Smartpay Holdings Limited

THE ANNUAL REPORT 2023

About This Report

On behalf of the Board and Smartpay team, we are pleased to present Smartpay's 2023 Annual Report

The 2023 Annual Report describes Smartpay Holdings Limited's (Smartpay) financial performance and includes the Corporate Governance Statement.

The Annual Report and financial performance relate to the period 1 April 2022 to 31 March 2023 and should be read in conjunction with other reports and presentations that comprise our 2023 Annual Reporting suite. These are available at Smartpay's Investor Centre. **smartpayinvestor.com** References to the prior year refer to the period 1 April 2021 to 31 March 2022.

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

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

The Annual Report covers the total group of Smartpay consisting of the entities noted on page 55 of the Annual Report (the Group), which operates in both New Zealand and Australia.

Non GAAP Measures

Non-Generally Accepted Accounting Practice (non-GAAP) measures have been included as the directors and management of the Group believe they provide useful information for readers to assist in understanding the Group's financial performance. Non-GAAP financial measures are not prepared in accordance with New Zealand Equivalents to International Financial Reporting Standards (NZ IFRS) and are not uniformly defined, therefore non-GAAP measures reported in this Annual Report may not be comparable with those that other companies report and should not be viewed in isolation or considered as a substitute for measures reported in accordance with NZ IFRS. The non-GAAP measures Smartpay has used are EBITDA and Free Cash Flow. The definitions of these can be found on page 102 of this report.

Some reported measures have been amended from those previously reported due to the implementation of the IFRS Interpretations Committee (IFRIC) agenda decision which has resulted in a change in accounting policy in the year ended 31 March 2023.

FY23 Highlights

The momentum from FY22 has continued through FY23 and this is reflected in the financial results and key metrics.

NPS has remained strong in both markets, reflecting the commitment to our customers and our continued attention to providing our customers with an excellent experience.

We are delivering on our strategic plan whilst investing in and transforming our business.

Revenue
$77.8m
Up 62% YOY

EBITDA
$18.4m
Up 81% YOY

Profit Before Tax
$7.6m
Up 328% YOY

Operating Cashflows
$18.6m
Up 57% YOY

NPS AUS
70
FY22 - 66

NPS NZ
49
FY22 - 46

Total Employees
160
FY22 - 140

Total Terminal Fleet
46,000+
FY22 - 40,000+

Financial Performance Summary

Revenue by Market

Australian revenues represent **81%** of total revenue (69% in FY22)

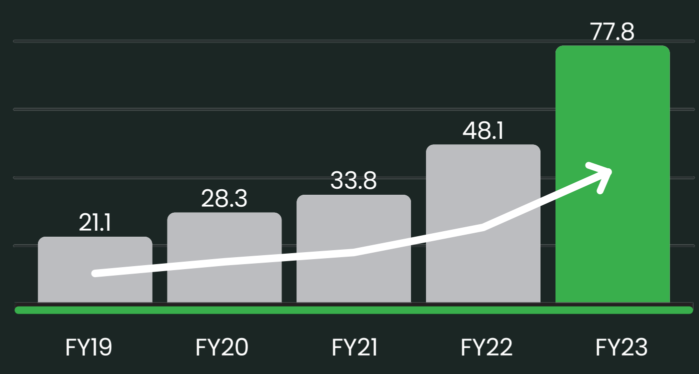
Free Cashflow

Free cashflows of $4.8m generated, whilst continuing to invest in terminals and systems, together with strengthening the company

