.

5

Smart, together

We detail the services we offer to provide smarter benefits for a smarter tomorrow, the organisations we work with, the benefits we offer and our commitment to exceptional experiences.

6

Overall performance

We delivered revenue and earnings growth through increased novated leasing and salary packaging customer numbers, and by securing new clients and renewing many existing ones in a competitive environment.

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Investing to drive new growth

Our Chair Michael Carapiet offers his perspectives on the year. Topics covered include our results, along with commentary on the expansion of the electric vehicle (EV) market, our ESG initiatives, changes to the Board and the year ahead.

12

Building a smarter tomorrow

Our new Managing Director and CEO, Scott Wharton's review includes details on our strategic priorities, operational performance, and his perspectives on the year ahead.

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Our human advantage

We regard our culture as a key competitive advantage for Smartgroup. This section reviews our initiatives this year to strengthen our culture and capability.

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A more sustainable tomorrow

We are deeply committed to ESG and to being the best corporate citizen we can. This section summarises our progress against our sustainability strategy and targets through our Smartgroup Foundation grants and how we are encouraging sustainable practices through our Carbon Offset Program.

26

Case studies

Two case studies profile customer experience and client partnership. In the first, Keith talks about using a novated lease for his new Volvo XC40. In the second, we detail our partnership with the NSW Department of Education and the development of our Car Leasing Portal.

More

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Our priorities

A wish to do right by the environment and cost of living concerns are priorities for many Australians. Hard-working employees want to extract the best value from their salary packages and to choose transport options that help progress our country's transition to a low-emissions future.

Employers, our clients, are also trying to manage their costs, while at the same time competing for talent in the labour market and striving to meet their sustainability targets.

Our offerings continue to make a significant difference for our clients and their employees (our customers): enabling people to retain more of their earnings as living costs rise. Recent policy changes also make buying an electric vehicle (EV) more achievable than ever before. Both these drivers are favourable for our business and our goals.

At Smartgroup we are committed to participating in the transition to a more sustainable future.

Smarter Experiences

Our customers are increasingly looking for a fully digital experience that enables them to interact with us where and when they want to. We are focusing on our core businesses and investing to deliver a simplified and digital proposition to our clients and customers. This will enable more rapid digitalisation and scaling of operations and will improve employer and employee experience.

READ MORE —— P.12

Smarter Products

We are innovating our proposition to meet the changing needs of our clients and customers. We are expanding our offering to provide additional benefits to them both, including value-add solutions to support EV usage, such as renewable energy and charging solutions.

READ MORE —— P.12

Working Smarter

We are investing in our core business and our people so we can work smarter. This will help us to scale faster, deepen relationships, and meet more customer needs. Enhancements will include the modernisation of core technology and capability investments to enable simpler and more responsive processes, delivering improved customer experience.

READ MORE —— P.12

Employer sectors we operate in

Our clients and their employees:

Salary packaging customers[1]

493K

Not-for-profit

50%

Hospital

23%

Government

18%

Education

6%

Corporate

3%

1. Includes customers that maximise Fringe Benefits Tax caps before December each year, then restart packaging in April at the start of the next FBT year.

Smart, together

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 a range of clients across numerous industries, including government, healthcare, not-for-profit, education and corporate.

We work with community workers, nurses, teachers, public servants and many others to help them save money easily and quickly. We are the largest provider of salary packaging to the not-for-profit sector in Australia, having helped hundreds of thousands of workers with benefits including novated leasing. Some of Australia's largest Government agencies, and increasingly corporate clients, also trust us to administer these aspects of their operation. 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.

We enable everyday car buyers to access the significant fleet discounts that were once only available to employers. Our Personalised Buying Service taps into Smartgroup's over 700 nationwide dealer network. We purchase many thousands of motor vehicles for our customers each year.

Our customer-centric view is our competitive edge. Central to our approach is our commitment to delivering an exceptional experience to our customers; from the tens of thousands of calls we take to the technology we develop. We continue to look for ways to do more for the people who work for our clients. We are constantly working to improve our offerings, be it the way we design our processes, the services we provide or our digital investments to improve customer experience. Everything we do takes into account our environmental and social impacts.

Underpinning our entire operation is our people. We continually strive for an innovative environment in which our people are engaged and energised, can excel in their work and contribute to continuous improvement. We stay close to our customers, and our people are empowered through a culture where they feel valued and can see tangible results from their hard work.

Overall performance

Our performance summary across key areas for the year ended 31 December 2023.

Revenue

$251.6m

2022 $224.7m

↑12%

EBITDA[1]

↑7%

2022 $93.4m

$100.3m

Statutory NPAT

$61.9m

2022 $58.8m

↑5%

NPATA[2]

↑3%

2022 $61.2m

$63.2m

Operating cash flow[3]

103%

2022
117%

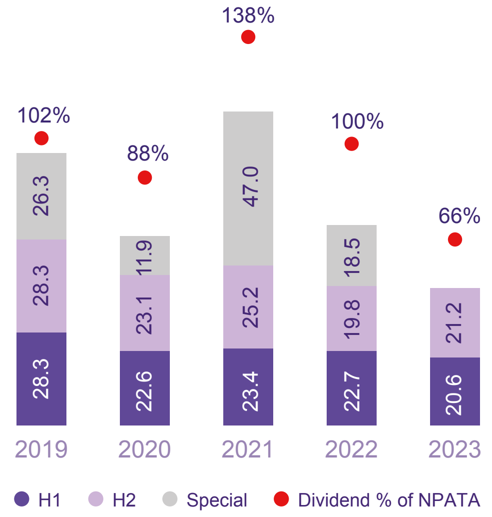
Net debt[5]

$32.2m

2022
$27.2m

Dividends

Fully franked ($m)[4]



Total of $338.9m being $2.56 per share in franked dividends declared in last 5 years

87th percentile worldwide

S&P Global Corporate Sustainability Assessment

Member of the Dow Jones Sustainability Indices

Powered by S&P Global

Innovate RAP endorsed by Reconciliation Australia

Endorsed again by Diversity Council Australia as an Inclusive Employer for 2023-2024

Recognition

The 2023 financials are presented on an adjusted basis and have been reconciled to the statutory 2023 financial report.

1. EBITDA is earnings before interest, tax, depreciation and amortisation adjusted for significant non-operating items.
2. NPATA is net profit after tax adjusted to exclude the non-cash tax-effected amortisation of intangibles and significant non-operating items.
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. 2020 includes a 9.0cps special dividend declared on 24 February 2021. On the same date, a 5.5cps special dividend was declared in respect of the 2021 year. In addition, 2021 includes a 30.0 cps special dividend declared on 17 February 2022. 2022 includes a 14.0cps special dividend declared on 22 February 2023. 2023 dividends and total dividends declared in last 5 years exclude a 16.0cps special dividend declared on 20 February 2024 in respect of the 2024 year.
5. Net debt is cash and cash equivalents less corporate borrowings adjusted to exclude capitalised borrowing costs and vehicle borrowings.

Michael Carapiet — Chair

Investing to drive new growth

This has been a good year for Smartgroup, where the business has again displayed positive revenue and earnings growth. This growth has largely been driven by higher novated leasing volumes and strong EV demand. However, staff, technology, product and other overhead costs increased this year, as we invested in capacity to support the current customer demand and secure our future. In 2024, the Smartgroup team will be focused on maintaining this positive momentum.

Our 2023 results

Customer numbers for our salary packaging business continued to grow in 2023. We have also pleasingly seen a material increase in the novated leasing market since the introduction of the Federal Government's Electric Car Discount Policy to encourage customers to purchase and lease an electric vehicle (EV).

We recorded revenue of $251.6 million, EBITDA of $100.3 million and NPATA of $63.2 million. Revenue was 12% above 2022, with EBITDA and NPATA also up 7% and 3%, respectively. Operating cash flow generation remained strong at 103% of NPATA.

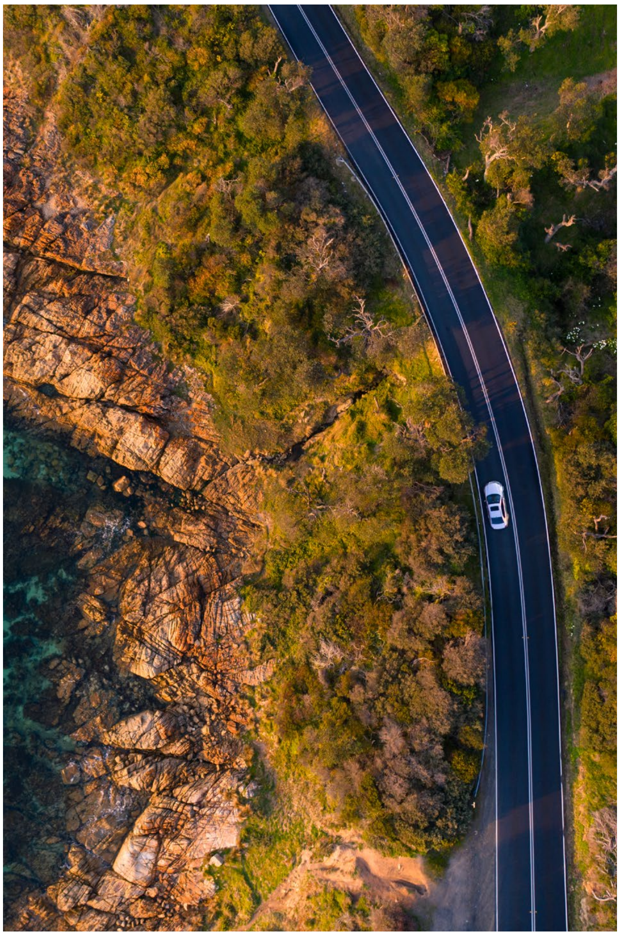
A key marker for us was the expansion of EVs as a proportion of total new vehicle quotes and orders. Demand for EVs has increased significantly from late 2022, with EVs now making up over 40% of Smartgroup's total new car lease orders. In the second half of the year, new EV car orders increased 67% from the previous half.

Following the Australian Government's actions, we have seen the whole market for EVs expand, and we intend to actively do our part to drive the growth of this sector. We are leading through great customer service and investment in our digital channels and will continue to invest in these key areas during 2024 and beyond.

The implementation of our Car Leasing Portal is game-changing in terms of choice and convenience. It enables our customers to make vehicle-related decisions at a time and place that suits them best. We are confident that this, alongside the other technology investments we are making, will position Smartgroup well for the opportunities ahead.

The frustrating delays in the global vehicle supply chain experienced over the past few years appear to be easing. On that basis, we can be more optimistic that motor vehicle manufacturers could increase production and that we will see car deliveries in Australia return to more normal levels. Once new car supply normalises, it should release significant delayed revenue, and reduce our resourcing costs, thereby boosting Smartgroup's earnings.

The Board is pleased to announce a fully franked final ordinary dividend of 16.0 cents per share (cps). Combined with the interim dividend of 15.5 cps, that brings fully franked ordinary dividends declared to 31.5 cps for 2023. The Board also declared a fully franked interim special dividend of 16.0 cps in respect of the 2024 financial year as a further return to shareholders. The total franked dividends paid to our shareholders since Smartgroup listed is $470 million, excluding these dividends payable in March 2024. Smartgroup is in an enviable position where it can invest for growth while continuing to pay dividends to shareholders, given the Company's strong cash generation and low leverage.



ESG initiatives

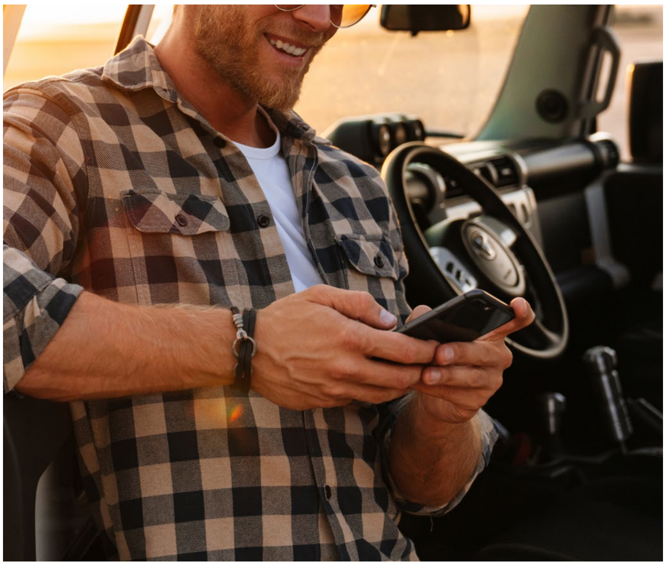
Smartgroup has demonstrated our ongoing commitment to pursuing a strong social agenda alongside our commercial goals. We have continued to invest in grassroots initiatives across Australia with almost $250,000 of funding through the Smartgroup Foundation. Our Human Rights Policy was endorsed by the Board and published on our website. We also made progress with the commitments in our Sustainability Strategy, with 63% of the electricity used by our offices in 2023 being from renewable sources, and we transitioned the majority of our small directly owned fleet of vehicles to EVs. We continued progress towards our target of Net Zero carbon emissions from direct operations by 2030, with a significant reduction of 35% across Scope 1, 2 and 3 emissions compared to the prior year. We were also recognised for our sustainability journey with the inclusion of Smartgroup, for the first time, in the Dow Jones Sustainability Indices.

Alongside the increase in EV orders, we rolled out the first stage of our EV ecosystem, establishing several partnerships with companies including JET Charge, Chargefox and NHP, to help us deliver more accessible renewable energy charging infrastructure. We also launched our Car Leasing Portal to allow customers to obtain tailored bespoke quotes, and integrated Environmental & Australasian New Car Assessment Program (ANCAP) safety ratings into our novated leasing quote templates to help customers make safer and more sustainable choices.

We continue to build our engagement with First Nations communities, with the development of our second Reconciliation Action Plan (RAP). Our Innovate RAP was endorsed by Reconciliation Australia and launched in February 2024. Once again, we were recognised by Diversity Council Australia for the diverse and inclusive workplace culture that is our hallmark. We became a member of Australian Disability Network and developed a roadmap for the launch of our first Accessibility Action Plan to be implemented in 2024. We also maintained our 40/40/20 Gender Diversity targets at the Non-Executive Director level and across all levels of our organisation.

35%

reduction in Scope 1, 2 and 3 emissions from 2022



Board changes

There were two changes to the Board this year. We said goodbye to Tim Looi and welcomed Scott Wharton as Managing Director and Chief Executive Officer. The Board is very grateful for Tim's service and contributions to Smartgroup over 14 years with the Company and we wish him well.

In December, we farewelled Non-Executive Director Gavin Bell from the Board, after almost ten years of service. The Board acknowledges Gavin's significant contributions to Smartgroup, particularly in his role as the Chair of the Human Resources and Remuneration Committee. We announced that Mark Rigotti joined the Board as a Non-Executive Director in February 2024.

Looking ahead

With cost of living pressures, we expect that our salary packaging and novated leasing offers will continue to play an important part in the financial wellbeing of our individual customers. In addition, as a broader range of EVs become available in Australia at more attractive price points, we expect that this should further drive EV demand amongst our customer base.

After a competitive tender process, the South Australian Government appointed us as its exclusive administrator of salary packaging services and novated leasing services. The contract commences on 1 July 2024, making services available to approximately 110,000 South Australian Government employees.

In addition to salary packaging and novated leasing administration, we will also exclusively manage a panel of third-party novated leasing providers or financiers under this contract.

The South Australian Government tender win will see us making further investments in sales, customer education and customer service roles in preparation for the contract start date. Given these investments, the mid-2024 contract start date and the typical novated leasing sales cycles, we do not expect a meaningful earnings uplift from this contract in 2024.

We note that whilst Smartgroup has enjoyed much success in securing significant new clients and renewing many existing ones, the salary packaging and novated leasing markets remain extremely competitive and customer churn is likely to increase. Nevertheless, we believe that Smartgroup is well positioned to meet this challenge.

We will continue to invest in our core technologies alongside our digitisation improvements, as we look to maximise our response to market conditions. Increased use of automated and live web chat in Smartsalary and the expansion of benefits available to our Smartsalary customers through our recently launched rewards platform are part of a host of enhancements planned for 2024.

In addition, as Smartgroup looks to focus on simplifying our core operations, we have recently secured an agreement to divest our small payroll business to a third-party buyer. Whilst not material from a revenue perspective, this divestment will allow us to further focus on our core proposition and strategic objectives.

On behalf of the Board, a sincere thank you to all those we work for and with and, of course, to our investors for their ongoing support. My thanks to my fellow Non-Executive Directors who have applied their experience and insights to continue to guide Smartgroup's strategy and direction. Finally, on behalf of the Board, we wish to thank and acknowledge the ongoing hard work and commitment of the entire Smartgroup team and to Scott for all he has achieved since he joined Smartgroup in July 2023.

Michael Carapiet
Chair

Scott Wharton — Managing Director and CEO

Building a smarter tomorrow

When I stepped into this role about six months ago, I inherited a strong organisation with strong fundamentals, an engaged team, and great partners in our clients and customers.

As I learned more about our business, I saw even more potential and untapped opportunities. Working closely with our Board, the Smartgroup team has developed a set of strategic priorities that is our roadmap for unlocking more growth from our current portfolio in 2024 and beyond.

We strive to deliver **smarter benefits for a smarter tomorrow** by simplifying benefits so they work smarter for our clients and their employees, our customers. We will enable our clients to attract and retain great teams, add real value to the lives of their employees, and together, help build a more sustainable Australia.

Smarter Experiences

We're starting from a longstanding place of strength – a culture that puts clients and their employees first. For our clients' employees, many of whom are facing real cost of living pressures, we want to make it easier to access benefits. For our clients, we know the labour market is still highly competitive, and they want us to help them attract and retain great people. We're making changes to make it simpler for them to work with us, to enable them to support great teams and achieve their sustainability goals.

Later in 2024, we'll introduce Smart, a single, clear brand proposition across our portfolio that will make it easier for clients and their employees to engage with us. We'll work closely with clients across our portfolio to make this transition simple and easy, both operationally and for their teams.

We're also working to improve our service experience, both in our core service capabilities and in the ways we delight clients and their employees. The surge in interest that accompanied new EV legislation has required us to invest in near-term capacity for our leasing team to ensure we meet the increased demand. Our key service metric, our Net Promoter Score, which is measured at each interaction between our business and our customers, continues to perform at a strong level at year-end, and we received recognition from the Customer Service Institute of Australia, with several finalist nominations and two wins.

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. As one example, our new Car Leasing Portal has generated significant interest in its first year of operation, having been rolled out to 1,366 employer clients by the end of the year. The Portal enables our customers to compare multiple cars, their terms and features, obtain quotes and submit credit applications for a novated lease through a completely digital experience. We have made good progress in laying the digital foundations that we will build on, to continually improve customer experience.

Smarter Products

We also see opportunity 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 car ownership (including EVs) and associated expenses like energy, by providing better access to charging infrastructure through partnerships.

Net Promoter Score (NPS)

+46

NPS remained strong at year end

Novated leasing

We're particularly focused on our novated leasing business to benefit from the rise in EV attractiveness. Orders and volumes have increased for novated leasing on the back of higher demand generated by the introduction of the Federal Government's Electric Car Discount Policy. The government policy has made novated leasing attractive for segments that have traditionally seen low novated leasing uptake. Our clients, both existing and prospective, are now engaging with us to help reduce their Scope 3 emissions as part of reaching their own ESG goals.

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 the second half of 2023, the number of ICE vehicles ordered was similar to the first half of the year. To help our customers make more sustainable choices, we provide them with vehicle-specific Environmental and ANCAP ratings on our lease quotes, and we have also developed educational content on how our customers can use their vehicles in more environmentally sustainable ways.

We have also made good progress with yields thanks to some supply chain renegotiations earlier in the year, increasing EV volume and an improved proportion of new car leases. Overall, novated leasing vehicles under management grew by 6% in 2023 to 61,100.

We are continuing to resource key areas of the business to meet leasing demand. We have increased our leasing sales and fulfilment resources by over 30% year on year, with further investments to be made depending on demand. Our investment in technology will also enable greater digital servicing and experiences for our clients and their employees, reducing the need for manual handling.

Novated leasing

novated leasing vehicles under management grew by 6% to

61,100

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. Salary packaging customer numbers were up on the previous year. We're now focused on expanding the offering to meet the diverse needs of more customers. For example, our Smartrewards program is opening up engagement with our clients' employees beyond salary packaging. In addition, we are focused on capturing the benefits of our scale through efficient and simple processes.

Across our products, an important win showing that we are headed in the right direction is the contract with the South Australian Government to administer their salary packaging and novated leasing services. Through the contract, we will have the opportunity to support 110,000 South Australian Government employees from 1 July 2024. This reinforces our position as a leading provider of salary packaging and novated leasing services to Australian governments at both a State and Federal level.