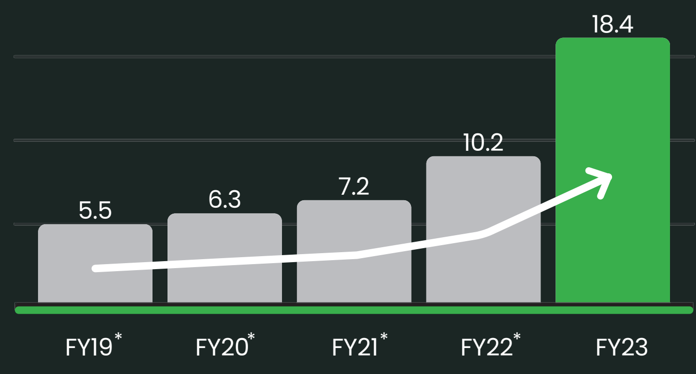
Bank Debt

Continuing to reduce bank debt from free cashflows

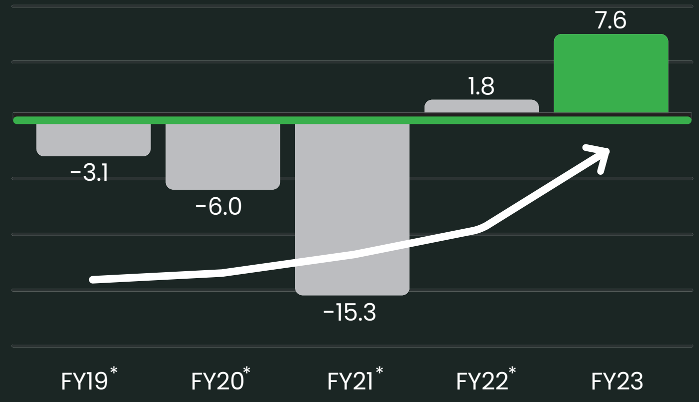
$'m
Revenue



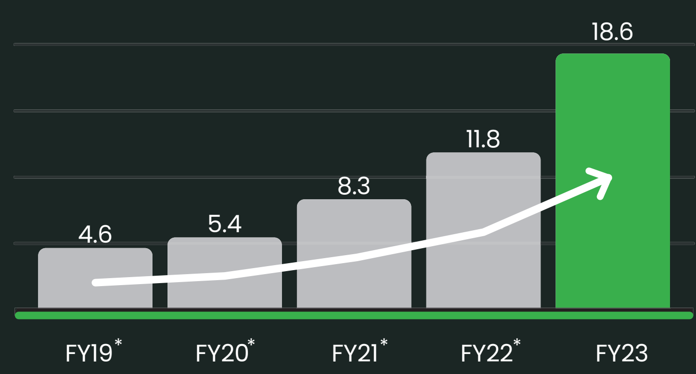
$'m
EBITDA



$'m
Profit Before Tax



$'m
Operating Cashflows

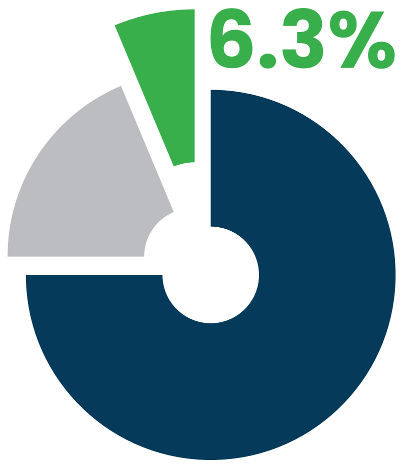


Growing revenue, EBITDA and profit before tax whilst generating positive operating cashflows

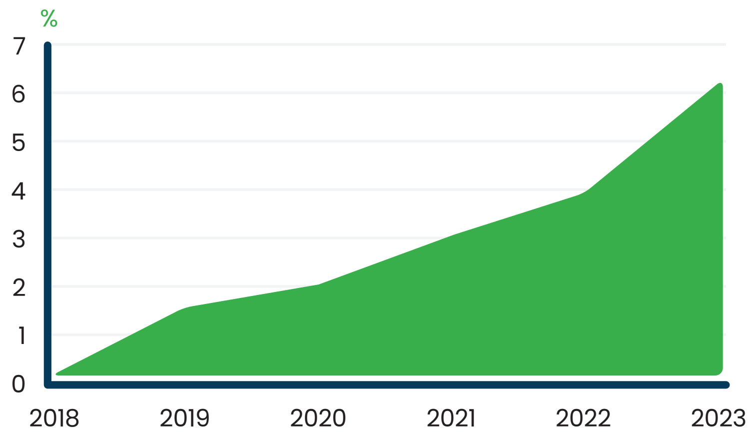
Our measured approach is working to the benefit of the company and the shareholder

* numbers have been restated to reflect change in accounting policy for SaaS assets

Australian Growth

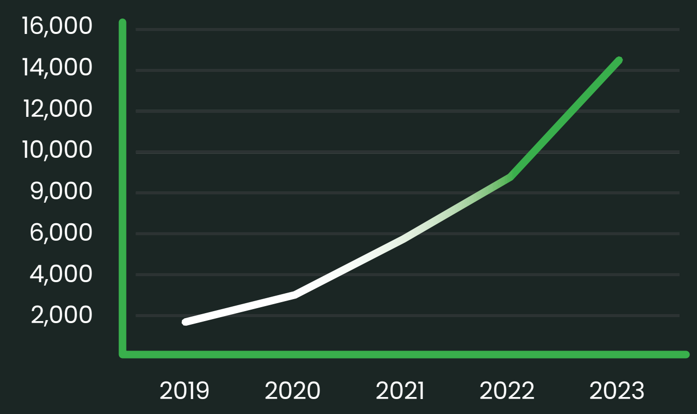


Market share continues to accelerate as investment in television drives brand recognition and continued engagement in our product offering by SME's