We have also signed up a number of smaller clients and increased uptake within our existing client base. In December 2023 we had 396,000 active packaging customers, a 17,000 increase on December 2022. 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 around 493,000 customers in 2023.

Fleet

Finally, fleet vehicles under management grew 16% to 30,400 in 2023 from both organic growth and new client wins. We're continuing our self-funding pilot to strengthen our fleet business and are monitoring it carefully, in the context of changing motor vehicle residual values. We're seeing that this offering is popular with clients, including those that use our services for salary packaging and novated leasing, so we're continuing to invest in growing capability to support this offering.

Working Smarter

We're investing in our core business and our people so we can work smarter. This will help us to 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're empowering our teams with tools and training to make working smarter easier, so they can deliver even more for our clients and their employees. For example, through investments in technology and capabilities, we're making it simpler for our teams to work together and to bring the customer closer to everything we do. We're encouraging our leaders to set their sights high, cultivate engaged high-performing teams and deliver the best customer experience.

We're building scalability in our operations to capture the opportunity ahead of us and investing in streamlining our processes to improve efficiency and accelerate revenue growth. Our investments will simplify our technology estate and build further resilience in our IT controls and governance.

Excited for our future

It has been a good year for Smartgroup. The shift in demand for our EV offering has added impetus and interest to what we offer. We have been building capacity and capability to meet the needs of our clients and their employees, and to position Smartgroup as an organisation committed to embedding sustainability, equality and community responsibility into everything we do.

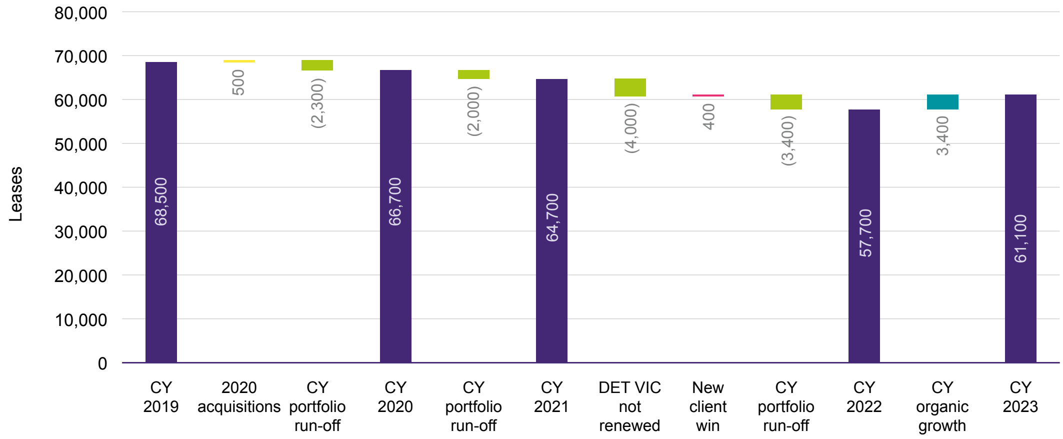
Our new strategic priorities set out how we will deliver smarter benefits for a smarter tomorrow, for our clients and their employees through our team members. We are confident our investments will position us strongly for the opportunities ahead.

My thanks go to all of our team members for their hard work once again this year, to our Board of Directors and Executive Team members for their ongoing commitments, and importantly, to our clients and their employees who are at the centre of everything we do. Thank you also to our investors for their ongoing support.

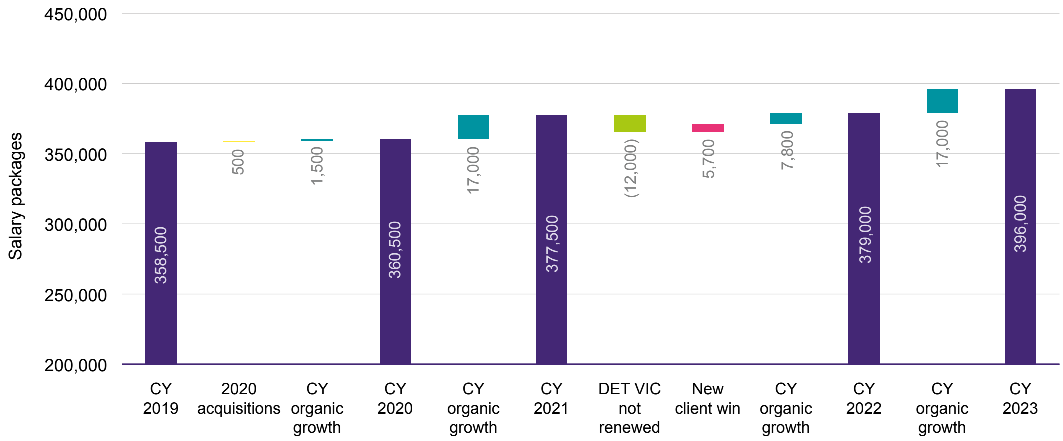
Scott Wharton

Scott Wharton
Managing Director and CEO

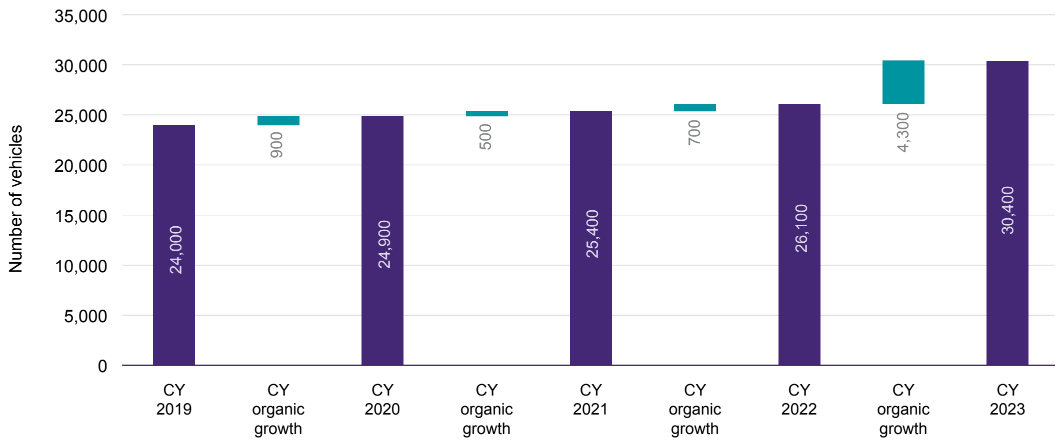
Novated leases under management



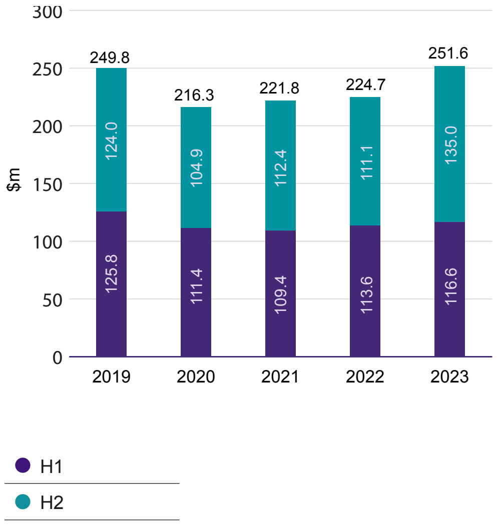
Salary packaging customers



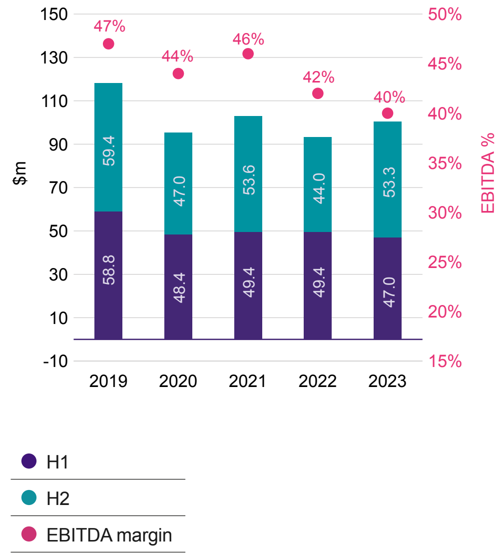
Fleet vehicles



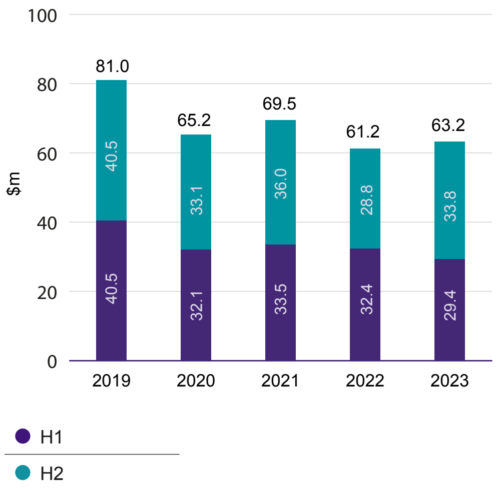
Revenue



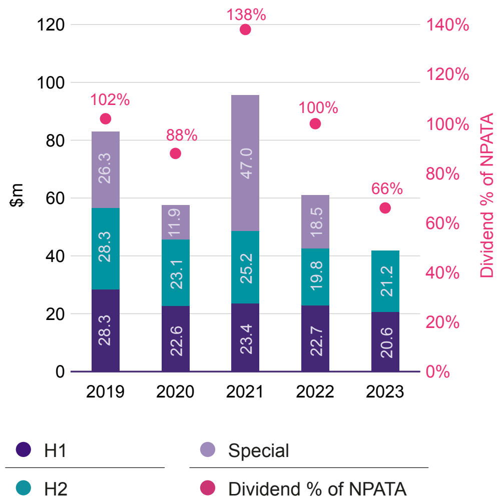
EBITDA



NPATA



Dividend (fully franked)



Our human advantage

This year we continued creating a thriving work environment that attracts and retains talented people. We strive to ensure all our team members feel supported, respected and welcome.

In 2023 we continued with measures to protect the mental and physical health of our people in our workplace. Investing in them, their wellbeing and development is key to supporting and enhancing an engaged and high performing workplace. To achieve this, we have focused on building capability at every level, continued to measure engagement, and developed internal pathways for promotion.

Greater engagement

We were pleased to see a strong lift in employee engagement during the year, up 7% to 65% in June 2023, with 81% of our people participating in the survey.

Career paths

We recognise that investing in our people and their personal development is key to supporting our highly engaged and high-performance culture. It's essential in attracting and retaining talent and developing our future leaders. During the year, 31% of our recruitment for vacancies was via internal placements, with 32% of those internal placements being a promotion.

Recognising the importance of flexibility

Flexible working is widespread and integrated across our whole company in senior roles, people leader roles and at a team member level. We enable flexible working at the organisational level, team based flexibility (including compressed working fortnights) as well as provisions for flexible work for individuals. This approach ensures our team members are more engaged in our business, which in turn provides better service and support for our customers.

Overall workforce

835

In an ever-evolving working world, the challenge remains to evolve and adapt our leadership styles to engage and bring out the best in hybrid working teams. This includes the ways leaders coach, educate, lead and manage. One change we are making to address this challenge is incorporating team anchor days, where all team members are in the office on the same days, to enhance collaboration and build team spirit.

Recognising the importance of work-life balance, we provide ongoing flexible work training for our people leaders. This training equips them with the knowledge and skills to manage flexible work requests effectively and encourages them to discuss options with team members. With recent changes to legislation relating to flexible work requests, we ran information sessions for our people leaders in March 2023, covering potential reasons for requests, types of work available, processes and updates to legislation.

Living our values

Our values continue to underpin everything we do and are the clearest demonstration to all our team members that the right behaviours are pivotal to delivering great outcomes for our people, customers and business. To ensure they remain front-of-mind for everyone, we continue to practise shout-outs in our team meetings for those who exemplify living our values.

Investing in wellbeing

A high priority remains workplace practices that support positive mental health and wellbeing. We actively invest in this area, and promote initiatives such as our Wellbeing Fund, reimbursing team members up to $295 each year if they choose to access health and wellbeing services, which 627 employees utilised in 2023. This is in addition to perks such as our coffee carts, in-office massages, birthday leave and extra leave days over summer.

For R U OK? Day this year, we prepared a tool kit for team leaders on how to have meaningful conversations about mental health and ask their team members “Are you okay?”. We also provided resources for team members who may need to access support, including information on our Employee Assistance Program.

Encouraging women to take up tech

We remain passionate about supporting women’s education, growth and development both within our organisation and in the community in which we live and operate. Last year, we commenced a partnership with the University of Technology Sydney to provide industry placements for students enrolled in the Bachelor of Information Technology.

This internship program provides students with hands-on experience and access to mentors to help guide them through the early stages of their career. This year, we hosted female IT interns and supported their development. We also attended the 2023 Scholarship Awards Ceremony hosted by the University that congratulated the scholarship recipients and acknowledged the vital role that employers can play in providing real-life industry experience for students.

Active training program

Investing in our people’s knowledge and capability is critical to continue to progress as an organisation. To that end, we implemented a new Learning Management System which now provides more self-serve options to our teams. We invested over 8,200 training hours averaging 10.5 hours per employee in 2023. Targeted training was conducted in various parts of the business, to enhance knowledge, skills and capability. We continued imparting Cultural Awareness, and Unconscious Bias training to build an inclusive culture in the organisation.

A Respect@Work training session was conducted for Senior and Executive leaders; this will be offered more broadly to all employees over the course of 2024.

Welcoming difference

We are committed to creating and sustaining a diverse and inclusive place to work, where every team member can confidently bring their best self to what they do. We embrace diversity in experience, perspectives, education, age, race, ethnicity, ability, gender identity, religious beliefs, sexual orientation, socio-economic circumstances, marital or family status and other real and perceived differences.

Our people feel that, with 88% agreeing or strongly agreeing with the statement, “My organisation has an inclusive culture where diversity is valued and respected”, when surveyed.

Lunch n Learn sessions offered more informal ways to promote knowledge sharing and learning and included the topics cyber security, superannuation, and wellbeing.

93% of our people surveyed reported working as part of an inclusive team (compared to 81% in the Australian workforce[1]), while nearly 94% of those surveyed said they are often or always willing to work extra hard to help their team succeed. We are also proud to have become a member of the Australian Network on Disability and to have developed our roadmap for implementation of our first Accessibility Action Plan in 2024.

Events we participated in this year to honour and recognise diversity and differences included International Women's Day, NAIDOC Week, Diwali, Harmony Week, National Reconciliation Week, Pride Month, and Wear it Purple Day.

Leading by example

We participated in the Inclusive Employer Index with Diversity Council of Australia (DCA) and were proud to receive their Inclusive Employer recognition for 2023-2024. To qualify for this award, we had to invite at least 65% of our employees to participate and achieve results that exceeded the National Index Benchmark in at least five of the following measures: Awareness; Engagement; Inclusive Organisation; Inclusive Leadership; Inclusive Team; and Exclusion.

This year, we continued our focus on our four pillars of diversity and inclusion: Accessibility, Gender, First Nations and Pride. We are proud to have developed our new Gender Equality Strategy 2023-25.

Leading by example for us means having strong representation and recognition of women at senior levels of our organisation. This year, we maintained 40/40/20 gender representation at the Board level and across all levels of the organisation.

International Women's Day

This year, team members from around Australia joined us on International Women's Day to hear from our special guest speaker, beloved Australian TV personality, Brooke Boney.

We loved hearing about Brooke's upbringing and the strength she draws from her grandparents, who faced challenges when trying to build a better life for their family away from the missions. In her address, Brooke credited them as the inspiration behind her drive and resilience, leading her to become the first person in her lineage to go to university and working (and flourishing) in industries that weren't traditionally friendly to women or First Nations people.

1. Diversity Council Australia Inclusive Employer Index 2023

Sharing and supporting each other

Our Smartgroup gender equity forums, The Men's Shed and Women's Room, ran discussions on health and wellbeing and support for carers, which included reinforcement of Smartgroup's flexible work strategy and policy. These forums are intended to support and promote gender equality and progress by creating communities to share, inspire, and empower our people in a supportive, safe and informal environment.

In September 2023, the Women's Room and Men's Shed also welcomed external facilitators, Bianca Stawiarski, Managing Director of Warida Wholistic Wellness, for a Wellbeing Yarning Circle, and Tod Stokes, Counsellor, for a Yarning Circle on Men Supporting Men. Both facilitators are Indigenous healing practitioners and Supply Nation certified.

Committed to our relationships with First Nations

We continued progressing our Reflect Reconciliation Action Plan (RAP), providing cultural awareness training for all team members and partnering with Supply Nation to further support closing the gap for Australia's Indigenous peoples and communities through procurement.

Our Innovate RAP has now been endorsed by Reconciliation Australia. The RAP is our guiding framework and is governed by the RAP Working Group, who track and report our progress around specific actions, deliverables and timelines.

Other important initiatives have included embedding an Acknowledgement of Country at the start of meetings, displaying Aboriginal Artwork in our Head Office and a Map of Indigenous Australia in all offices. We also renamed a meeting room in each office with a traditional place name – for example, Gadigal Room in our Sydney head office.

Our celebrations for NAIDOC Week and National Reconciliation Week included a welcome to country from elder Uncle Allen Madden and a sharing of stories together.

Powering us forward

2023 has been another busy year for our team members, and they have once again risen to the challenges and demonstrated their commitment to welcoming change and serving our customers. We look forward to leveraging their diverse skills and team spirit as we press forward with our strategic priorities.

A more sustainable tomorrow

Last year, we launched our Smarter, More Sustainable Tomorrow Sustainability Strategy, setting out our commitment to sustainable outcomes across our business, for our employer clients, customers, the communities in which we operate and the environment.

There are four aspects to the strategy:

- Smart Business – Adopting best practices to quickly adapt to new trends and embrace challenges;
- Smart Solutions – Designing solutions for seamless customer experience while reducing our negative impacts;
- Smart Customers – Promoting sustainable choices to our clients and customers by providing relevant resources for decision making; and
- Our people make this possible – Creating a diverse and thriving work culture that recognises that our team is at the centre of everything we do.

Smartgroup Foundation

In 2023 we provided 19 grants totalling nearly

$250,000

The ESG Sub-committee of our Board is responsible for:

- Reviewing our social, sustainability, and environmental priorities and commitments, including management systems and strategy plans;
- Ensuring that these priorities are integrated within our operating framework and long-term values; and
- Assessing progress against those priorities and commitments.

This year, the ESG Sub-committee discussed and reviewed action plans to achieve our sustainability goals and plans to further develop our sustainability reporting in line with increasing external requirements. The Sub-committee approved the publication of our second Sustainability Report, our Modern Slavery Statement and Human Rights Policy. They also oversaw our Electric Vehicle strategy.

A strong Foundation of support

We started the Smartgroup Foundation in 2019 to give back to the communities where we live and operate. Smartgroup Foundation receives an annual grant from Smartgroup Corporation to support charities with Deductible Gift Recipient (DGR) status through grants of between $5,000 and $15,000. Grant recipients differ every year.

In 2023 we provided 19 grants totalling nearly $250,000 through the Smartgroup Foundation. The Foundation continued to focus on four key areas that our team members want us to be involved with: children's illness and disease; children and families at risk; mental illness; and the environment. The grants went to projects including; a repair and re-build of vital Daintree Wildlife habitat; improving the emotional and mental wellbeing of children through camps; empowering young Indigenous students through career support and mentoring; and enhancing the skills of rural health workers through clinical training.

Our organisation and team members also supported a range of other worthy causes, including through our partnership with PCYC QLD.

Our second Sustainability Report details our goals and initiatives as a responsible corporate citizen. Download the Report here.

This year, we have been developing a Social Impact Framework that will provide increased structure around our giving platforms and allow us to better track and quantify the impact of our activities.

Encouraging sustainable practices

Launched in 2008, our Carbon Offset Program invests in restoration projects across Australia through our partnerships with Greenfleet, The Nature Conservancy and Carbon Positive Australia. Through the Program we are able to support our customers to minimise their residual impact resulting from vehicle emissions. It has also directly contributed to the sequestration of hundreds of thousands of tonnes of carbon.

Our Program is primarily supported by our vehicle leasing customers, who make regular contributions through salary packaging. In 2023, approximately $1.5 million in funds were allocated to support projects, including Bull Creek in South Australia, Bromfield Road and Lyrebird in Victoria, Cherry Avon and Ivory Hills in Queensland, and Eurady Reserve in Western Australia.

We continue to educate our customers on the significant savings and benefits of leasing an EV, as well as analysing data and fleet requirements to provide tailored EV transition plans for our employer clients. We're pleased to report that EV demand increased significantly from late 2022, with EVs making up over 40% of Smartgroup's total new car lease orders in the second half of 2023. We have also established partnerships with JET Charge, Chargefox and NHP to help us deliver more accessible renewable energy charging infrastructure for our EV customers.

In terms of our own climate actions, we have successfully transitioned to renewable energy across three of our five main offices. At the end of 2023, renewable electricity made up 63% of electricity used by all offices. Our Melbourne and Adelaide offices were partly renewable (due to transitioning during the year), our Sydney office is using 100% renewable electricity, and we are still working on accessing renewable energy for our smaller Brisbane and Perth offices.

We continued progress towards our target of Net Zero carbon emissions from direct operations by 2030, with a significant reduction of 35% across Scope 1, 2 and 3 emissions compared to the prior year.

Case Study

Keith

Reducing carbon and saving money

Keith had been wanting an EV for some years. "I think the shift away from petrol and diesel-based cars is important. It's important for the environment that we reduce carbon emissions, and EVs are a lot cleaner and quieter," he says.

"Smartgroup offer a thing called a novated lease. The essence of a novated lease is that a proportion of the capital costs and the running costs of the vehicle are taken out of your salary before tax. It makes it essentially cheaper for you to run."

The car he wanted

Keith chose a Volvo XC40. "I knew I wanted an electric SUV, and Volvo is a good brand. I was initially looking for a bigger EV in that price range. These are available in the US but not yet in the Australian market. But I really like the way the car drives. It's so quiet, and the acceleration is so smooth. They really are a pleasurable driving experience."

Importantly, the price for the vehicle came in under the luxury car tax threshold, meaning Keith didn't need to pay fringe benefit tax.

Easy to arrange

"A novated lease was a convenient way for me to purchase the car. The process was straightforward, and the staff were very knowledgeable and patient with my questions which I appreciated.

"They have a really good system. First up, it enables you to compare several vehicles simultaneously. You can put your requirements in, they'll do the calculations for you and they'll just provide you with a quote. It's very smooth to run. There's no paperwork. The communication was excellent. The online system was excellent – that works very well… They were very helpful."

Attractive savings

The other incentive was how much he stood to save from choosing this arrangement. "[They] did the calculation for me … the combined savings over the life of the vehicle was something like $60,000 over a five year lease."

Transforming the novated leasing experience

The NSW Department of Education (DOE), employs over 100,000 people. We have been providing salary packaging for over 17 years to help their employees do more with their money. In 2023, the DOE contributed to the creation of a seamless customer experience for our Car Leasing Portal, providing valuable feedback, enabling us to build a tool that supported the take-up of novated leasing.

Novated leasing is an individual choice for staff and getting started can be a daunting experience. For those looking to acquire a vehicle as part of their salary packaging arrangements, choosing the vehicle they want and configuring it for their needs was previously complex and time-consuming.

Seamless decision-making

Now, our Car Leasing Portal enables our clients' employees to receive a customised online quote in minutes. Customers can select a car make and model, and then adjust the kilometres, lease term and salary before tax to match their circumstances.

Customers can also compare up to three options, based on payments, residual value and vehicle features including ANCAP rating and CO_2 emissions, and even request a test drive.

Once they've made their choice, they can choose a colour, add features and accessories and get comprehensive insurance cover. A budget then details everything that's included in the lease – including payments, maintenance costs, tyres and registration. Finally, they can apply for finance. At every step of the way, support is available via our webchat or consultants.

Conveniently available anytime online

Smartgroup worked closely with the DOE to ensure our Leasing Portal would work for clients and their employees. Previously anyone wanting a vehicle had to take time out of their busy working day to arrange it. Now, they can arrange everything online. That makes it so much easier for teachers, for example, to get access.

By allowing them to test the Portal as we developed it, we were able to ensure it really worked as a customer experience. The final Portal feels like it has the mix right – it's comprehensive, but there's also a good level of detail in terms of a self-serve experience. You can get down to the details such as choosing accessories and floor mats, for example.

A Portal made for people

Smartgroup expects that uptake for electric vehicles (EVs) will increase with the introduction of the new incentives. We'll be working to increase awareness around salary packaging and novated leasing for everyone who works in the Department. We are sure the Car Leasing Portal will prove a key feature in helping that happen.

Governance and risk management

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 (available at http://ir.smartgroup.com.au /Investors/?page=Corporate-Governance).

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.

A Risk Management Policy (available at https://ir.smartgroup.com.au/Investors/?page=Corporate-Governance) 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 Chief Risk Officer) 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, environmental, social and governance risks that it considers are likely to have a material effect on Smartgroup's financial performance or enterprise value. Key risks are reported in Smartgroup's risk register and are closely analysed by the Board's Audit and Risk Committee.

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 a buoyant Australian new private car market. The impact of adverse macro-economic conditions, high costs of living and reduced credit affordability on customer demand, and any uncertainties around 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 provides a significant incentive for customers to acquire a car using novated leasing and continues to have a positive impact on the new private car market as Australia seeks to reduce carbon emissions (refer to Fringe Benefits Tax section below).	• We promote the advantages of novated leasing to customers who wish to acquire a car. • Where existing customers do not wish to acquire another car, Smartgroup is focused on maximising customer retention through refinancing of existing cars. • Smartgroup has a large dealer panel across the country and strong relationships with key car manufacturers which support our ability to source new cars. • We inform our customers of expected car order lead times which reflect current new car supply chain conditions. • 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 and taxation (see also Fringe Benefits Tax below). Regulatory changes may impact on Smartgroup's operations and the demand for some of our products.	• Through our Corporate Affairs function, we monitor 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 enhance our processes to comply with them. • 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.

Risks and opportunities	How we respond
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 responded well to the Federal Government's Electric Car Discount Policy by refining our go-to-market approach and our leasing processes early, and also investing in our leasing and fulfilment resources to better meet the significantly increased demand for electric car novated leases from our customers. We have been able to achieve a significant increase in electric cars as a proportion of new vehicle quotes/orders during 2023. • We continually explore growth opportunities aligned to our core business but outside the scope of FBT legislation.
Cyber security and data privacy Smartgroup collects and processes certain personal information to conduct its business activities and service our customers. Cyber incidents may compromise the technology used by Smartgroup to store confidential information of clients and customers. 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 govern 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. • The Smartgroup Privacy Policy governs how we collect, use, disclose and hold personal information. • A continuous education program raises our team members' awareness of privacy and cyber security threats.
Business resiliency Similar to other companies, Smartgroup is exposed to the risk of business disruption caused by failure of IT systems (including cyber attacks), or loss of key suppliers, key team members and offices. Any 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 incidents. • We periodically test our ability to respond effectively to business interruptions and to further strengthen our business resiliency. • We continually monitor and refresh our investment in our IT infrastructure and systems to support the continuity of our operations.
Business transformation The execution of Smartgroup's strategy and focus on continuous improvement may introduce changes to our business operations (including processes, systems and team members). Change and transformation projects which are not well executed have the potential to cause significant disruptions, resulting in client losses, customer dissatisfaction and team member disengagement.	• Our Project Management Office is resourced to facilitate successful project delivery. • The Project Management and Prioritisation Framework guides the initiation, approval and prioritisation of projects. • We manage Smartgroup's project portfolio holistically to ensure that projects are properly scheduled and resourced to minimise unintended interruptions to business operations.

Risks and opportunities	How we respond
People/team members A stable and experienced Management Team is central to the success of Smartgroup. 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.	• We have a capability and talent development program for key People Leaders to support ongoing succession planning. • Competitive remuneration structures, short-term and long-term incentive plans and flexible working arrangements 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 performing culture, and also to develop our future leaders. • We conduct team member engagement surveys 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, funding, 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 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.
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.
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. The Work Health & Safety (WHS) Policy sets out our commitment to providing a work environment that ensures our team members' health and safety. • Mental health awareness training, tools and support are delivered 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. The 10 largest contracts now represent a smaller percentage of total revenue compared to prior 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.

Risks and opportunities	How we respond
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 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 that 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 upon the governance and sustainability of our business. Smartgroup recognises that our actions can deliver negative environmental outcomes and seeks to work proactively to mitigate those 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. • See more in our Sustainability Report.
Climate change Smartgroup is exposed to 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 future financial performance. Some customers may also defer their decision to acquire a new car as they choose to wait for improved ZLEV choice, availability, 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 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 on our Sustainability Report pages 13 – 22.
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 our new supplier contracts and existing supplier contracts upon renewal. • We have issued our 2023 Modern Slavery Statement Report (available at https://ir.smartgroup.com.au/Investors/?page=Corporate-Governance). • See more on our Sustainability Report pages 27 – 29.

Directors' report

The Directors present their report, together with the consolidated financial statements, on the consolidated entity (referred to hereafter as the 'Group') consisting 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 2023.

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:

- Michael Carapiet
- John Prendiville
- Carolyn Colley
- Deborah Homewood
- Anne McDonald
- Ian Watt
- Scott Wharton (appointed 25 July 2023)
- Mark Rigotti (appointed 1 February 2024)
- Timothy Looi (retired 25 July 2023)
- Gavin Bell (retired 31 December 2023)

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, fleet management, payroll administration and workforce optimisation services.

Dividends

Dividends paid during the financial year were as follows:

Consolidated	2023 $000	2022 $000
Final ordinary dividend for the year ended 31 December 2022 of 15.0 cents (2021: 19.0 cents) per ordinary share	19,800	25,174
Final special dividend in respect of the year ended 31 December 2022 of 14.0 cents (2021: 30.0 cents) per ordinary share	18,480	39,748
Interim ordinary dividend for the year ended 31 December 2023 of 15.5 cents (2022: 17.0 cents) per ordinary share	20,589	22,733
Total	**58,869**	**87,655**

On 20 February 2024, the Directors declared a fully franked final ordinary dividend for the year ending 31 December 2023 of 16.0 cents per share. The final dividend will be paid on 21 March 2024 to shareholders registered on 7 March 2024, resulting in a total distribution of $21,161,000.

On 20 February 2024, 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 16.0 cents per share, in respect of the 2024 financial year. The special dividend will be paid on 21 March 2024 to shareholders registered on 7 March 2024 with an expected total distribution of $21,161,000.

The financial effect of dividends declared after the reporting date is not reflected in the 31 December 2023 consolidated financial statements and will be recognised in subsequent financial reports.

Review of operations

The Group's profit after income tax expense for the year amounted to $61,919,000 (2022: $58,781,000). Refer to the Chair's Report starting on page 8 and the Report from Our Managing Director and CEO starting on page 12 for further commentary.

Business objectives and cash use

The Company has used cash and cash equivalents to fund its day-to-day operations and to pay down debt.

Significant changes in the state of affairs of the Group

Scott Wharton commenced as Smartgroup's new Chief Executive Officer on 17 July 2023 following Timothy Looi's retirement from that role[1]. There were no other significant changes in the state of affairs of the Group during the financial year.

Matters subsequent to the end of the financial year

Since 31 December 2023 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.

1. Mr Wharton commenced as Chief Executive Officer on 17 July 2023. He was appointed to the Board as Managing Director on 25 July 2023.

Board of Directors

The following people were directors of Smartgroup Corporation Ltd during the financial year 2023 and up to the date of this report, unless otherwise stated.

Michael Carapiet
Chairman and Non-Executive Director

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 is the Chairman 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.

Former directorships (last three years): None

Special responsibilities: Board Chairman, member of 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

Interests in options: None

John Prendiville
Deputy Chair 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 over 30 years' experience in the financial sector. He is currently 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 space. Previously, John held numerous senior roles at Macquarie Group, where he worked for 20 years until his departure in 2011.

Former directorships (last three years): None

Special responsibilities: Board Deputy Chair, member of Human Resources and Remuneration Committee and IT and Innovation Committee.

Interests in shares: 675,000

Interests in options: None

Scott Wharton
Managing Director and CEO (appointed 25 July 2023)

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

Experience and expertise: Scott's career spans over 20 years in financial services across Australia, Asia, and the United States. He has a strong track record in leading and transforming organisations through performance improvement, digital strategy, technology and cultural change. Scott's most recent executive roles have been as CEO of The Star Sydney, focused on stabilising the business, and before that as a Group Executive and member of the Commonwealth Bank of Australia's Executive Leadership team. He has also held senior management positions with Citigroup in Hong Kong and New York. Scott is a Fellow and Adjunct Professor (Industry) at the University of Technology Sydney, where he is also a member of the Vice Chancellor's Industry Advisory Board, and is the Co-Chairman of Supply Nation (the Australian supplier diversity council) and an Ambassador of the Australian Indigenous Education Foundation.

Former directorships (last three years): None

Special responsibilities: None

Interests in shares: None

Interests in options[1]**:** 954,660

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 most recently Managing Director of MAX Solutions from July 2012 until December 2022. 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 currently the Non-Executive Chair of Pink Hope Community Limited, a registered charity supporting people to understand and reduce their risk of hereditary cancer, and has been appointed as an Advocate for the G20 Alliance for Empowerment and Progression of Womens' Economic Representation. She is also a current member of Chief Executive Women and chaired the Membership Committee of that organisation from 2010 to 2012.

Former directorships (last three years): Managing Director of MAX Solutions from July 2012 until December 2022.

Special responsibilities: Member of Human Resources and Remuneration Committee (and Chair of that Committee with effect from 31 December 2023), member of Audit and Risk Committee and IT and Innovation Committee.

Interests in shares: 6,618

Interests in options: None

1. As noted on page 40, 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 936,679 ordinary shares held under the LTI Plan and 17,981 performance rights held under the STI Plan.

Ian Watt AC
Non-Executive Director

Qualifications: Ian holds a Bachelor of Commerce 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 currently the Chair of the International Centre for Democratic Partnerships and the ADC Advisory Council. He is also a member of the Board of the Grattan Institute, a member of the International Advisory Board for Veracity Worldwide, headquartered in New York City, and a Senior Advisor to Flagstaff Partners.

Former directorships (last three years): Non-Executive Director of Citibank Pty Ltd from November 2015 to July 2022.

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

Interests in shares: 126,522

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 CountPlus Ltd (ASX: CUP) and ASX's Clearing and Settlement Boards, and is also a Director of Milford Asset Management (a New Zealand-based company) and Chartered Accountants Australia and New Zealand.

Former directorships (last three years): Non-Executive Director of OnePath Custodians Ltd and Oasis Fund Management Ltd (IOOF's superannuation businesses) from March 2021 to March 2022.

Special responsibilities: Chair of IT and Innovation Committee and member of Environment, Social and Governance Committee 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 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 Limited and Transport Asset Holding Entity of New South Wales, where she chairs the Audit and Risk committees. Anne is also a Non-Executive Director of Link Administration Holdings Limited (ASX: LNK), where she is a member and Chair of the Audit Committee and the Human Resources and Remuneration Committee.

Former directorships (last three years): None

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

Interests in shares: 21,000

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 Programme (Melbourne Business School) and Executive leadership programmes from Harvard and Singularity Universities.

Experience and expertise: Mark is the current 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 the Chair of Redkite Children's Charity and is a Board Member of the European Australian Business Council.

Former directorships (last three years): None

Special responsibilities: None

Interests in shares: None

Interests in options: None

Timothy Looi
Managing Director and CEO
(retired 25 July 2023)

Qualifications: Tim holds a Bachelor of Economics from Sydney University and is a Member of Chartered Accountants, Australia and New Zealand.

Experience and expertise: Tim worked for Smartgroup from 2009 until his retirement in July 2023. Prior to his appointment as Managing Director and CEO in February 2020, Tim held the role of Chief Financial Officer and before that was responsible for management of Group Operations, Client Relationships and Sales and Marketing. Prior to Smartgroup, Tim held senior positions at Aristocrat Leisure in strategy and finance. He commenced his career with PricewaterhouseCoopers in 1994.

Former directorships (last three years): None

Special responsibilities: None

Interests in shares: 176,816 (as at 25 July 2023)

Interest in options: None

Gavin Bell
Non-Executive Director
(retired 31 December 2023)

Qualifications: Gavin holds a Bachelor of Laws from the University of Sydney and Master of Business Administration (Executive) from the Australian Graduate School of Management.

Experience and expertise: Gavin is an experienced Director, CEO and lawyer. He is a Non-Executive Director of IVE Group Ltd (ASX: IGL) and Qantm Intellectual Property Limited (ASX: QIP). Before becoming a Director, Gavin was Managing Partner and Chief Executive Officer of law firm Herbert Smith Freehills (formerly Freehills). He was a partner in the firm for 25 years before that.

Former directorships (last three years): None

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

Interests in shares: 77,650 (as at 31 December 2023)

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 over 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 2023, 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
Michael Carapiet	13	13	4	4	3	3	3	3	3	3
John Prendiville	13	11	–	–	3	2	3	2	–	–
Carolyn Colley	13	13	–	–	3	3	3	3	3	3
Deborah Homewood	13	13	4	4	3	3	3	3	–	–
Anne McDonald	13	13	4	4	–	–	–	–	3	3
Ian Watt	13	13	4	4	–	–	3	3	3	3
Scott Wharton	6	6	–	–	–	–	–	–	–	–
Timothy Looi	7	7	–	–	–	–	–	–	–	–
Gavin Bell	13	13	4	4	3	3	–	–	3	3

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.

Remuneration report

Introduction from the Chair of the Human Resources and Remuneration Committee

In 2023, 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 at risk;
- a proportion of Executive KMP short-term incentives were conditional on the achievement of certain Group NPATA targets, with the balance conditional on the achievement of other non-financial key performance indicators (**KPIs**) but only payable if a minimum overall Group NPATA target was achieved;
- 50% of each Executive KMP's total potential short-term incentive entitlements were payable in cash (subject to achievement of the relevant Group NPATA targets and non-financial KPIs), with the other 50% payable in the form of performance rights issued under the Group's Short Term Incentive Plan for nil consideration, with vesting of those rights subject to achievement of those targets and KPIs; and
- consistent with prior 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 2025.

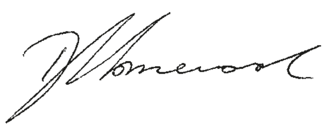
Details of the specific Group NPATA targets and non-financial KPIs approved by the Board for 2023 short term incentives, and the earnings per share and relative total shareholder return targets approved by the Board for the long term incentives granted in 2023, are set out later in the Remuneration Report.

Key remuneration decisions and outcomes for 2023 affecting KMP were as follows:

- new Managing Director and CEO, Scott Wharton, was appointed with an increased total fixed remuneration and long term performance incentive entitlement compared to outgoing Managing Director and CEO, Tim Looi, as well as a one-off sign-on bonus (see pages 39 to 48 for further details);
- there were no material changes to the total fixed remuneration of other members of Executive KMP, other than an amount of $49,980 paid to the Chief Operating Officer (COO), Sarah Haas, as a higher duties allowance from April 2023 to October 2023. These higher duties related to the COO assuming some Chief Customer Officer responsibilities while that role was vacant;
- 73.8% of the total potential short-term incentives available to the Managing Director and CEO for 2023 will be paid, and, as a result, 73.8% of the performance rights issued to the Managing Director and CEO in 2023 will vest (see page 42 for further details);
- 86.2% of the total potential short-term incentives available to the COO for 2023 will be paid. The COO is entitled to a $130,000 cash payment as a result of winning target new clients, with the remaining short-term incentives available being subject to achievement of other relevant KPIs. As a result, 38.9% of the performance rights issued to the COO in 2023 will vest (see pages 42 to 43 for further details);
- 74.3% of the total potential short-term incentives available to the Chief Financial Officer (CFO), Anthony Dijanosic, for 2023 will be paid, and, as a result, 74.3% of the performance rights issued to the CFO in 2023 will vest (see pages 42 to 43 for further details);
- 25.0% of the long-term incentive shares issued to continuing Executive KMP in 2021 vested in 2023, as relative total shareholder return thresholds were achieved, although target earnings per share thresholds were not achieved (see pages 42 to 43 for further details); and
- no changes to the remuneration rates payable to Non-Executive Directors for acting as Directors, Committee chairs or Committee members were made in 2023.
- there were increases to the target short term incentive value for both the COO and the CFO (see page 39). There were no changes to the dollar value of their long term incentive entitlements;

Details of these decisions and outcomes are set out further in the Remuneration Report. The Board believes that the 2023 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 2023. 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 2023 are set out below.

Name	Title	KMP for full year or part year
Non-Executive Directors		
Michael Carapiet	Chairman and Non-Executive Director	Full year
John Prendiville	Deputy Chair and Non-Executive Director	Full year
Gavin Bell	Non-Executive Director	Full year (ceased to be KMP on 31 December 2023)
Carolyn Colley	Non-Executive Director	Full year
Deborah Homewood	Non-Executive Director	Full year
Anne McDonald	Non-Executive Director	Full year
Ian Watt	Non-Executive Director	Full year
Mark Rigotti	Non-Executive Director	Became KMP on 1 February 2024
Continuing Executive KMP		
Scott Wharton	Managing Director and CEO	Part year – became KMP on 17 July 2023
Anthony Dijanosic	Chief Financial Officer (CFO)	Full year
Sarah Haas	Chief Operating Officer (COO)	Full year
Executives who ceased to be KMP during the year		
Timothy Looi	Managing Director and CEO	Part year – ceased to be KMP on 25 July 2023[1]

1. Tim Looi ceased to be Chief Executive Officer upon the appointment of Scott Wharton taking effect on 17 July 2023. Mr Looi ceased to be a member of KMP on 25 July 2023 when his resignation as a Director took effect.