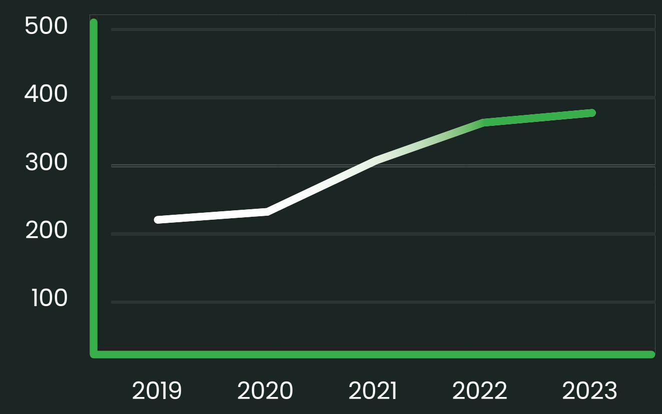


% share of addressable market of 250,000 terminals has increased **2.4%** since March 2022

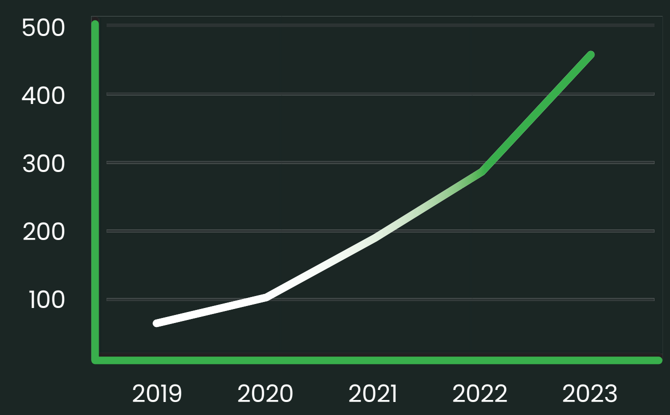
m
No of Transactions Processed



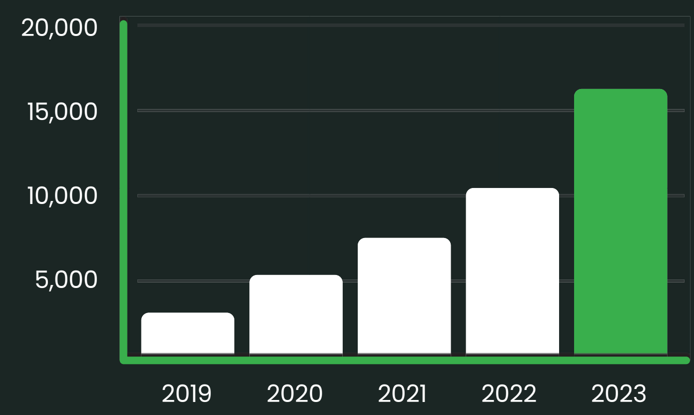
A$
Average Revenue per Terminal



A$'m
Total Transaction Value



Transacting Terminals



Smartpay is scaling and with the growth in terminals comes growth in TTV and number of transactions processed

Marketing investment together with our quality in-house sales team is driving growth in transacting terminals which deliver revenue for every transaction processed

About Smartpay

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

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

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

Our Team

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

The Smartpay team is united by **our purpose to make payments easy ensuring businesses are paid everywhere, anytime, every time**. The collective and collaborative approach of our teams across both New Zealand and Australia has seen the NPS in both New Zealand and Australia increase whilst also delivering the outstanding results that are presented in this report.

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

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

Fearless
In our approach to our focus on our customer

We Deliver
By listening, engaging and being held accountable

Our Relationships with Partners

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

Our Customers

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

Our Products

SmartCharge
A Zero Cost EFTPOS solution

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

> "Smartpay's Zero Cost™ EFTPOS was a great discovery. They are truly a payment specialist with a fresh approach to EFTPOS."
>
> - Chris, Kogarah Deli, NSW

Simple Flat Rate
Simplified monthly statements

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

> "Smartpay's simple flat rate has made our life a lot easier. We can price with confidence as I always know what fees I am paying. Reconciliation is also so much easier and less time-consuming."
>
> - Chris, Southern Sports, SA