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 (**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.

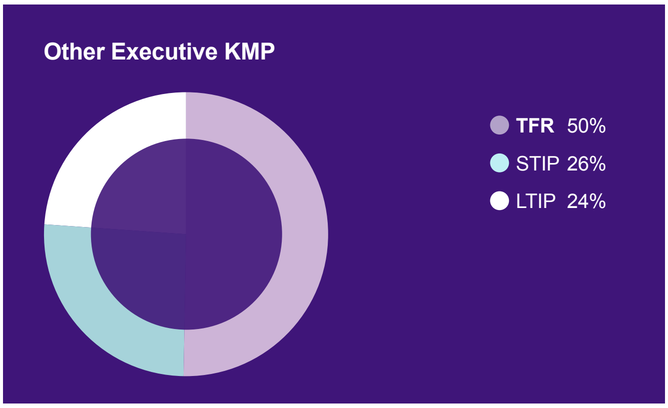
The Executive Remuneration and Reward Framework consists of four components:

- total fixed remuneration (**TFR**) 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 charts on the following page show the relative proportions of TFR, STI and LTI for the year ended 31 December 2023 for:

- the CEO role (based on the maximum aggregate amounts of TFR, STI and LTI payable to each of Tim Looi and Scott Wharton in respect of the periods that they held the role); and
- other Executive KMP.



The amounts shown above are the amounts that would have been payable to the CEO and to other Executive KMP if they had each achieved their maximum STI and LTI entitlement for the year.

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

Total fixed remuneration

Fixed 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 (**STI Program**) in a manner determined by the Board. The STI Program 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 Program 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 Program 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 Board established a new Short-Term Incentive Plan (**STI 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 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. Prior to establishment of the STI Plan, STI entitlements for Executive KMP were payable only in cash. 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 (**LTI Plan**) 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 and May 2021.

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. LTI Plan grants are usually made once a year. 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 and consistent with ASIC's Policy published in Regulatory Guide 49. 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.

2023 Executive KMP remuneration structure

Total fixed remuneration and one-off bonus

New Managing Director and CEO, Scott Wharton, was appointed with effect from 17 July 2023 at a total fixed remuneration of $850,000 per annum inclusive of superannuation. Previous Managing Director and CEO, Tim Looi received total fixed remuneration of $700,000 per annum inclusive of superannuation during the period from 1 January 2023 to 16 July 2023 inclusive.

As disclosed in the 2022 Remuneration Report, an executive remuneration benchmarking review was undertaken at the end of 2022. Following this review, no changes to the fixed remuneration of other Executive KMP were made in 2023.

Scott Wharton was also paid a one-off sign-on bonus of $150,000 (gross and subject to applicable taxation) after his employment commenced.

Retention payments

The Chief Operating Officer (COO), Sarah Haas, is eligible to receive a one-off cash payment of $120,000 (inclusive of any applicable superannuation) subject to remaining employed by the Company until 1 February 2024, or any earlier date the Board may, in its absolute discretion, determine. The Chief Financial Officer (CFO), Anthony Dijanosic, is eligible to receive a one-off cash payment of $75,000 (inclusive of any applicable superannuation) subject to remaining employed by the Company until 28 February 2024, or any earlier date the Board may, in its absolute discretion, determine. These payments are in addition to any STIP payment the COO and CFO are entitled to. The Board determined that these payments were appropriate in recognition of the additional effort required by both the CFO and COO to support the smooth transition of the Managing Director and CEO in 2023 and the importance of ensuring stability in the Management team during this time.

Short-term incentives

Target STI

Participants in the STI Program have a target STI payment set every year as a percentage of their TFR. In 2023, this target was:

- 0% of TFR for former Managing Director and CEO, Tim Looi (2022: 79%);
- 65% of TFR for new Managing Director and CEO, Scott Wharton (but pro-rated to reflect the fact that Mr Wharton only held the role from 17 July 2023 onwards, such that his maximum STI payment for 2023 is $254,300); and
- an average of 51% of TFR for the other continuing Executive KMP (2022: 40%).

KPIs and conditions to payment of STI

Under the 2023 STI arrangements approved by the Board for Scott Wharton, the amount of Mr Wharton's 2023 STI payment is to be determined by the Board having regard to:

- the overall financial performance of the Company against the 2023 budget approved by the Board;
- the Company's overall performance against KPIs and objectives for the Company approved by the Board for 2023; 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 Program after taking into account the above factors and any other matters the Board considers relevant, including Mr Wharton's conduct.

Under the 2023 STI arrangements approved by the Board for Sarah Haas, $130,000 in cash is payable subject to the winning of target new clients. The following rules govern the remaining $145,000 STI target amount:

- 25% of STI target amount is payable on the achievement of target Group NPATA of $63.0 million, rising on a linear basis to 50% of target amount on achievement of Group NPATA of $67.0 million;
- if a gateway Group NPATA of $61.0 million is achieved, a separate payment of up to 50% of the STI target amount may become payable based on the achievement of non-financial Group-based KPIs; and
- for the purposes of STI assessment, in certain circumstances, actual NPATA can be adjusted to take into account incremental changes in the level of revenue deferred due to vehicle delivery delays.

Under the 2023 STI arrangements approved by the Board for Anthony Dijanosic:

- 25% of the STI target amount is payable on the achievement of target Group NPATA of $63.0 million, rising on a linear basis to 50% of target amount on achievement of Group NPATA of $67.0 million;
- if a gateway Group NPATA of $61.0 million is achieved, a separate payment of up to 50% of the STI target amount may become payable based on the achievement of non-financial Group-based KPIs; and
- for the purposes of STI assessment, in certain circumstances, actual NPATA can be adjusted to take into account incremental changes in the level of revenue deferred due to vehicle delivery delays.

Details of the specific KPIs approved by the Board for 2023, and the extent to which they were achieved, are set out in Table 3 on page 42.

Board discretion

In addition to the specific conditions to payment of STI amounts referred to above, all payments under the STI Program are subject to Board discretion.

Form of payment of STI

Other than the $130,000 in cash payable to Sarah Haas subject to the winning of target new clients, for any STI payable to Executive KMP, 50% will be payable in cash and the other 50% payable in the form of performance rights issued under the STI Plan, as described below. In 2023, the Board determined that:

- the number of performance rights to be issued to each member of Executive KMP (other than Scott Wharton) should be 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 Scott Wharton should be calculated by dividing the dollar amount equal to 50% of Mr Wharton'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 2023 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 2023 remuneration:

- a total of 17,981 performance rights were issued to new Managing Director and CEO Scott Wharton on 19 July 2023. The number of shares were determined based on 10-day VWAP of $7.0713 per performance right. Approval for the issue of these performance rights was obtained under ASX Listing Rule 10.14 at the Company's 2023 Annual General Meeting; and
- a total of 34,982 performance rights were issued to other continuing Executive KMP on 24 March 2023 calculated based on the 10-day VWAP of $6.2175 per performance right.

No performance rights were issued to former Managing Director and CEO Tim Looi, as he had already advised the Board of his intention to retire prior to the date on which performance rights would have been issued to have under the STI Program in respect of the 2023 year.

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 2024 (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 economically 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".

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 TFR. For 2023:

- the LTI Plan grant to former Managing Director and CEO, Tim Looi, was 0% of TFR (2022: 86%);
- the LTI Plan grant to new Managing Director and CEO, Scott Wharton was 130% of full year TFR; and
- the average LTI Plan grant to other continuing Executive KMP was 47% of TFR (2022: 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 2023 LTIP grant:

- 936,679 shares were issued to the new Managing Director and CEO, Scott Wharton, on 19 July 2023 at an issue price of $6.9238 per share, being the 20-day VWAP of shares up to and including the trading day immediately before the date of the Company's 2023 Annual General Meeting. Approval for the issue of these shares was obtained under ASX Listing Rule 10.14 at the Company's 2023 Annual General Meeting; and
- A total of 339,070 shares were issued to other continuing Executive KMP on 10 March 2023 at an issue price of $5.9779 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.

Vesting of shares

Vesting of 75% of the shares issued under the 2023 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 2023 LTIP grant is subject to a total shareholder return (**TSR**) hurdle. The performance hurdles are described in more detail below. Shares issued under the 2023 LTI Plan grant will vest on 31 December 2025 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.

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 2023 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 2022 EPS of $0.458 (calculated on the basis of reported 2022 NPATA of $61.2 million and 133.7 million shares on issue) to the EPS for the financial year ending on 31 December 2025, 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 2023 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 2025[1]	Below 4.0		Nil
		4.0	0.515	50
		Between 4.0 and 8.0		Straight line between 50 and 100
		8.0 or greater	0.576	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 2023 LTI Plan range from 4.0% (for 50% vesting) to 8.0% (for 100% vesting). These CAGR targets have been reduced from the range of 5.0% (for 50% vesting) to 10.0% (for 100% vesting) approved by the Board in 2022 and prior years. The Board considers that the 2023 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 2023 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 2023 and ending on 31 December 2025. 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 2023 (the performance measurement period start date) and the 20 trading days up to and including 31 December 2025 (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 LTIP 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 2023 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 2025[1]	0 to 49th	Nil
		50th	50
		51st to 74th	Straight line between 50 and 100
		75th to 100th	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 economically equivalent to options. The fair value of the shares used for grant allocation purposes was calculated using Binomial and Monte Carlo simulations. Refer to page 77 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”.

2023 Executive KMP remuneration outcomes

STI – achievement of KPIs and financial outcomes

The Company reported 2023 Group NPATA of $63.2 million, which is higher than target Group NPATA of $63.0 million, and is greater than the $61.0 million gateway for short-term incentive payments for achievement of non-financial KPIs. Accordingly, for continuing Executive KMP other than Scott Wharton:

- 50% of the Executive KMP's short-term incentive target amount is payable for achievement of the target Group NPATA; and
- short-term incentive payments for achievement of non-financial KPIs will 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:

The STI outcomes for Managing Director and CEO Scott Wharton are described after the table below. No STI payment will be made to former Managing Director and CEO Tim Looi.

Table 3: 2023 non-financial KPIs for Executive KMP and achievement

KPI	How it is measured	Relevant executive	Weighting[1] %	Actual achievement %
Client and customer	Achieve target client retention levels	CEO	10	9.5
	Average customer NPS of 40 or more	CEO/COO	10	
ESG	Achieve agreed hybrid and EV milestones	All	10	9.7
Capabilities	Delivery of digital milestones	All	10	9.7
	Achieve project-based annualised savings in line with target	CFO/COO	10	
Risk management	Delivery of risk milestones	All	10	8.7
Cost reduction	Delivery of cost actions	CFO	10	10.0

1. For continuing Executive KMP other than Scott Wharton this is the percentage of the overall target STI amount which is payable for full achievement of the relevant KPI.

The table below shows the actual STI outcome for all continuing Executive KMP for the year ended 31 December 2023 in absolute terms and as a percentage of their target STI opportunity, under the STI arrangements approved by the Board.

Table 4: 2023 STIP outcomes

Name of executive	Target STI amount $	Percentage of target STI achieved %	Cash payment $	Number of performance rights vesting	Number of performance rights lapsing
Scott Wharton	254,300	73.8	243,811	13,266	4,715
Anthony Dijanosic	160,000	74.3	59,400	9,554	3,313
Sarah Haas	275,000	73.8	183,469	8,600	13,515

LTI – vesting of shares subject of 2021 grant under the LTI Plan

Shares issued under the 2021 LTI Plan grant had a vesting period ending on 31 December 2023. 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 2021 LTI Plan grant. It was based on the CAGR in the Company's EPS (based on NPATA) from the pro-forma 2020 EPS of $0.491. As at 31 December 2023, EPS (based on NPATA) was $0.476, which represents a CAGR of -1% from the pro-forma 2020 EPS. This result means that none of the shares issued under the 2021 LTI Plan grant that are subject to the EPS hurdle have vested.

Shares subject to TSR hurdle

The TSR hurdle applied to 25% of the LTI Plan shares issued under the 2021 LTI Plan grant. The Company's TSR performance was measured to be in the 82nd percentile of the S&P/ASX 200 Index. This result means that 100% of the shares issued under the 2021 LTI Plan grant that are subject to the TSR hurdle have vested. For the two continuing Executive KMP who participated in the 2021 LTI Plan grant, the vesting of these shares is reflected in Tables 13 and 15 below.

The Company engaged Grant Thornton to provide external verification of the above calculations.

All shares issued to former Managing Director and CEO Tim Looi under the 2021 LTI Plan grant were forfeited on Mr Looi's retirement and have since been bought back by the Company in accordance with the rules of the LTI Plan.

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

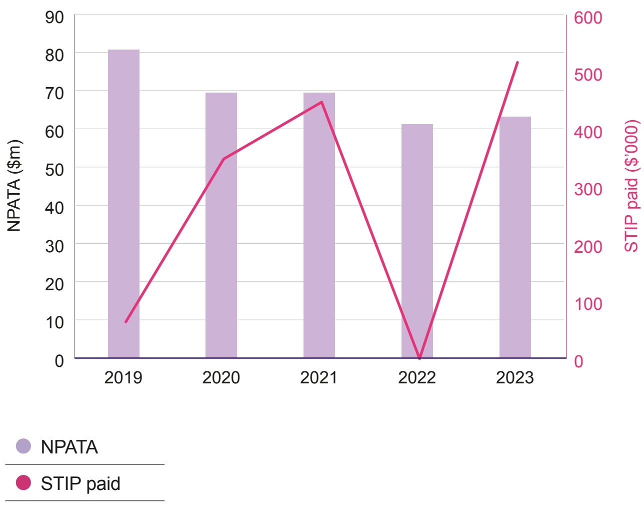
Index	2019	2020	2021	2022	2023
NPATA ($m)	81.0	65.2	69.5	61.2	63.2
EPS (cents)	61.5	49.1	52.1	45.8	47.6
Ordinary dividends declared in respect of the financial year – per share (cents)	43.0	34.5	36.5	32.0	31.5
Special dividends declared in respect of the financial year – per share (cents)[1]	20.0	9.0	35.5	14.0	–
Share price – year-end ($)	6.94	6.89	7.75	5.10	8.72
Three-year TSR performance compared to S&P/ASX 200 (percentile)	71	33	24	31	82

1. On 20 February 2024, the Directors declared a special dividend of 16.0cps. This will be reflected in the 2024 Annual Report as a special dividend in respect of 2024.

As noted above, the Company's three year TSR to 31 December 2023 was in the top quartile of all companies in the S&P/ASX 200.

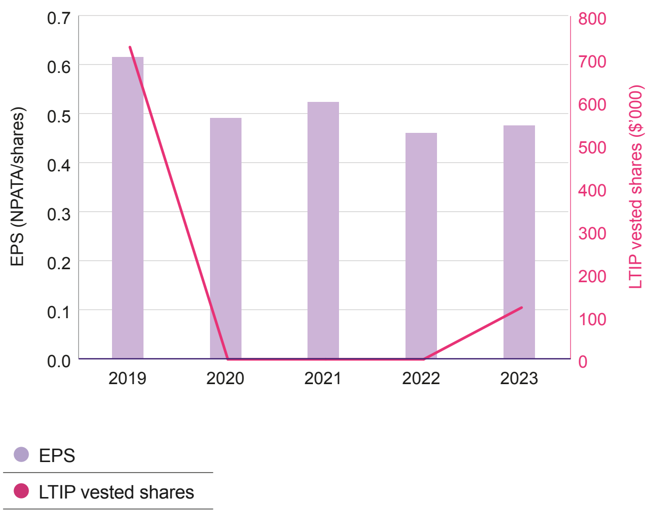
The graph below illustrates the relationship between the Group's performance and STI awards in respect of the financial year ended 31 December 2023 and the preceding four financial years.

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 2023 and the preceding four financial years.

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



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 fixed by the Company and approved at the AGM. 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.

The fees (exclusive of superannuation) paid to the current Non-Executive Directors are:

- $230,000 per annum for the Chairman; and
- $100,000 per annum for each Non-Executive Director.

In addition to the above:

- the Deputy Chair is paid $20,000 per annum;
- 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 Chairman 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 member of those committees (other than the Chairman of the Board) is paid $10,000 per annum per committee.

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

These fees remain unchanged from 2022.

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 2023 and 2022

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. The KMP are set out on page 37.

Table 8: 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
Gavin Bell	142,250	–	–	15,291	–	–	157,541
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							
Timothy Looi[4]	1,119,706	–	–	19,496	(195,523)	(796,906)	146,773
Scott Wharton[5]	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	**3,362,672**	**681,680**	**207,777**	**200,747**	**(175,185)**	**(305,699)**	**3,971,992**

1. Includes accruals for one off retention bonuses (with service periods ending February 2024), and cash bonuses paid under the STIP. The STIP for Sarah Haas has increased by $50,000 in FY23 and includes additional performance conditions as detailed in the 2023 executive remuneration structure.
2. The amounts disclosed in this column represent the change in associated leave provisions. They may be negative where more leave is taken or paid than accrued during the year.
3. Net LTIP expense can be negative where there are forfeitures resulting from termination of employment and/or the reversal of LTIP expense in relation to EPS hurdles that are not met.
4. Tim Looi ceased to hold the role of CEO on 16 July 2023 and ceased to be a Director on 25 July 2023. The amounts in this table reflect remuneration paid to Mr Looi up until his retirement on 25 August 2023 and includes a cash termination benefit of $680,000. The LTIP expense relates to 2021 and 2022 loan funded shares that were forfeited.
5 Scott Wharton commenced in the role of CEO on 17 July 2023 and was appointed as a Director on 25 July 2023. This includes a one-off sign-on bonus of $150,000.

Table 9: 2022 remuneration

	Short-term benefits			Post-employment benefits	Long-term benefits		
	Cash salary and fees $	STIP – Cash bonus $	STIP – Performance rights expense $	Superannuation $	Annual and long service leave[1] $	Net LTIP expense[2] $	Total $
Non-Executive Directors							
Michael Carapiet	230,000	–	–	23,575	–	–	**253,575**
John Prendiville	135,235	–	–	13,867	–	–	**149,102**
Gavin Bell	142,500	–	–	14,606	–	–	**157,106**
Andrew Bolam[3]	81,667	–	–	8,269	–	–	**89,936**
Carolyn Colley	132,500	–	–	13,587	–	–	**146,087**
Deborah Homewood	130,625	–	–	13,391	–	–	**144,016**
Anne McDonald	119,167	–	–	12,242	–	–	**131,409**
Ian Watt	142,500	–	–	14,606	–	–	**157,106**
Executive Directors							
Timothy Looi	675,570	–	–	24,430	(26,664)	147,201	**820,537**
Other Executive KMP							
Anthony Dijanosic	375,570	–	–	24,430	13,621	158,125	**571,746**
Sarah Haas	428,570	–	–	24,430	9,176	50,582	**512,758**
Total	**2,593,904**	**–**	**–**	**187,433**	**(3,867)**	**355,908**	**3,133,378**

1. 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.
2. Net LTIP expense can be negative where there are forfeitures resulting from termination of employment and/or the reversal of LTIP expense in relation to EPS hurdles that are not met.
3. Andrew Bolam retired as a Director on 31 August 2022.

Other transactions with KMP

Cost reimbursements of $8,360 were paid to KMP in 2023 (2022: $35,821).

Table 10: Cost reimbursements to KMP

Reimbursements to key management personnel	2023 $	2022 $
Non-Executive Directors		
Michael Carapiet	–	430
John Prendiville	–	–
Gavin Bell	–	–
Andrew Bolam[1]	–	5,400
Carolyn Colley	–	–
Deborah Homewood	–	–
Anne McDonald	–	–
Ian Watt	7,450	7,931
Executive Directors		
Timothy Looi[2]	–	1,176
Scott Wharton[3]	295	–
Other Executive KMP		
Anthony Dijanosic	320	7,401
Sarah Haas	295	13,483
Total	**8,360**	**35,821**

1. Andrew Bolam retired as a Director on 31 August 2022.
2. Timothy Looi ceased to hold the role of CEO on 16 July 2023 and ceased to be a Director on 25 July 2023.
3. Scott Wharton commenced in the role of CEO on 17 July 2023 and was appointed as a Director on 25 July 2023.

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 %		STI %		LTI %	
	2023	2022	2023	2022	2023	2022
Non-Executive Directors						
Michael Carapiet	100	100	–	–	–	–
John Prendiville	100	100	–	–	–	–
Gavin Bell	100	100	–	–	–	–
Andrew Bolam[1]	–	100	–	–	–	–
Carolyn Colley	100	100	–	–	–	–
Deborah Homewood	100	100	–	–	–	–
Anne McDonald	100	100	–	–	–	–
Ian Watt	100	100	–	–	–	–
Executive Directors						
Timothy Looi[2]	643	82	–	–	(543)	18
Scott Wharton[3]	36	–	29	–	35	–
Other Executive KMP						
Anthony Dijanosic[4]	70	72	22	–	8	28
Sarah Haas[4]	64	90	32	–	4	10

1. Andrew Bolam retired as a Director on 31 August 2022.
2. Timothy Looi ceased to hold the role of CEO on 16 July 2023 and ceased to be a Director on 25 July 2023.
3. Scott Wharton commenced in the role of CEO on 17 July 2023 and was appointed as a Director on 25 July 2023.
4. Percentages 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 of 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	Timothy Looi
Role title	Managing Director and Chief Executive Officer (until 16 July 2023)
Commencement date	29 February 2020
Term of agreement	No fixed term. Mr Looi's employment was stated to continue until terminated by either party in accordance with the agreement.
Remuneration	Mr Looi was entitled to: • receive fixed annual remuneration of $700,000 inclusive of superannuation contributions; and • receive short-term incentive payments capped at a maximum of $550,000 inclusive of superannuation, with cash payments and any Awards issued under the STI Plan in any given year dependent on the achievement of a range of financial and non-financial KPIs as approved by the Board on an annual basis. Mr Looi was also eligible to participate in the LTI Plan. The issue of shares under the LTI Plan and the terms on which they are issued was at the discretion of the Board.
Termination	Mr Looi's employment contract was able to 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 was able to 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 was no contractual entitlement to termination payments in the event of termination.
Post-employment restrictions	Mr Looi 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.

Name	Scott Wharton
Role title	Managing Director and Chief Executive Officer (effective from 17 July 2023)
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 $850,000 inclusive of superannuation entitlements. The service agreement also provides that Mr Wharton is entitled to a one-off sign-on bonus of $150,000 (gross and subject to applicable taxation) payable within one month of the employment commencement date. Mr Wharton is eligible to participate in the Smartgroup STI Program with a maximum full year payment of 65% of fixed salary inclusive of superannuation (with payments under the STI Program for 2023 prorated to reflect the period of service during the year). Payments under the STI Program 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 Program 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 Program 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 as follows: • Mr Wharton is entitled to be issued with shares to the value of $1,105,000 under the LTI Plan in respect of the financial year ending 31 December 2023, subject to shareholder approval at the 2023 Annual General Meeting, with vesting of those shares subject to the achievement of performance hurdles to be determined by the Board; and • Future issue of shares under the LTI Plan and the terms on which they are issued is 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

Other than a $150,000 sign-on bonus paid to Managing Director and Chief Executive Officer, Scott Wharton, 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 2023 or the year ended 31 December 2022.

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 41.

Also as described above, the Company has established an STI Plan. Performance Rights have also been issued under the STI Plan 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: Shares issued under LTI Plan with performance periods ending in the future

Type	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
Loan funded shares	8 March 2023	Three years to 31 December 2025	1 January 2026	7 March 2028	5.98	983,304	2.14	2.00	2,071,576	To be determined
Loan funded shares	10 May 2023	Three years to 31 December 2025	1 January 2026	9 March 2028	6.92	936,679	2.39	2.33	2,226,252	To be determined
Loan funded shares	8 March 2022	Three years to 31 December 2024	1 January 2025	7 March 2027	7.57	630,705	1.87	1.78	1,166,426	To be determined
Loan funded shares	11 May 2022	Three years to 31 December 2024	1 January 2025	10 May 2027	8.78	599,177	2.21	2.15	1,312,767	To be determined

Table 13: Shares issued under LTI Plan with a vesting period ending on 31 December 2023

Type	Grant date	Performance period	Exercise date	Expiry date	Exercise price $	Number of non-forfeited shares[1]	Fair value price at grant date (EPS) $	Fair value price at grant date (TSR) $	Performance achieved %[2]	Number of shares vested as at 31 December 2023[2]	% of shares vested as at 31 December 2023[2]
Loan funded shares	8 March 2021	Three years to 31 December 2023	1 January 2024	7 March 2026	7.00	621,879	1.79	1.75	25	155,470	25
Loan funded shares	12 May 2021	Three years to 31 December 2023	1 January 2024	11 May 2026	6.97	129,497	1.76	1.72	25	32,374	25

1. Prior to performance determination by the Board.
2. As determined by the Board on 13 February 2024.

Table 14: Performance rights with a vesting period ending on 31 December 2023

Type	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 2023[2]	% vested at 31 December 2023[2] %
Performance rights	23 March 2023	Year ended 31 December 2023	1 January 2024	22 March 2028	0.00	34,982	6.14	74	18,154	52
Performance rights	10 May 2023	Year ended 31 December 2023	1 January 2024	9 May 2028	0.00	17,981	7.26	74	13,266	74

1. Prior to performance determination by the Board.
2. As determined by the Board on 13 February 2024.

Table 15: Long term incentives granted to KMP as remuneration as at 31 December 2023

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	Balance at end of year – vested and unvested
Timothy Looi[2]	834,232	–	–	(834,232)	–	–	–
Scott Wharton[3]	–	936,679	–	–	936,679	–	936,679
Anthony Dijanosic	263,690	169,535	(32,374)	(97,123)	303,728	32,374	336,102
Sarah Haas	278,078	169,535	(35,971)	(107,914)	303,728	35,971	339,699
Total KMP	**1,376,000**	**1,275,749**	**(68,345)**	**(1,039,269)**	**1,544,135**	**68,345**	**1,612,480**

1. Shares forfeited relate to the LTI Plan grants on 8 March 2021 and 12 May 2021, which did not vest. In the case of Timothy Looi, shares forfeited also include shares granted under the LTIP grant on 11 May 2022, which were forfeited on cessation of employment.
2. Timothy Looi ceased to hold the role of CEO on 16 July 2023 and ceased to be a Director on 25 July 2023.
3. Scott Wharton commenced in the role of CEO on 17 July 2023 and was appointed as a Director on 25 July 2023.

Table 16: Short term incentives granted to KMP as remuneration as at 31 December 2023

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
Timothy Looi[2]	–	–	–	–	–	–	–
Scott Wharton[3]	–	17,981	(13,266)	(4,715)	–	13,266	13,266
Anthony Dijanosic	–	12,867	(9,554)	(3,313)	–	9,554	9,554
Sarah Haas	–	22,115	(8,600)	(13,515)	–	8,600	8,600
Total KMP	**–**	**52,963**	**(31,420)**	**(21,543)**	**–**	**31,420**	**31,420**

1. Short term incentives forfeited relate to performance rights granted during 2023 which did not vest.
2. Timothy Looi ceased to hold the role of CEO on 16 July 2023 and ceased to be a Director on 25 July 2023. No performance rights were granted to Mr Looi in 2023.
3. Scott Wharton commenced in the role of CEO on 17 July 2023 and was appointed as a Director on 25 July 2023.

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 2023.

Table 17: Director and Executive KMP shareholdings

	Balance at start of year including exercised LTIP	Received on the exercise of LTIP or STIP[1]	Other additions	Disposals	Balance at end of year
Non-Executive Directors					
Michael Carapiet[2]	2,392,746	–	–	–	2,392,746
John Prendiville	675,000	–	–	–	675,000
Gavin Bell	77,650	–	–	–	77,650
Carolyn Colley	7,000	–	–	–	7,000
Deborah Homewood	6,618	–	–	–	6,618
Anne McDonald	21,000	–	–	–	21,000
Ian Watt	126,522	–	–	–	126,522
Executive Director					
Timothy Looi[3]	180,816	–	–	–	180,816
Scott Wharton[4]	–	–	–	–	–
Other Executive KMP					
Anthony Dijanosic	23,674	–	162	–	23,836
Sarah Haas	129	–	162	–	291
Total	**3,511,155**	**–**	**324**	**–**	**3,511,479**

1. This column includes 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.
2. Mr 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.
3. Mr Looi's shareholdings disclosed in this table include 4,000 shares held by related parties in which Mr Looi does not have a relevant interest. Timothy Looi ceased to hold the role of CEO on 16 July 2023 and ceased to be a Director on 25 July 2023. The balance at the end of the year for Mr Looi is as at 25 July 2023.
4. Scott Wharton commenced in the role of CEO on 17 July 2023 and was appointed as a Director on 25 July 2023.

Other disclosures

Shares under option

As at 31 December 2023, there were 1,544,135 unvested shares held by employees under the LTI Plan (being shares issued under the 2022 and 2023 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.

Shares issued on the exercise of options

No ordinary shares of Smartgroup Corporation Ltd were issued on the exercise of options during the year ended 31 December 2023 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 38 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 38 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 PricewaterhouseCoopers

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

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

PricewaterhouseCoopers 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

Michael Carapiet
Chairman
20 February 2024
Sydney

Auditor's Independence Declaration

As lead auditor for the audit of Smartgroup Corporation Ltd for the year ended 31 December 2023, I declare that to the best of my knowledge and belief, there have been:

1. no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
2. no contraventions of any applicable code of professional conduct in relation to the audit.

This declaration is in respect of Smartgroup Corporation Ltd and the entities it controlled during the period.

David R Cox
Partner
PricewaterhouseCoopers

Sydney
20 February 2024

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Reconciliation of Statutory Results to Adjusted Results

For the year ended 31 December 2023

$ million	CY 2023 Statutory	Non-IFRS measures	Add back: Restructuring costs	Add back: CEO transition costs	CY 2023 Adjusted
Net revenue	242.0	–	–	–	**242.0**
Operating EBITDA	**98.7**	**–**	**0.8**	**0.8**	**100.3**
Joint venture contribution	0.3	–	–	–	**0.3**
Segment note EBITDA	**99.0**	**–**	**0.8**	**0.8**	**100.6**
Depreciation expense	(5.0)	–	–	–	**(5.0)**
Amortisation expense	(2.9)	–	–	–	**(2.9)**
Net finance costs	(3.0)	–	–	–	**(3.0)**
PBT	**88.1**	**–**	**0.8**	**0.8**	**89.7**
Income tax expense	(26.2)	–	(0.2)	(0.2)	**(26.6)**
NPAT	**61.9**	**–**	**0.6**	**0.6**	**63.1**
Add back: Amortisation of acquired intangibles	–	0.1	–	–	**0.1**
NPATA	**61.9**	**0.1**	**0.6**	**0.6**	**63.2**
Shares (# millions)					**132.8**
NPATA per share (cents)					**47.6**

Financial statements

Financial Report 2023 Smartgroup Corporation Ltd
31 December 2023 ABN 48 126 266 831

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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 2023

Consolidated	Note	2023 $'000	2022 $'000
Revenue	7	251,609	224,697
Share of profits from joint venture accounted for using the equity method		304	339
Expenses			
Product costs		(9,558)	(7,589)
Employee benefits expense		(103,816)	(87,071)
Administration and corporate expenses		(33,511)	(32,602)
Occupancy expenses	8	(1,535)	(1,376)
Advertising and marketing expenses		(2,948)	(1,740)
Depreciation expense	8	(5,021)	(4,066)
Amortisation of acquired intangible assets	8	(136)	(2,559)
Amortisation of contract rights and internally developed intangibles	8	(2,770)	(1,340)
Other expenses		(1,499)	(965)
Operating profit		**91,119**	**85,728**
Finance costs	8	(3,009)	(2,083)
Merger and acquisition transaction costs		(15)	(64)
Profit before income tax expense		**88,095**	**83,581**
Income tax expense	9	(26,176)	(24,800)
Profit after income tax expense attributed to the ordinary equity holders		**61,919**	**58,781**
Other comprehensive income attributed to the ordinary equity holders			
Items that may be reclassified subsequently to profit or loss			
Net change in fair value of cash flow hedges taken to equity, net of tax		(694)	577
Other comprehensive income, net of tax		**(694)**	**577**
Total comprehensive income attributed to the ordinary equity holders		**61,225**	**59,358**

		Cents	Cents
Basic earnings per share	16	47.7	45.3
Diluted earnings per share	16	47.7	45.3

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 2023

Consolidated	Note	2023 $'000	2022 $'000
ASSETS			
Current assets			
Cash and cash equivalents	10	32,794	26,707
Restricted cash and cash equivalents	37	38,053	36,020
Trade and other receivables	18	19,937	18,421
Other current assets	20	6,054	4,468
Assets classified as held for sale	40	1,129	–
Total current assets		**97,967**	**85,616**
Non–current assets			
Deferred tax assets	9	15,287	14,821
Right–of–use assets	39	4,379	6,592
Property and equipment	32	14,289	8,447
Intangible assets	6	285,433	288,930
Investments accounted for using the equity method	23	–	374
Derivative financial instruments	21	172	1,062
Total non–current assets		**319,560**	**320,226**
Total assets		**417,527**	**405,842**
LIABILITIES			
Current liabilities			
Trade and other payables	33	35,291	31,908
Customer salary packaging liability	37	38,053	36,020
Provisions	34	15,341	13,907
Contract liabilities	36	8,079	9,421
Income tax payable	9	1,375	4,875
Lease liabilities	39	3,830	4,248
Other current liabilities	22	2,042	1,722
Liabilities directly associated with assets classified as held for sale	40	625	–
Total current liabilities		**104,636**	**102,101**
Non–current liabilities			
Provisions	35	1,302	1,321
Contract liabilities	36	1,343	3,663
Lease liabilities	39	1,731	4,631
Borrowings	11	64,693	53,784
Total non–current liabilities		**69,069**	**63,399**
Total liabilities		**173,705**	**165,500**
Net assets		**243,822**	**240,342**
EQUITY			
Issued capital	12	263,418	263,418
Reserves	13	13,388	12,958
Accumulated losses		(32,984)	(36,034)
Equity attributable to the owners of Smartgroup Corporation Ltd		**243,822**	**240,342**
Total equity		**243,822**	**240,342**

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

Consolidated Statement of Changes in Equity

For the year ended 31 December 2023

Consolidated	Note	Share capital $'000	Reserves $'000	Retained earnings/ (Accumulated losses) $'000	Total equity $'000
Balance at 1 January 2022		**262,878**	**10,512**	**(7,160)**	**266,230**
Profit for the year		–	–	58,781	58,781
Other comprehensive income		–	577	–	577
Total comprehensive income for the year		–	**577**	**58,781**	**59,358**
Transactions with owners in their capacity as owners:					
Contributions of equity, net of transaction costs and tax	12	540	–	–	540
Share–based payments	13	–	1,869	–	1,869
Dividends provided for or paid	15	–	–	(87,655)	(87,655)
Balance at 31 December 2022		**263,418**	**12,958**	**(36,034)**	**240,342**

Consolidated	Note	Share 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		–	(694)	–	(694)
Total comprehensive income for the year		**–**	**(694)**	**61,919**	**61,225**
Transactions with owners in their capacity as owners:					
Share–based payments	13	–	1,124	–	1,124
Dividends provided for or paid	15	–	–	(58,869)	(58,869)
Balance at 31 December 2023		**263,418**	**13,388**	**(32,984)**	**243,822**

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 2023

Consolidated	Note	2023 $'000	2022 $'000
Cash flows from operating activities			
Receipts from customers		292,410	277,559
Payments to suppliers and employees		(198,714)	(178,744)
Transaction costs relating to mergers and acquisitions		(15)	(188)
Interest received from cash held on behalf of customers		5,953	1,839
Interest and transaction costs paid on borrowings		(3,595)	(1,465)
Interest paid on lease liabilities	39	(706)	(749)
Income taxes paid		(30,135)	(26,934)
Net cash inflow from operating activities excluding salary packaging receipts and payments		**65,198**	**71,318**
Receipts of restricted cash		2,700,233	2,429,995
Payments of customer salary packaging liability		(2,698,200)	(2,435,171)
Net cash inflow from operating activities	31	**67,231**	**66,142**
Cash flows from investing activities			
Payments for intangibles	6	(909)	(9,163)
Payments for property and equipment	32	(8,522)	(5,770)
Dividends received from joint venture	23	–	540
Interest received		746	287
Net cash outflow from investing activities		**(8,685)**	**(14,106)**
Cash flows from financing activities			
Repayment of borrowings	11	–	(5,000)
Proceeds from borrowings	11	11,100	30,000
Dividends paid	15	(58,869)	(87,655)
Proceeds from long term incentive plan		876	2,059
Principal repayments on lease liabilities	39	(3,533)	(2,362)
Net cash outflow from financing activities		**(50,426)**	**(62,958)**
Net increase in cash and cash equivalents		**8,120**	**(10,922)**
Cash and cash equivalents at the beginning of the year		26,707	32,453
Restricted cash and cash equivalents at the beginning of the year		36,020	41,196
Cash and cash equivalents at the end of the financial year		32,794	26,707
Restricted cash and cash equivalents at the end of the financial year		38,053	36,020
Cash and cash equivalents at the end of the year		**70,847**	**62,727**

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 2023

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 20 February 2024. 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*, as appropriate for for–profit oriented entities. These consolidated financial statements also comply with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

Historical cost convention

The consolidated financial statements have been prepared under the historical cost convention, except for, where applicable, the revaluation of financial assets and liabilities (derivative financial instruments) at fair value through profit or loss.

Critical accounting estimates

The preparation of the consolidated financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements, are disclosed in note 4.

Comparatives

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

Rounding of amounts

The Company is of a kind referred to in *Corporations Instrument 2016/191*, issued by the Australian Securities and Investments Commission, relating to the 'rounding off' of amounts in the consolidated financial statements. Amounts in the consolidated financial statements have been rounded off in accordance with the instrument to the nearest thousand dollars, or in certain cases, the nearest dollar.

Net current liability position

As at 31 December 2023, the Group had net current liabilities of $6,669,000 primarily due to payment of special dividends totalling $18,480,000 in March 2023.

The Group has prepared projected cash flows for the twelve months from the date of the Directors' Declaration, taking into consideration the continued business impact of delayed motor vehicle availability. These forecasts indicate that the Group is expected to generate sufficient levels of operating cash flows to enable it to pay its debts as and when they fall due.

Further, the Group currently has undrawn debt facilities of $20,000,000 that may be drawn for operational liquidity purposes, with these facilities maturing on 28 September 2026. These factors support the Group's ability to continue as a going concern.

Parent entity information

In accordance with the *Corporations Act 2001*, the consolidated financial statements present the results of the Group only. Supplementary information about the parent entity is disclosed in note 25.

Note 3. Significant accounting policies

The principal accounting policies adopted in the preparation of the consolidated financial statements are set out in note 41 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 2023:

Amendments to AASB 101 *Presentation of Financial Statements*.
Amendments to AASB 112 *Income Taxes*.

The adoption of these Accounting Standards and Interpretations did not have any significant impact on the financial performance or position of the Group.

New standards and interpretations not yet adopted

Certain new accounting standards and interpretations have been published that are not mandatory for the 31 December 2023 reporting year and have not been early adopted by the Group.

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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

Note 4. 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 indefinite life 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 6. 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

In preparing the consolidated financial statements, the Group re–assessed areas of judgement and identified that the estimates more exposed to uncertainty were those of expected credit loss (ECL) and inputs to assessing the carrying value of assets and liabilities. 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.

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 5. Operating segments

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 consolidated financial statements.

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 services, novated leasing, and outsourced payroll services.
Vehicle services (VS)	This part of the business provides end–to–end fleet management services.
Software, distribution and group services (SDGS)	This part of the business provides salary packaging software solutions, the marketing of salary packaging debit cards, distribution of vehicle insurances and workforce management software to the healthcare industry.

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 are not adjusted to fair value based on market interest rates. Intersegment loans are eliminated on consolidation.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

Note 5. Operating segments (continued)

Operating segment information

Consolidated – 2023	OA $'000	VS $'000	SDGS $'000	Intersegment eliminations / Corporate $'000	Total $'000
Revenue					
Products, services and commissions	154,440	–	–	–	154,440
Management and administrative fees	63,792	11,369	3,906	–	79,067
Performance fees and rebates	13,866	3,304	932	–	18,102
Inter–segment sales	287	3,445	25,759	(29,491)	–
Total revenue	**232,385**	**18,118**	**30,597**	**(29,491)**	**251,609**
Segment results (EBITDA)	**115,636**	**12,242**	**9,212**	**(38,059)**	**99,031**
Depreciation					(5,021)
Amortisation					(2,906)
Finance costs					(3,009)
Profit before income tax expense					**88,095**
Income tax expense					(26,176)
Profit after income tax expense					**61,919**
Assets					
Total segment assets	107,088	27,834	28,636	253,969	417,527
Total assets					**417,527**
Liabilities					
Total segment liabilities	66,543	5,791	22,000	79,371	173,705
Total liabilities					**173,705**

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

Note 5. Operating segments (continued)

Operating segment information (continued)

Consolidated – 2022	OA $'000	VS $'000	SDGS $'000	Intersegment eliminations / Corporate $'000	Total $'000
Revenue					
Products, services and commissions	125,732	–	–	1,754	127,486
Management and administrative fees	61,975	9,021	4,674	–	75,670
Performance fees and rebates	17,505	3,040	996	–	21,541
Inter–segment sales	267	3,681	33,743	(37,691)	–
Total revenue	**205,479**	**15,742**	**39,413**	**(35,937)**	**224,697**
Segment results (EBITDA)	**107,242**	**10,540**	**7,735**	**(31,888)**	**93,629**
Depreciation					(4,066)
Amortisation					(3,899)
Finance costs					(2,083)
Profit before income tax expense					**83,581**
Income tax expense					(24,800)
Profit after income tax expense					**58,781**
Assets					
Total segment assets	100,517	22,018	37,888	245,419	405,842
Total assets					**405,842**
Liabilities					
Total segment liabilities	72,751	5,433	32,240	55,076	165,500
Total liabilities					**165,500**

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 2023

Note 6. Non–current assets — intangible assets

Consolidated	2023 $'000	2022 $'000
Goodwill – at cost	272,664	272,664
Goodwill	**272,664**	**272,664**
Customer contracts and relationships – at cost	63,609	63,609
Less: Accumulated amortisation	(63,555)	(63,419)
Customer contracts and relationships	**54**	**190**
Acquired software and websites – at cost	77,915	77,915
Less: Accumulated amortisation	(77,915)	(77,915)
Acquired software and websites	**–**	–
Contract rights – at cost	5,168	5,168
Less: Accumulated amortisation	(4,584)	(3,550)
Contract rights	**584**	**1,618**
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	12,885	13,476
Less: Accumulated amortisation	(2,058)	(322)
Internally developed software and websites	**10,827**	**13,154**
Intangible assets	**285,433**	**288,930**

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 and relationships $'000	Acquired software and websites $'000	Contract rights $'000	Brand names and logos $'000	Internally developed software and websites	Total $'000
Balance at 1 January 2022	**272,664**	**2,229**	**520**	**2,652**	**1,304**	**4,297**	**283,666**
Additions[1]	–	–	–	–	–	9,163	9,163
Amortisation expense	–	(2,039)	(520)	(1,034)	–	(306)	(3,899)
Balance at 31 December 2022	**272,664**	**190**	–	**1,618**	**1,304**	**13,154**	**288,930**
Additions[1]	–	–	–	–	–	909	909
Derecognition[2]	–	–	–	–	–	(1,500)	(1,500)
Amortisation expense	–	(136)	–	(1,034)	–	(1,736)	(2,906)
Balance at 31 December 2023	**272,664**	**54**	–	**584**	**1,304**	**10,827**	**285,433**

1. $233,000 of research and development (as defined in AASB 138 *Intangible Assets*) was completed on internally developed software and websites and expensed in 2023 (2022: $397,000).
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 2023

Note 6. Non–current assets — intangible assets (continued)

Impairment testing

The Group monitors its business through its cash–generating units (CGU), being Outsourced Administration (OA), Vehicle Services (VS), Software Distribution and Group Services (SDGS), Autopia, and Public Benevolent Institutions (PBI).

The CGUs identified are consistent with the previous financial year.

Goodwill acquired through business combinations has been allocated to the following CGUs:

Goodwill	2023 $'000	2022 $'000
CGU 1: Outsourced Administration	151,169	151,169
CGU 2: Vehicle Services	8,564	8,564
CGU 3: SDGS	5,574	5,574
CGU 4: Autopia	31,318	31,318
CGU 5: PBI	76,039	76,039
Goodwill	**272,664**	**272,664**

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

Brand names and logos	2023 $'000	2022 $'000
CGU 1: Outsourced Administration	1,285	1,285
CGU 2: Vehicle Services	15	15
CGU 3: SDGS	4	4
Brand names and logos	**1,304**	**1,304**

The recoverable amount of a CGU is determined based on the higher of its fair value less costs of disposal and its value-in-use. The value-in-use calculations use cash flow projections based on financial budgets approved by management covering a five year period. Cash flows beyond the five year period are extrapolated using the estimated growth rates stated below. These growth rates 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, plant and equipment, right–of–use assets, and working capital are also included in the carrying values tested.

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

Pre–tax discount rates	2023	2022
CGU 1: Outsourced Administration	12.1%	11.6%
CGU 2: Vehicle Services	12.9%	11.9%
CGU 3: SDGS	12.4%	12.2%
CGU 4: Autopia	11.8%	11.0%
CGU 5: PBI	11.6%	10.8%

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 2022 and 2023 is largely driven by a higher proportion of equity and an increase in the cost of debt.

A projected terminal growth rate of 2.0% (2022: 2.0%) has been used for all CGUs in line with the terminal growth rate based on GDP growth forecasts.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

Note 6. Non–current assets — intangible assets (continued)

Sensitivity analysis

Transactional revenue streams primarily relating to novated leasing have been most impacted by FBT legislation relating to electric vehicles.

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, assuming there are no significant changes to salary packaging tax concessions or the Group's ability to sell add-on insurance products. Should the relevant legislation change, depending on the nature of the changes, there may be a different impairment testing conclusion for CGUs 1, 3, 4 and 5.

Based on scenario analysis, for CGUs 1 to 5, a pre-tax discount rate in excess of 42.2% would be required to result in an impairment. Reasonably expected transactional volume reductions for these CGUs would not result in an impairment.

Goodwill

Goodwill arises on the acquisition of a business. 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 and relationships

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

Software and websites including capitalised development costs

Research costs are expensed in the period in which they are incurred. Development costs are capitalised when it is probable that the project will be a success considering its commercial and technical feasibility; the Group is able to use or sell the asset; and when the Group has sufficient resources and intent to complete the internal development and the related costs can be measured reliably. The software costs are amortised on a straight–line basis over the period of their expected benefit, being between 2 and 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.

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, the life of the contract, and being up 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 non–financial assets

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 2023

Note 7. Revenue

Consolidated	2023 $'000	2022 $'000
Products, services and commissions	154,440	127,486
Management and administration fees	79,067	75,670
Performance fees and rebates	18,102	21,541
Revenue	**251,609**	**224,697**

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, separated by reportable segments, from which the Group generates its revenue. For more detailed information about reportable segments, see note 5.

Products, services and commissions

The Group earns upfront commissions and rebates from suppliers relating to financing and sourcing of vehicles, sale of certain insurance products and fees for the sale of certain auxiliary products. Revenue is recognised upon delivery of the service or product to the customer.

Management and administration fees

The Group generates revenue from arranging and administering outsourced salary packaging, fleet management and payroll 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 period of administration and includes interest earned from cash held on behalf of customers.

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

Payroll administration revenue is recognised over the period of administration. Revenue on customer contributions is recognised when contributions occur.

Revenue from the licensing of in–house salary packaging software is recognised monthly based on a monthly fee per user.

Performance fees and rebates

The Group generates revenue from arranging and providing salary packaging products and services. The Group earns fees and rebates from various suppliers relating to maintenance of a vehicle finance book, the arrangement of certain insurance products, and fees for the arrangement or provision of ancillary vehicle consumables. The Group also acts as a distributor of salary packaging debit cards for a financial institution. Revenue is recognised in the period the services are rendered.

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 over one year that are recoverable and generate resources are capitalised, in accordance with AASB 15 *Revenue from Contracts with Customers*, and included within contract rights in note 6.

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 18 as trade receivables and contract assets, respectively, and contract liability balances are disclosed in note 36.

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 *Revenue from Contracts with Customers* 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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

Note 8. Expenses

Consolidated	2023 $'000	2022 $'000
Depreciation		
Office equipment	97	141
Computer equipment	444	533
Furniture, fittings and equipment	36	31
Leased motor vehicles	1,872	801
Leasehold improvements	144	177
Right–of–use assets	2,428	2,383
Total depreciation	**5,021**	**4,066**
Amortisation		
Customer contracts and relationships	136	2,039
Acquired software and websites	–	520
Total amortisation of acquired intangible assets	**136**	**2,559**
Contract rights	1,034	1,034
Internally developed software and websites	1,736	306
Total amortisation of contract rights and internally developed intangibles	**2,770**	**1,340**
Total depreciation and amortisation	**7,927**	**7,965**
Finance costs		
Interest and finance charges paid/payable	3,490	1,621
Interest on lease liabilities	706	749
Finance income	(1,187)	(287)
Total finance costs	**3,009**	**2,083**
Occupancy costs		
Short–term lease rent expense	–	84
Lease termination costs	–	1
Other occupancy related costs	1,535	1,291
Total occupancy costs	**1,535**	**1,376**
Superannuation expense		
Defined contribution superannuation expense	8,234	6,858
Share–based payments expense		
Share–based payments expense	247	472

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

Note 9. Income tax

Income tax expense

Consolidated	2023 $'000	2022 $'000
Current tax	26,345	27,267
Deferred tax – origination and reversal of temporary differences	(169)	(2,467)
Aggregate income tax expense	**26,176**	**24,800**
Deferred tax included in income tax expense comprise:		
Increase in deferred tax assets	**(169)**	**(2,467)**

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

Consolidated	2023 $'000	2022 $'000
Profit before income tax expense	**88,095**	**83,581**
Tax at the statutory tax rate of 30%	26,429	25,074
Tax effect of amounts which are not deductible/(taxable) in calculating taxable income:		
Non–deductible expenses	28	46
Share–based payments	74	142
Share of profits – joint venture	(130)	(146)
Sundry items	–	(11)
	26,401	**25,105**
Over provision of tax in respect of prior years	(225)	(215)
Prior year temporary differences not recognised now recognised	–	(90)
Income tax expense	**26,176**	**24,800**

Amounts recognised directly in equity

Consolidated	2023 $'000	2022 $'000
Amounts charged/(credited) directly to equity:		
Deferred tax assets	**(297)**	**(368)**

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

Note 9. Income tax (continued)

Deferred tax assets

Consolidated	2023 $'000	2022 $'000
Deferred tax assets comprises of temporary differences attributable to:		
Impairment of trade receivables	108	167
Employee benefits	2,736	2,794
Accruals and other provisions	8,342	5,539
Property and equipment	(2,528)	(2,146)
Contract liabilities	2,814	3,924
Acquisition and issuance costs	3,148	4,735
Leased property and equipment – assets	(1,314)	(1,978)
Leased property and equipment – liabilities	1,668	2,664
Intangible assets	589	50
Derivative financial instruments	(52)	(319)
Prepayments	(1)	(1)
Back-to-back leased vehicles	(419)	(399)
Contract assets	(399)	(437)
Other current liabilities	613	516
Sundry items	(17)	10
Total temporary differences	**15,288**	**15,119**
Amounts recognised in equity:		
Derivative financial instruments	(1)	(298)
Total recognised in equity	**(1)**	**(298)**
Net deferred tax assets	**15,287**	**14,821**

Movements:

Consolidated	2023 $'000	2022 $'000
Opening balance	14,821	12,722
Credited to profit or loss	169	2,467
Credited/(charged) to equity	297	(368)
Closing balance	**15,287**	**14,821**

Income tax payable

Consolidated	2023 $'000	2022 $'000
Income tax payable	**1,375**	**4,875**

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

Note 9. 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 income tax rate for each jurisdiction, 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 recovered from or paid to 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 at the tax rates expected to apply when the assets are recovered or liabilities are settled, based on those tax rates that are enacted or substantively enacted, except for:

- when the deferred income tax asset or liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting nor taxable profits; or
- when the taxable temporary difference is associated with interests in subsidiaries, associates or joint ventures, and the timing of the reversal can be controlled and it is probable that the temporary difference will not 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 for the year

Current and deferred tax 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 group

Smartgroup Corporation Ltd (the head entity) and its wholly owned Australian subsidiaries have formed an income tax consolidated group under the tax consolidation regime, from 6 June 2012. 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.

In addition to its own current and deferred tax amounts, the head entity also recognises the current tax liabilities (or 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 or payable to other entities in the tax consolidated group. The tax funding arrangement ensures that the intercompany charge equals the current tax liability or 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 2023

Note 10. Current assets — cash and cash equivalents

Consolidated	2023 $'000	2022 $'000
Cash at bank and in hand	32,794	26,707
Cash and cash equivalents	**32,794**	**26,707**

Accounting policy for cash and cash equivalents

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

Note 11. Non–current liabilities — borrowings

Consolidated	2023 $'000	2022 $'000
Bank loan	65,000	53,900
Borrowing costs and interest at amortised cost	(307)	(116)
Borrowings	**64,693**	**53,784**

Refer to note 17 for further information on financial instruments.

Total secured liabilities

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

Consolidated	2023 $'000	2022 $'000
Bank loan	**65,000**	**53,900**

As at 31 December 2023, the following facilities were available to the Group:

- A revolving facility of $85,000,000;
- A letter of credit facility of $7,000,000; and
- Ancillary facilities: credit card facility of $1,000,000.

In March 2023, an additional $11,100,000 was drawn down. The loan facility was refinanced in June 2023, resulting in a $20,000,000 increase of the revolving facility limit from $65,000,000 to $85,000,000 and a $2,000,000 increase in the letter of credit facility from $5,000,000 to $7,000,000. Liabilities relating to the credit card facility are reflected as Trade Payables within note 33. Gross debt drawn at 31 December 2023 is $65,000,000, with an additional $20,000,000 available to draw. The banking facilities mature on 28 September 2026.

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 recurring earnings before interest, tax, depreciation and amortisation, and with distribution restrictions on dividends. There have been no events of default on the financing arrangement during the year (2022: nil).

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

Note 11. Non–current liabilities — borrowings (continued)

Financing arrangements

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

Consolidated	2023 $'000	2022 $'000
Total facilities		
Bank loan	85,000	65,000
Letter of credit facility	7,000	5,000
	92,000	**70,000**
Used at the reporting date		
Bank loan	65,000	53,900
Letter of credit facility	4,514	3,964
	69,514	**57,864**
Unused at the reporting date		
Bank loan	20,000	11,100
Letter of credit facility	2,486	1,036
	22,486	**12,136**

Accounting policy for borrowings

Loans and borrowings are initially recognised at the fair value of the consideration received, net of transaction costs. They 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. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the years 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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

Note 12. Equity — issued capital

	2023 Shares	2022 Shares	2023 $'000	2022 $'000
Ordinary shares — fully paid	132,836,669	133,670,773	284,692	289,479
Less: Shares associated with the loan funded share plan (LFSP)	(3,140,862)	(3,974,966)	(21,274)	(26,061)
Issued Capital	**129,695,807**	**129,695,807**	**263,418**	**263,418**

Movements in ordinary share capital

Details	Issue Date	Shares	Total $'000
Opening balance	1 January 2022	133,498,979	287,036
Shares issued for LFSP	10 March 2022	630,705	4,775
	13 May 2022	599,177	5,250
Buy–back of forfeited LFSP shares	2 March 2022	(655,666)	(4,905)
	2 March 2022	(348,422)	(2,223)
	31 October 2022	(54,000)	(333)
Deferred tax directly recognised in equity			(121)
Balance	**31 December 2022**	**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**

Movements in the loan funded share plan

Details	Issue Date	Shares	Total $'000
Opening balance	1 January 2022	(3,906,746)	(24,158)
LFSP shares exercised	21 February 2022	103,574	661
Shares issued for LFSP	10 March 2022	(630,705)	(4,775)
	13 May 2022	(599,177)	(5,250)
Buy–back of forfeited LFSP shares	2 March 2022	655,666	4,905
	2 March 2022	348,422	2,223
	31 October 2022	54,000	333
Balance	**31 December 2022**	**(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 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**	**(3,140,862)**	**(21,274)**

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

Note 12. Equity — issued capital (continued)

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)

At the Annual General Meeting (AGM) on 10 May 2023, loan funded shares to the incoming CEO were approved by shareholders, and subsequently issued on 19 July 2023 upon commencement of employment. On 10 March 2023, loan funded shares were issued to the remainder of the executive management team under the Loan Funded Share Plan (LFSP).

The issue price is calculated based on the 20-day volume weighted average price of shares trading on the ASX up to and including 10 March 2023 for the March issuance and 19 July 2023 for the July issuance. Shares vest over a 3-year period subject to 2 vesting conditions, the “EPS Performance Hurdle” and the “TSR Performance Hurdle”.

The shares issued 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 once the participant has repaid the loan.

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 and included in diluted earnings per share.

LFSP shares forfeited

For the year ended 31 December 2023, 2,754,087 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 $17,150,000 reduction in ordinary share capital.

Performance Rights

On 10 May 2023, performance rights to the incoming CEO were approved at the AGM, and performance rights granted to the CEO and management team on 25 May 2023 and 22 September 2023. Performance rights have a nil exercise price and are valued based on the 10–day volume weighted average price of shares traded on the ASX up to, and including, 24 May 2023. Performance rights vest over a 1 year period. These 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.

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 Consolidated 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.

The capital risk management policy remains unchanged from the 31 December 2022 Annual Report.

Accounting policy for issued capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

Note 13. Equity — reserves

	2023 $'000	2022 $'000
Cash flow hedge reserve	2	696
Share–based payments reserve	12,092	11,823
Other reserves	1,294	439
Reserves	**13,388**	**12,958**

Hedging reserve – cash flow hedges

The reserve is used to recognise the effective portion of the gain or loss of cash flow hedge instruments that is determined to be an effective hedge.

Share–based payments reserve

The reserve is used to recognise the value of equity benefits provided to the senior management team 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:

Consolidated	Cash flow hedges $'000	Share–based payments $'000	Other Reserves $'000	Total $'000
Balance at 1 January 2022	119	9,954	439	10,512
Movements in hedges	824	–	–	824
Deferred tax	(247)	–	–	(247)
Share–based payments	–	4,280	–	4,280
LFSP exercised	–	(662)	–	(662)
LFSP forfeited	–	(1,749)	–	(1,749)
Balance at 31 December 2022	**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 forfeited	–	(2,710)	–	(2,710)
Balance at 31 December 2023	**2**	**12,092**	**1,294**	**13,388**

Note 14. 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 12 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 12 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*.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

Note 14. Share–based payments (continued)

Set out below are summaries of share-based payments 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
2022									
LFSP	17 March 2017	31 December 2019	$6.39	103,574	–	(103,574)	–	–	–
LFSP	3 March 2020	31 December 2022	$6.67	981,075	–	–	(981,075)	–	–
LFSP	10 June 2020	31 December 2022	$6.20	670,392	–	–	(670,392)	–	–
LFSP	8 March 2021	31 December 2023	$7.00	934,887	–	–	(197,885)	737,002	–
LFSP	12 May 2021	31 December 2023	$6.97	561,152	–	–	–	561,152	–
LFSP	8 March 2022	31 December 2024	$7.57	–	630,705	–	–	630,705	–
LFSP	11 May 2022	31 December 2024	$8.78	–	599,177	–	–	599,177	–
PR	11 May 2022	31 December 2022	–	–	83,995	–	(83,995)	–	–
				3,251,080	**1,313,877**	**(103,574)**	**(1,933,347)**	**2,528,036**	**–**
Weighted average exercise price				$6.71	$7.64	$6.39	$6.25	$7.56	–
2023									
LFSP	8 March 2021	31 December 2023	$7.00	737,002	–	–	(581,532)	–	155,470
LFSP	12 May 2021	31 December 2023	$6.97	561,152	–	–	(528,778)	–	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
PR	10 May 2023	31 December 2023	–	–	17,981	–	(4,715)	–	13,266
PR	22 September 2023	31 December 2023	–	–	3,730	–	(954)	–	2,776
				2,528,036	**2,017,288**	**–**	**(1,921,661)**	**2,371,486**	**252,177**
Weighted average exercise price				$7.56	$6.13	–	$7.27	$6.82	$5.21

The weighted average share price during the financial year was $6.82 (2022: $7.56).

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 4.0 years (2022: 3.8 years).

For the loan funded shares granted during the current financial year, the valuation model inputs used to determine the fair value at the grant date, are as follows:

Grant date	Vesting date	Share price at grant date	Exercise price	Expected volatility	Dividend yield	Risk–free interest rate	Fair value at grant date
8 March 2023	31 December 2025	$6.29	$5.98	35.00%	0.00%	3.43%	$2.11
10 May 2023	31 December 2025	$7.26	$6.92	35.00%	0.00%	3.07%	$2.38

Performance rights were issued to the CEO and management team on 25 May 2023, with a grant date of 10 May 2023 based on the date of shareholder approval at the AGM. Performance rights have a nil exercise price and the number of shares were determined based on the 10–day volume weighted average price ($7.15) of shares traded on the ASX up to, and including, 24 May 2023. The fair value at grant date is the spot share price on 10 May 2023 of $7.26. The performance rights vest over a 1–year period, being 1 January 2023 to 31 December 2023.

Notes to the Consolidated Financial Statements

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Note 15. Equity – dividends

Dividends

Dividends paid during the financial year were as follows:

Consolidated	2023 $'000	2022 $'000
Final ordinary dividend for the year ended 31 December 2022 of 15.0 cents (2021: 19.0 cents) per ordinary share	19,800	25,174
Final special dividend for the year ended 31 December 2022 of 14.0 cents (2021: 30.0 cents) per ordinary share	18,480	39,748
Interim ordinary dividend for the year ended 31 December 2023 of 15.5 cents (2022: 17.0 cents) per ordinary share	20,589	22,733
	58,869	**87,655**

On 20 February 2024, the Directors declared a fully franked dividend of 16.0 cents per ordinary share. The final dividend will be paid on 21 March 2024 to shareholders registered on 7 March 2024 with an expected total distribution of $21,161,000.

On 20 February 2024, 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 16.0 cents per share, in respect of the 2024 financial year. The special dividend will be paid on 21 March 2024 to shareholders registered on 7 March 2024 with an expected total distribution of $21,161,000.

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 2023 of $21,477,000. As at 31 December 2023, the Group has retained losses of $32,984,000. 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	2023 $'000	2022 $'000
Franking credits available at the reporting date based on a tax rate of 30%	17,004	13,510
Franking credits that will arise from the payment of the amount of the provision for income tax at the reporting date based on a tax rate of 30%	1,375	4,875
Franking credits available for subsequent financial years based on a tax rate of 30%	**18,379**	**18,385**

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 2023

Note 16. Earnings per share

Consolidated	2023 $'000	2022 $'000
Profit after income tax attributable to the owners of Smartgroup Corporation Ltd	**61,919**	**58,781**

Consolidated	2023 Number	2022 Number
Weighted average ordinary shares used in calculating basic earnings per share	129,695,807	129,681,051
Adjustments for calculation of diluted earnings per share:		
Options over ordinary shares	81,947	–
Weighted average number of ordinary and potential ordinary shares used as the denominator in calculating diluted earnings per share	**129,777,754**	**129,681,051**

Consolidated	2023 Cents	2022 Cents
Basic earnings per share	47.7	45.3
Diluted earnings per share	47.7	45.3

Accounting policy for earnings per share

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.

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 shares issued under the LFSP, which are treated as options in the calculation of diluted earnings per share, as they may not vest. 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 2023

Note 17. 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.

Price risk

The Group is not exposed to any significant price 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:

	2023		2022	
Consolidated	**Weighted average interest rate %**	**Balance $'000**	**Weighted average interest rate %**	**Balance $'000**
Bank loans	5.33%	65,000	2.67%	53,900
Cash and cash equivalents	3.77%	(32,794)	1.07%	(26,707)
Restricted cash and cash equivalents	3.72%	(38,053)	1.24%	(36,020)
Interest rate swaps (notional principal amount)	3.96%	(41,434)	1.86%	(35,205)
Net exposure to cash flow interest rate risk		**(47,281)**		**(44,032)**

Sensitivity

An increase/decrease in interest rates of 100 basis points (2022: increase 100/decrease 100) would have a favourable/adverse effect on profit before tax and equity of $473,000 / ($473,000) (2022: $440,000 / ($440,000)).

Derivatives interest rate swap

The Group has entered into interest rate swap contracts with notional/principal value as at 31 December 2023 of $41,434,000 (2022: $35,205,000). The interest rate contracts hedge the Group's risk against an increase in variable interest rates. The weighted average fixed rate is 2.90% (2022: 2.12%).

Sensitivity – derivative valuation

An increase in interest rates of 100 (2022: 100) basis points would have a favourable effect on derivative financial instruments value and total equity by $483,000 (2022: $581,000) while a decrease in interest rates of 100 basis points (2022: decrease 100) would have an adverse effect on the derivative financial instruments value and total equity by $564,000 (2022: $302,000).

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

Note 17. 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 the Consolidated Statement of Financial Position and Notes to the Consolidated Financial Statements. The Group does not hold any collateral, and nor does the Group utilise supplier financing.

Expected credit loss assessment for customers

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.

Expected credit loss (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. 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 expected credit loss allowance. In addition, specific provisions totalling $344,000 (2022: $549,000) were raised for at-risk customer groups.

The Group has identified motor vehicle dealers, and small–medium corporates as the most at–risk groups of credit loss, with the expected credit loss allowance in 2023 totalling $15,000 (2022: $6,000). The credit loss rates are based on a 3–year rolling average between 0.0% – 0.2% (2022: 0.0% – 0.2%) and derived using counterparty–specific information and historical data from previous recessions and economic projections.

The Group has additionally provided $337,000 (2022: $310,000) in relation to counterparty arrangements with motor vehicle dealerships, given that the economic downturn has seen significant volatility in motor vehicle sales. This provision is reflected in Current Liabilities – Provisions within 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 2023.

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)**	

31 December 2022	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)	2,014	–	(167)	(167)	8.29%
Grade 2 (Employer/Corporate)	4,693	(5)	(261)	(266)	5.67%
Grade 3 (Dealers)	1,825	(1)	(121)	(122)	6.68%
Total expected credit loss exposure	**8,532**	**(6)**	**(549)**	**(555)**	

Sensitivity analysis

An increase of 100 basis points to the average expected credit loss by customer group would result in an increase of $80,000 to the expected credit loss allowance.

Financing arrangements

The Group had access to undrawn borrowing facilities at the reporting date. Refer to note 11 for further detail.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

Note 17. Financial instruments (continued)

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.

Contractual maturities of financial liabilities	1 year or less $'000	>1 to 2 years $'000	>2 to 5 years $'000	Over 5 years $'000	Remaining contractual maturities $'000
At 31 December 2023					
Non–interest bearing					
Trade payables	2,309	–	–	–	2,309
Customer salary packaging liability	38,053	–	–	–	38,053
Interest bearing – variable					
Bank loans	3,852	3,842	67,884	–	75,578
Lease liabilities	3,830	2,339	1,213	–	7,382
Total non–derivatives	**48,044**	**6,181**	**69,097**	**–**	**123,322**
At 31 December 2022					
Non–interest bearing					
Trade payables	4,918	–	–	–	4,918
Customer salary packaging liability	36,020	–	–	–	36,020
Interest bearing – variable					
Bank loans	2,470	55,210	–	–	57,680
Lease liabilities	4,248	4,131	4,692	–	13,071
Total non–derivatives	**47,656**	**59,341**	**4,692**	**–**	**111,689**

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 2023

Note 18. Current assets – trade and other receivables

Consolidated	2023 $'000	2022 $'000
Trade receivables	11,278	8,532
Less: Allowance for expected credit losses	(359)	(555)
	10,919	**7,977**
Contract assets	6,398	6,040
Other receivables	2,620	4,404
	9,018	**10,444**
Total trade and other receivables	**19,937**	**18,421**

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.

Expected credit loss 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). The amount of the impairment 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.

Other receivables are recognised at amortised cost, less any allowance for expected credit losses.

Note 19. Fair value measurement

Fair value hierarchy

The following tables detail the Group's assets and liabilities, measured or disclosed at fair value, using a three level hierarchy, based on the lowest level of input significant to fair value measurement, being:

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.

Consolidated	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
2023				
Assets				
Interest rate swap contracts – cash flow hedges	–	172	–	172
Total assets	**–**	**172**	**–**	**172**
2022				
Assets				
Interest rate swap contracts – cash flow hedges	–	1,062	–	1,062
Total assets	**–**	**1,062**	**–**	**1,062**

There were no transfers between levels during the financial year.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

Note 19. Fair value measurement (continued)

Fair value hierarchy (continued)

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 using quoted market 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.

Accounting policy for fair value measurement

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.

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 to measure fair value, are used maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

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.

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.

Note 20. Current assets — other current assets

Consolidated	2023 $'000	2022 $'000
Prepayments	4,641	2,988
Other current assets	16	149
Back-to-back leased vehicles	1,397	1,331
Other current assets	**6,054**	**4,468**

A financial liability is secured against each back–to–back leased vehicle and reflected in note 22. The lease liability is measured at amortised cost, 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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

Note 21. Derivative financial instruments

Consolidated	2023 $'000	2022 $'000
Non–current assets		
Derivative financial instruments	172	1,062
Total non–current derivative financial instrument assets	**172**	**1,062**

Refer to note 19 for further information on fair value measurement.

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 depending on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged.

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 hedges 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.

Cash flow hedges are tested for effectiveness on a regular basis both retrospectively and prospectively to ensure that each hedge is highly 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 22. Current liabilities — other current liabilities

Consolidated	2023 $'000	2022 $'000
Leased vehicle borrowings	2,042	1,722
Other current liabilities	**2,042**	**1,722**

Refer to note 20 for further information in relation to leased vehicle borrowings, and the associated back–to–back leased motor vehicles.

Note 23. Non–current assets — investments accounted for using the equity method

Consolidated	2023 $'000	2022 $'000
Investment in joint venture – Health–e Workforce Solutions Pty Ltd	**–**	**374**

Smartgroup holds an investment in the joint venture, Health–e Workforce Solutions Pty Ltd.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

Note 23. Non–current assets — investments accounted for using the equity method (continued)

Interests in joint ventures

Interests in joint ventures are accounted for using the equity method of accounting. Information relating to joint ventures that are material to the Group are set out below:

Name of entity	Principal place of business/ country of incorporation	2023 %	2022 %
Health–e Workforce Solutions Pty Ltd	Australia	50	50

Consolidated	2023 $'000	2022 $'000
Summarised Statement of Financial Position		
Current assets	1,925	1,551
Non–current assets	244	72
Total assets	**2,169**	**1,623**
Current liabilities	468	543
Non–current liabilities	13	–
Total liabilities	**481**	**543**
Net assets	**1,688**	**1,080**
Summarised Statement of Profit or Loss and Other Comprehensive Income		
Revenue	2,924	2,872
Other expenses	(2,056)	(1,901)
Profit before income tax	**868**	**971**
Income tax expense	(260)	(291)
Profit after income tax	**608**	**680**
Other comprehensive income	–	–
Total comprehensive income	**608**	**680**
Reconciliation of the Group's carrying amount		
Opening carrying amount	374	575
Dividends received	–	(540)
Share of profit after income tax expense	304	339
Transfer to assets held for sale	(678)	–
Closing carrying amount	**–**	**374**

Contingent liabilities

Share of contingent liabilities relating to joint venture as at 31 December 2023 was $nil (2022: $nil).

Commitments

Share of commitments relating to joint venture as at 31 December 2023 was $nil (2022: $nil).

Accounting policy for joint venture

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement. Investments in joint ventures are accounted for using the equity method. Under the equity method, the share of the after tax profits or losses of the joint venture is recognised in the Consolidated Statement of Profit and Loss and the share of the movements in equity is recognised in Other Comprehensive Income. Investments in joint ventures are carried in the Consolidated Statement of Financial Position at cost plus post–acquisition changes in the Group's share of net assets of the joint venture. Goodwill relating to the joint venture is included in the carrying amount of the investment and is neither amortised nor individually tested for impairment. Income earned from joint venture entities increase the carrying amount of the investment.

Classification as an asset held for sale

Smartgroup's investment in Health–e Workforce Solutions Pty Ltd has been classified as an asset held for sale at 31 December 2023. Refer to Note 40 for further details.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

Note 24. Related party transactions

Parent entities

Smartgroup Corporation Ltd is the parent entity.

Subsidiaries

Interests in subsidiaries are set out in note 26.

Joint ventures

Interests in joint ventures are set out in note 23.

Key management personnel compensation

Disclosures relating to key management personnel are set out in note 27 and the Remuneration Report included in the Directors' Report.

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.

Transactions with other related parties

$8,360 in cost reimbursements were paid to key management personnel in 2023 (2022: $35,821).

Loans to/from related parties

There were no loans to or from related parties at the current and previous reporting date.

Note 25. 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

	2023 $'000	2022 $'000
Profit after income tax expense	30,605	66,133
Total comprehensive income	**30,605**	**66,133**

Statement of Financial Position

	2023 $'000	2022 $'000
Current assets	356,962	373,623
Total assets	**447,193**	**462,247**
Current liabilities	85,644	84,730
Total liabilities	**150,284**	**137,504**
Issued capital	262,418	262,418
Reserves		
Hedging reserve – cash flow hedges	2	696
Share–based payments reserve	11,718	11,449
Other reserves	1,294	439
Retained earnings	21,477	49,741
Total equity	**296,909**	**324,743**

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

Note 25. Parent entity financial information (continued)

Guarantees entered into by the parent entity

The parent entity and certain of its subsidiaries are party to a 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 30 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 2023 of $624,000 (2022: $624,000).

Capital commitments – Property and equipment

The parent entity had no capital commitments for property and equipment as at 31 December 2023 and 31 December 2022.

Significant accounting policies

The accounting policies of the parent entity are consistent with those of the Group, as disclosed in note 3 and note 41, 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.

Note 26. 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	2023 %	2022 %
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	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 2023

Note 27. 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	2023 $	2022 $
Short–term employee benefits	3,364,352	2,593,904
Post–employment benefits	200,747	187,433
Long–term benefits	(175,185)	(3,867)
Termination benefits	680,000	–
Share–based payments	(97,922)	355,908
Compensation	**3,971,992**	**3,133,378**

In the current year, annual and long service leave benefits disclosed within long–term benefits has been amended to reflect the amounts accrued during the year, net of leave taken during the year. The comparative amounts have been restated to align with the current year presentation.

Note 28. Contingent liabilities

The Group had contingent liabilities at 31 December 2023 of $4,514,000 (2022: $3,964,000) which primarily relate to guarantees on property leases. The Group has given guarantees for performance of contracts to its customers as at 31 December 2023 of $450,000 (2022: $450,000).

Note 29. Events occurring after the reporting period

On 9 February 2024, an agreement was executed to sell Smartsalary Payroll Solutions Pty Ltd, which was classified as an asset held for sale as at 31 December 2023. Refer to Note 40 for further details.

No other 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 2023

Note 30. 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 requirement to prepare financial statements and Directors' report under Corporations Instrument 2016/785 issued by the Australian Securities and Investments Commission.

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 Consolidated 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

	2023 $'000	2022 $'000
Consolidated Statement of Profit or Loss and Other Comprehensive Income		
Revenue	249,654	222,904
Product costs	(9,558)	(7,589)
Employee benefits expense	(102,589)	(86,019)
Administration and corporate expenses	(31,924)	(30,848)
Occupancy expenses	(1,535)	(1,376)
Advertising and marketing expenses	(2,948)	(1,740)
Amortisation of acquired intangibles	(83)	(1,309)
Amortisation of contract rights and internally developed intangibles	(2,759)	(1,329)
Depreciation expense	(5,021)	(4,066)
Other expenses	(1,511)	(340)
Operating profit before income tax expense	**91,726**	**88,288**
Finance costs	(3,026)	(2,086)
Profit before income tax expense	**88,700**	**86,202**
Income tax expense	(26,669)	(24,947)
Profit after income tax expense	**62,031**	**61,255**
Other comprehensive income		
Net change in the fair value of cash flow hedges taken to equity, net of tax	(694)	577
Total comprehensive income for the year	**61,337**	**61,832**

	2023 $'000	2022 $'000
Summary of movements in consolidated retained earnings		
Retained earnings at the beginning of the financial year	**(39,300)**	**(12,900)**
Profit after income tax expense	62,031	61,255
Dividends paid	(58,869)	(87,655)
Retained earnings at the end of the financial year	**(36,138)**	**(39,300)**

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

Note 30. Deed of cross guarantee (continued)

Consolidated Statement of Financial Position

	2023 $'000	2022 $'000
Current assets		
Cash and cash equivalents	32,139	25,803
Restricted cash and cash equivalents	38,053	36,020
Trade and other receivables	23,542	22,969
Other current assets	6,054	4,469
Asset classified as held for sale	1,129	–
Total current assets	**100,917**	**89,261**
Non-current assets		
Investments accounted for using the equity method	27,719	28,094
Derivative financial instruments	172	1,062
Deferred tax assets	15,190	14,624
Right-of-use assets	4,379	6,592
Property and equipment	14,289	8,447
Intangible assets	257,662	260,322
Total non-current assets	**319,411**	**319,141**
Total assets	**420,328**	**408,402**
Current liabilities		
Trade and other payables	41,814	38,462
Customer salary packaging liability	38,053	36,020
Provisions	15,341	13,823
Contract liabilities	7,635	8,935
Income tax payable	1,476	4,873
Lease liabilities	3,830	4,248
Liabilities directly associated with assets classified as held for sale	625	–
Other current liabilities	2,042	1,722
Total current liabilities	**110,816**	**108,083**
Non-current liabilities		
Provisions	1,302	1,395
Contract liabilities	1,343	3,663
Lease liabilities	1,731	4,630
Borrowings	64,693	53,784
Total non-current liabilities	**69,069**	**63,472**
Total liabilities	**179,885**	**171,555**
Net assets	**240,443**	**236,847**
Equity		
Share capital	263,193	263,189
Reserves	13,388	12,958
Retained earnings	(36,138)	(39,300)
Total equity	**240,443**	**236,847**

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

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	2023 $'000	2022 $'000
Profit for the year	**61,919**	**58,781**
Adjustments for		
Share of profits — joint ventures	(304)	(339)
Share–based payments	247	472
Fair value change to derivative financial instruments	(196)	909
Interest received — disclosed under investing activities	(746)	(287)
Amortisation of interest and borrowing costs	37	112
Loss on sale of non–current assets	–	20
Depreciation	5,021	4,066
Amortisation	2,906	3,899
Derecognition of intangibles	1,500	–
Change in operating assets and liabilities:		
Decrease/(increase) in trade and other receivables	(4,656)	5,470
Decrease/(increase) in net deferred tax assets	(671)	(2,099)
Decrease/(increase) in other current assets	(1,565)	(889)
Increase/(decrease) in trade and other payables	5,674	(7,446)
Increase/(decrease) in provision for income tax	(3,790)	335
Increase/(decrease) in provisions and other liabilities	(178)	8,314
	65,198	**71,318**
Decrease in customer salary packaging liability	2,033	(5,176)
Net cash from operating activities	**67,231**	**66,142**

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 2022	**28,680**
Proceeds from borrowings	30,000
Borrowing costs	(8)
Repayments of borrowings	(5,000)
Amortisation of borrowing costs (non–cash)	112
Balance as at 31 December 2022	**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**

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

Note 32. Non–current assets — property and equipment

Consolidated	2023 $'000	2022 $'000
Computer equipment		
At cost	3,869	3,235
Accumulated depreciation	(2,434)	(1,990)
Computer equipment	**1,435**	**1,245**
Furniture, fittings and equipment		
At cost	297	259
Accumulated depreciation	(143)	(107)
Furniture, fittings and equipment	**154**	**152**
Office equipment		
At cost	919	807
Accumulated depreciation	(700)	(603)
Office equipment	**219**	**204**
Leasehold improvements		
At cost	1,459	1,307
Accumulated depreciation	(1,152)	(1,008)
Leasehold improvements	**307**	**299**
Leased motor vehicles		
At cost	14,890	7,417
Accumulated depreciation	(2,716)	(870)
Leased motor vehicles	**12,174**	**6,547**
Property and equipment	**14,289**	**8,447**

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

Note 32. Non–current assets — 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 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 (note 8)	(444)	(36)	(97)	(144)	(1,872)	(2,593)
Closing net book amount	**1,435**	**154**	**219**	**307**	**12,174**	**14,289**
Year ended 31 December 2022						
Opening net book amount	742	123	286	454	2,775	4,380
Additions	1,036	75	60	26	4,613	5,810
Disposals	–	(15)	(1)	(4)	(40)	(60)
Depreciation expense (note 8)	(533)	(31)	(141)	(177)	(801)	(1,683)
Closing net book amount	**1,245**	**152**	**204**	**299**	**6,547**	**8,447**

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:

- Leasehold improvements — Period of lease
- Furniture, fittings and equipment — 3 – 7 years
- Computer equipment — 2 – 5 years
- Office equipment — 3 – 6 years
- 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 de–recognised 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 2023

Note 33. Current liabilities — trade and other payables

Consolidated	2023 $'000	2022 $'000
Trade payables	2,309	4,918
Accrued expenses	24,820	16,958
Other payables and accruals	8,162	10,032
Trade and other payables	**35,291**	**31,908**

Refer to note 17 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 that 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 34. Current liabilities — provisions

Consolidated	2023 $'000	2022 $'000
Employee benefits	7,974	8,451
Operations provision	7,367	5,456
Provisions – current	**15,341**	**13,907**

Employee benefits

The provision for employee benefits relates to the Group's liability for annual leave and long service leave. Refer to note 41 for the accounting policy relating to employee benefits.

Operations provision

The provision relates to negative employee salary packaging account balances which 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	2023 $'000	2022 $'000
Employee benefits obligation expected to be settled after 12 months	**4,636**	**5,139**

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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

Note 35. Non–current liabilities — provisions

Consolidated	2023 $'000	2022 $'000
Employee benefits	847	792
Make good provision	455	455
Operations provision	–	74
Provisions – non–current	**1,302**	**1,321**

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 (note 34) and non–current) during the financial year, other than employee benefits, are set out below:

Consolidated 2023	Make good provision $'000	Operations provision $'000
Carrying amount at start of year	455	5,530
Charged/(credited) to profit or loss:		
– additional provisions recognised/(de–recognised)	–	1,837
Carrying amount at end of year	**455**	**7,367**

Note 36. Contract liabilities

Consolidated	2023 $'000	2022 $'000
Contract liabilities – current	**8,079**	9,421
Contract liabilities – non–current	**1,343**	3,663
Contract liabilities	**9,422**	**13,084**

Expected timing of performance obligations satisfied:

At 31 December 2023	1 year or less $'000	>1 to 2 years $'000	>2 to 5 years $'000	Over 5 years $'000	Total $'000
Contract liabilities	**8,079**	**1,039**	**304**	**–**	**9,422**

Consolidated 2023	Contract liabilities $'000
Carrying amount at start of year	13,084
Revenue received in advance	4,581
Revenue recognised upon meeting performance obligations	(8,243)
Carrying amount at end of year	**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 7.

Contract liabilities have decreased by $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 86% of the contract liabilities ($8,079,000) with performance obligations not yet fulfilled will be recognised in 2024, with the remaining 14% ($1,343,000) recognised over time until February 2027. All other contract liabilities are for periods of one year or less.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

Note 37. Cash held on behalf of customers and associated liabilities

The Group administers funds on behalf of customers and this can take one of two forms:

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

Restricted cash and cash equivalents

Consolidated	31 December 2023 $'000	31 December 2022 $'000
Restricted cash and cash equivalents	**38,053**	**36,020**
Customer salary packaging liability	**(38,053)**	**(36,020)**

The restricted cash and cash equivalents in the Consolidated Statement of Financial Position and in the 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.

The restricted cash accounts are held with Australia's major financial institutions. Depending on commercial arrangements, the Group may earn interest income from these accounts. For the year ended 31 December 2023, the Group has recognised finance revenue of $964,000 (31 December 2022: $445,000) from restricted cash.

Refer to note 17 for interest rate sensitivity analysis on restricted cash balances.

Cash held on behalf of customers not recognised in the Consolidated Statement of Financial Position:

	2023		2022	
	Weighted average interest rate	As at 31 December 2023 $'000	Weighted average interest rate	As at 31 December 2022 $'000
Accounts established by the Group as cash held on behalf of customers	3.71%	103,038	1.15%	113,280
Accounts established by customers directly	3.72%	48,218	1.15%	63,556
Cash held on behalf of customers		**151,256**		**176,836**

Cash held on behalf of salary packaging and share plan administration customers is deposited by customers into segregated bank accounts, to be used only to settle their employees' salary packaging obligations to suppliers or for contributions into share plans. 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 and share plan 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. Depending on commercial arrangements, the Group may earn interest income from these accounts. For the year ended 31 December 2023, the Group has recognised interest revenue of $3,399,000 (31 December 2022: $893,000) from those accounts established by the Group as cash held on behalf of customers, and $1,590,000 (31 December 2022: $501,000) from those accounts established by the customers directly. These amounts are recognised within management and administration revenue.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

Note 38. Remuneration of auditors

During the year the following fees were paid or payable for services provided by PricewaterhouseCoopers, the auditor of the Company:

Consolidated	2023 $	2022 $
Audit and review of financial statements	750,000	595,000
Non-audit services		
Risk and governance	12,500	–
PricewaterhouseCoopers	**762,500**	**595,000**

Note 39. Leases

Amounts recognised in the balance sheet

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

Right–of–use assets

Consolidated	Property $'000	Equipment $'000	Total $'000
Balance at 1 January 2022	5,452	140	5,592
Additions	3,189	–	3,189
Depreciation charge for the year	(2,275)	(108)	(2,383)
Remeasurement of leases	194	–	194
Balance at 31 December 2022	**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**

Lease liabilities

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

Consolidated	2023 $'000	2022 $'000
Current	**3,830**	4,248
Non-current	**1,731**	4,631
Total	**5,561**	**8,879**

The movement in lease liabilities is set out below:

Consolidated	2023 $'000	2022 $'000
Balance at 1 January	8,879	7,858
Additions	–	3,189
Interest incurred	706	749
Interest paid on lease liabilities	(706)	(749)
Payments of lease liabilities	(3,533)	(2,362)
Remeasurement of leases	215	194
Balance at 31 December	**5,561**	**8,879**

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

Note 39. Leases (continued)

Maturity analysis – contractual undiscounted cashflows

At 31 December 2023	1 year or less $'000	>1 to 2 years $'000	>2 to 5 years $'000	Over 5 years $'000	Remaining contractual maturities $'000
Lease liabilities	3,830	2,339	1,213	–	**7,382**

Amounts recognised in the Consolidated Statement of Profit or Loss and Other Comprehensive Income

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

Consolidated	2023 $'000	2022 $'000
Interest on lease liabilities (included in finance costs)	(706)	(749)
Expense relating to short–term leases (included in other expenses)	–	(84)

Amounts recognised in the Consolidated Statement of Cash Flows

Consolidated	2023 $'000	2022 $'000
Total cash outflow for leases	**(4,239)**	(3,111)

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.

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 2023

Note 40. 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 classified as held for sale.

Assets and liabilities of disposal group classified as held for sale

The following assets and liabilities were reclassified as held for sale in relation to the disposal group as at 31 December 2023:

Consolidated	2023 $'000	2022 $'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	2023 $'000	2022 $'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 2023

Note 41. Additional significant 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 2023 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 de-consolidated 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 non-controlling interest acquired is recognised directly in equity attributable to the parent.

Non-controlling interests in the results and equity of subsidiaries are shown separately in the Consolidated Statement of Profit or Loss and Other Comprehensive Income, Consolidated Statement of Financial Position and Consolidated 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 Consolidated 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; or there is no unconditional right 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 17)

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 & loss (FVTPL); or
- Fair value through other comprehensive income (FVOCI)

Financial assets are not reclassified subsequently 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 at 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 at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

The Group classified its financial assets into one of the following categories:

- loans and receivables;
- held to maturity;
- available for sale; and
- at FVTPL, and within these categories as:
  - held for trading;
  - derivative hedging instruments; or
  - designated as at FVTPL.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

Note 41. Additional significant accounting policies (continued)

(c) Financial instruments (Note 17) (continued)

Classification and subsequent measurement (continued)

Financial assets (continued)

Financial assets at FVTPL: Measured at fair value and changes therein were recognised in profit or loss.

Held–to–maturity financial asset: Measured at amortised cost using the effective interest method.

Loans and receivables: Measured at amortised cost using the effective interest method.

Available–for–sale financial assets: Measured at fair value and changes therein, other than impairment losses and interest income, were recognised in OCI and accumulated in reserves. When these assets were derecognised, the gain or loss accumulated in equity was reclassified to profit or loss.

Financial liabilities – classification, subsequent measurement and gains and losses: 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 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 34)

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 (Notes 34 and 35)

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 8)

Contributions to defined contribution superannuation plans are expensed in the period in which they are incurred.

Share–based payments (Note 14)

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 Binomial and Monte Carlo option pricing simulations that takes 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 non–vesting 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.

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.

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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

Note 41. Additional significant accounting policies (continued)

(d) Employee benefits (continued)

Share–based payments (Note 14) (continued)

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 non–vesting 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 replacement awards are substituted for the cancelled awards, the cancelled and new awards are treated as if they were a modification.

(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 Consolidated Statement of Financial Position.

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.

Directors' Declaration

For the year ended 31 December 2023

In the Directors' opinion:

(a) the financial statements and notes set out on pages 55 to 103 are in accordance with the Corporations Act 2001, 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 2023 and of its performance for the financial year ended on that date, and

(b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable, and

(c) at the date of this declaration, there are reasonable grounds to believe that the members of the Extended Closed Group identified in note 30 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 30.

The Directors have been given the declarations required by section 295A of the Corporations Act 2001.

Signed in accordance with a resolution of Directors made pursuant to section 295(5)(a) of the Corporations Act 2001.

On behalf of the Directors

Michael Carapiet
Chairman
20 February 2024
Sydney

Independent auditor's report

To the members of Smartgroup Corporation Ltd

Report on the audit of the financial report

Our opinion

In our opinion:

The accompanying financial report of Smartgroup Corporation Ltd (the Company) and its controlled entities (together the Group) is in accordance with the *Corporations Act 2001*, including:

(a) giving a true and fair view of the Group's financial position as at 31 December 2023 and of its financial performance for the year then ended

(b) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

What we have audited

The Group financial report comprises:

- the consolidated statement of financial position as at 31 December 2023
- the consolidated statement of changes in equity for the year then ended
- the consolidated statement of cash flows for the year then ended
- the consolidated statement of profit or loss and other comprehensive income for the year then ended
- the notes to the consolidated financial statements, including material accounting policy information and other explanatory information
- the directors' declaration.

Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. 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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional & 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 also fulfilled our other ethical responsibilities in accordance with the Code.

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Our audit approach

An audit is designed to provide reasonable assurance about whether the financial report is free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial report.

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial report as a whole, taking into account the geographic and management structure of the Group, its accounting processes and controls and the industry in which it operates.

The Group provides outsourced administration (primarily salary packaging administration and novated leasing), vehicle services (fleet management) and software, distribution and services to a wide range of government, health and corporate customers across Australia. The Group has a substantially centralised finance function.

Audit scope	*Key audit matters*
• Our audit focused on where the Group made subjective judgements; for example, significant accounting estimates involving assumptions and inherently uncertain future events. • An audit is designed to provide reasonable assurance about whether the financial report is free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial report. • We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial report as a whole, taking into account the geographic and management structure Group, its accounting processes and controls and the industry in which it operates.	• Amongst other relevant topics, we communicated the following key audit matters to the Audit & Risk Committee: – Goodwill impairment assessment – Restricted cash and cash equivalents held on behalf of customers • These are further described in the *Key audit matters* section of our report.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report for the current period. The key audit 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. Further, any commentary on the outcomes of a particular audit procedure is made in that context.

Key audit matter	How our audit addressed the key audit matter
Goodwill impairment assessment *Refer to Note 6 - $272.7 million* The Group's goodwill is required by Australian Accounting Standards to be tested annually for impairment at the cash generating unit (CGU) level. The impairment assessment was a key audit matter due to: • the size of the goodwill balance; • the judgement involved in assessing whether an impairment was required; and • the ongoing motor vehicle supply chain challenges. The Group performed an impairment assessment over goodwill by calculating the value-in-use for each CGU, using discounted cash flow models (the models). Key judgements in the models included the determination of CGUs, discount rates, annual revenue and terminal growth rates and the assumption that there will be no significant changes to the legislation governing the provision of products and services within the salary packaging administration and novated leasing industries in the forecast periods.	We performed the following audit procedures, among others: • we assessed whether the Group's identification of CGUs was consistent with our knowledge of the operations, internal reporting lines and the level of integration of the previously acquired businesses; • we evaluated the process by which the cash flow forecasts were developed including the review of significant assumptions and judgements by the Audit & Risk Committee; • we compared the cash flow forecasts to Board approved budgets and inspected evidence of oversight over key assumptions in the forecasts by the directors; • we assessed the Group's ability to accurately forecast by comparing previous forecasts with actual results; • for significant inputs and assumptions, we considered and evaluated management's evaluation and response to estimation uncertainty; • together with PwC valuation experts, we tested the method used by management to determine the recoverable amount of the CGUs and confirmed that this was in compliance with the requirements of Australian Accounting Standards; • together with PwC valuation experts, we tested the methodology, inputs and assumptions used by management in determining the discount rates by comparing to observable and comparable data; • we tested the integrity of the data (including revenue and expense forecasts and growth rates) and assumptions used by management in developing the cash flow forecasts by agreeing to observable data; • we tested the mathematical accuracy of the models; • we considered whether there had been any published plans from mainstream Australian political parties relating to any potential changes to legislation governing the provision of products and services within the salary packaging administration and novated leasing industries to assess the appropriateness of management's assumptions about the future of the salary packaging industry is reasonable; • we compared the Group's net assets as at 31 December 2023 to its market capitalisation on the same date; and • we evaluated the reasonableness of the Group's disclosures on goodwill in light of the requirements of Australian Accounting Standards.

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Key audit matter	*How our audit addressed the key audit matter*
Restricted cash and cash equivalents held on behalf of customers *Refer to Note 37 - $38.1 million* The provision of salary packaging services involves the Group holding funds on behalf of certain customers, either as restricted cash or cash equivalents held on behalf of customers. This was a key audit matter as the Group may be responsible for any shortfall in these accounts, there is a significant volume of transactions impacting restricted cash and cash equivalents held on behalf of customers' accounts throughout the year and due to the large volume of accounts and employees under management (EUM).	We performed the following audit procedures, among others: • we tested a sample of payments from restricted bank accounts to ensure that they were appropriately authorised; • we examined evidence of reconciliations between the bank statements and the trial balance for restricted bank accounts as at year end; • we obtained confirmations directly from banks in respect of balances at year end; • we read board minutes, enquired with management and obtained a legal confirmations from the Group's legal counsel of current legal matters to identify whether there were any material claims from EUM or employers; and • we considered the reasonableness of the Group's disclosures in relation to restricted cash and cash equivalents held on behalf of customers' accounts in light of the requirements of Australian Accounting Standards.

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report for the year ended 31 December 2023, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon through our opinion on the financial report. We have issued a separate opinion on the remuneration report.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, 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.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors for the financial report

The directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial report

Our objectives are 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 the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of 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/admin/file/content102/c3/ar1_2020.pdf. This description forms part of our auditor's report.

Report on the remuneration report

Our opinion on the remuneration report

We have audited the remuneration report included in the directors' report for the year ended 31 December 2023.

In our opinion, the remuneration report of Smartgroup Corporation Ltd for the year ended 31 December 2023 complies with section 300A of the *Corporations Act 2001.*

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 responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with Australian Auditing Standards.

PricewaterhouseCoopers

David R Cox
Partner

Sydney
20 February 2024

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 2024.

Number of holders of each class of equity securities

As at 31 January 2024, there were:

- 132,818,669 ordinary shares on issue held by 8,695 holders; and
- 97,305 performance rights held by 7 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	4,491	1,897,909	1.43
1,001 – 5,000	3,072	7,777,553	5.86
5,001 – 10,000	675	4,969,971	3.74
10,001 – 100,000	409	9,410,712	7.09
100,001 and over	48	108,762,524	81.88
Total	**8,695**	**132,818,669**	**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	1	3,730	3.83
5,001 – 10,000	–	–	–
10,001 – 100,000	6	93,575	96.17
100,001 and over	–	–	–
Total	**7**	**97,305**	**100.00**

Holders of ordinary shares holding less than a marketable parcel

As at 31 January 2024, 283 holders of ordinary shares held 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	29,972,480	22.57
CITICORP NOMINEES PTY LIMITED	24,276,592	18.28
J P MORGAN NOMINEES AUSTRALIA PTY LIMITED	23,950,268	18.03
NATIONAL NOMINEES LIMITED	4,913,533	3.70
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED - A/C 2	3,683,088	2.77
BNP PARIBAS NOMS PTY LTD	2,071,123	1.56
BNP PARIBAS NOMINEES PTY LTD	2,047,785	1.54
PALM BEACH NOMINEES PTY LIMITED	1,581,225	1.19
BKI INVESTMENT COMPANY LIMITED	1,310,000	0.99
BNPP NOMS PTY LTD HUB24 CUSTODIAL SERV LTD	1,225,749	0.92
ANACACIA PTY LTD	1,156,060	0.87
BNP PARIBAS NOMS PTY LTD	1,005,260	0.76
SCOTT WHARTON[1]	936,679	0.71
GENTILLY HOLDINGS 2 PTY LIMITED	807,500	0.61
POINT CAPITAL PTY LTD	625,000	0.47
NEWECONOMY COM AU NOMINEES PTY LIMITED	622,665	0.47
CITICORP NOMINEES PTY LIMITED	584,048	0.44
GENTILLY HOLDINGS PTY LTD	573,135	0.43
GENTILLY HOLDINGS 2 PL	564,281	0.42
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	542,077	0.41
Total[1]	**102,448,548**	**77.14**

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.	10,386,814	7.82%
First Sentier Investors Holdings Pty Ltd and related bodies corporate and associates	10,386,814	7.82%
Commonwealth Bank of Australia and related bodies corporate	6,856,674	5.16%
Comet Asia Holdings II Pte. Ltd., Comet Asia Holdings I Pte. Ltd., KKR Asia III Fund Investments Pte. Ltd. and KKR Asian Fund III L.P.	6,710,994	5.05%
Superannuation and Investments HoldCo Pty Ltd and related bodies corporate	6,710,994	5.05%

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	2023	2022	2021	2020	2019
Income statement ($m)					
Revenue	251.6	224.7	221.8	216.3	249.8
EBITDA	100.3	93.4	103.0	95.4	118.2
NPAT (statutory)	61.9	58.8	58.8	41.3	61.4
NPATA	63.2	61.2	69.5	65.2	81.0
Statement of financial position ($m)					
Assets	417.5	405.8	408.3	408.4	472.9
Liabilities	173.7	165.5	142.1	137.5	196.2
Net assets	243.8	240.3	266.2	270.9	276.7
Net cash/(debt)	(32.2)	(27.2)	3.6	2.5	(21.0)
Share information					
Ordinary shares (million shares)	132.8	133.7	133.5	132.8	131.7
Dividends per share (cents per share)					
Interim	15.5	17.0	17.5	17.0	21.5
Special[1]	–	14.0	35.5	9.0	20.0
Final	16.0	15.0	19.0	17.5	21.5
Total dividends	**31.5**	**46.0**	**72.0**	**43.5**	**63.0**
Share price at 31 December ($)	8.72	5.10	7.75	6.83	6.94
NPATA/ordinary shares (cents per share)	47.6	45.8	52.1	49.1	61.5
Ratios					
Ordinary dividend payout ratio	66%	70%	70%	70%	70%
Operating cashflow/NPATA	103%	117%	113%	115%	110%
Net debt/EBITDA	0.3	0.3	N/A	N/A	0.2
Operational metrics					
Workforce	835	743	685	666	725
Packages	396,000	379,000	377,500	360,500	358,500
Novated leases under management	61,100	57,700	64,700	66,700	68,500

1. On 20 February 2024, the Directors declared a special dividend of 16.0cps. This will be reflected in the 2024 Annual Report as a special dividend in respect of 2024.

Glossary of terms

AGM	The annual general meeting of the Company
ARC	Audit and Risk Committee
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 Committee
EV	Electric vehicle
Executive	The CEO and each of his direct reports
Executive KMP	The KMP, excluding the Non-Executive Directors
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 helps businesses, governments and other organisations understand and communicate their impacts on issues such as climate change, human rights and corruption. It developed the GRI Standards
Group	The consolidated Smartgroup Corporation Ltd entity consisting of the Company and the entities it controlled at the end of or during the year ended 31 December 2023
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 during the 2023 financial year and includes the Directors
KPI	Key performance indicator
LFS	Loan funded shares
LTIP	Long-term incentive plan
Net debt	Cash and cash equivalents less corporate borrowings adjusted to exclude capitalised borrowing costs
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
Operating cash flow	Operating cash flow excludes receipts and payments from customers' salary packaging accounts, significant non-operating items
PBI	Public benevolent institution
PBT	Profit before tax
RAP	Reconciliation Action Plan
Smartgroup	Smartgroup Corporation Ltd ABN 48 126 266 831
STIP	Short-term incentive plan
TFR	Total fixed remuneration
TSR	Total shareholder return
VWAP	Volume-Weighted Average Price
WGEA	Workplace Gender Equality Agency
Website	smartgroup.com.au

Corporate directory

Directors

Michael Carapiet
John Prendiville
Carolyn Colley
Deborah Homewood
Anne McDonald
Ian Watt
Scott Wharton
(appointed 25 July 2023)
Mark Rigotti
(appointed 1 February 2024)
Timothy Looi
(retired 25 July 2023)
Gavin Bell
(retired 31 December 2023)

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

LINK Market Services Limited
Level 12, 680 George Street
Sydney, NSW, Australia, 2000
Tel: 1300 554 474

Auditor

PricewaterhouseCoopers
One International Towers
Watermans Quay
Barangaroo, 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

Stock 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

8 May 2024 11am.
Please refer to the website for further details.

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Smart Group