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

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

> "Retail radio are our key partner in providing brand and marketing messaging to our customers via in store radio and digital screens. Their service levels and direct relationships with both our national support centre and individual Mitre 10 stores are outstanding and I really appreciate the extra mile Simon, Scott and the team go to, to help us deliver."
>
> - Leigh Gibson, Mitre 10 Head Office

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

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

> "The portal is very easy to use and love how I can view individual transactions and summaries. It saves me time and makes life easier for our bookkeeper."
>
> -Julianne, Long John Pickles, VIC

SmartConnect
Integrations to third party applications

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

> "The integration has made it so much easier to run our business, even better than we expected. The payment process is very fast and easy. All we need to do is to scan items and the price comes through on the Smartpay terminal for customers to pay."
>
> - Judy, Go Go Kids, Auckland

EFTPOS Terminal
A compliant EFTPOS terminal for your business

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

> "We find the EFTPOS machine very easy to use at our hotel. We can accept all payment methods and it works quickly to process the payments."
>
> - Suzie, Ahaura Hotel, Ahaura

Case Study

Websters Gourmet Meat Kitchen

Butcher trims fat on bank fees

Duncan noticed his EFTPOS fees were going through the roof as more and more customers were paying with tap-and-go, pushing up his costs. As a family-run business, the costs were difficult to sustain.

By switching to Smartpay's Zero Cost™ EFTPOS, he now saves $15,000 pa, whilst still keeping his business banking as it has been for over 10 years. Switching was easy.

With six staff, he has found the automatic surcharging calculations exactly what he needed, so staff can focus on providing great customer service.

"I have recommended Smartpay's Zero Cost™ EFTPOS solution to other businesses, and most have made the switch too."

Case Study

Eve Nail Lounge

Zero Cost EFTPOS puts $14K polish on Nail lounge profits

At Eve Nail Lounge in Broadbeach Waters, you never bite your nails – but owner Karen almost did when she read her bank statement. "My bank EFTPOS fees were becoming so expensive. They were costing me about $1,200 a month."

As a small business owner and working off small margins, she really needed to reduce her costs, especially after Covid. So what did Karen do? She spoke to Smartpay about Zero Cost™ EFTPOS and removed her fees like a bad polish.

"It's a perfect EFTPOS solution for small businesses. It's all automatic, so my staff don't need to think about the numbers," said Karen. "They just continue to look after our customers' nails. Also, the terminal is mobile. That's great because now some customers can pay while in their chair. That's really convenient."

"We expect to save $14,000 a year. I have invested some of this into social media advertising, which is helping us grow."

Chairman's Report

On behalf of the Board of Smartpay I am pleased to present the Annual Report for 2023. The momentum gained through the previous year has continued into the 2023 financial year and this has been demonstrated in our financial results and key metrics. Notwithstanding the macro-economic challenges in both of our core markets, this has been another excellent year for the company. We have seen revenue grow substantially to reach $77.8m, EBITDA grow to $18.4m, and pleasingly, PBT increased to $7.6m. Market share in Australia continues to grow as does share of our addressable market which has shown ongoing increase, year on year.

However, a strong financial performance is only a consequence of getting all other things right and this adage certainly applies to Smartpay. As we look to accelerate our transition to take advantage of growing synergies across both of our markets, we are investing to grow sales capability, marketing and strengthen the company.
To drive growth, customer development and innovation are key objectives. To achieve this, we must continue to invest into systems and to focus on retention of staff and increase of the terminal network. Coupled with this, we have and will continue to invest into our people.
Leadership in this company is very important and in that regard our management team, capably led by Chief Executive Officer (CEO) Marty Pomeroy, continues to go from strength to strength. Over the course of the year, the appointment of Cherise Barrie as Chief Financial Officer is helping to add significant value to the team.
We are incredibly fortunate with the calibre of people that we have, they are a key component of our success, and we will continue to structure our teams to attract and to retain the very best of available talent.

As we have all learnt over the past few years, we are susceptible, not only to global pandemics, but any number of disruptive events. The next year will likely see us heading into economic headwinds, as the battle against inflation continues, interest rates rise (at least for the time being) and the threat of recession looms. Add this to an increasingly uncertain global backdrop, climate change impact and digital disruption (cyber risk) and the immediate future is going to be difficult for many businesses. We are confident that we understand our identifiable risks, but as a board we also understand that we "don't know what we don't know" which means that we need to plan accordingly.

As a board, what have we done and what are we doing to mitigate our risks and to future-proof the company against disruption and unforeseen events? To start with, we have a clear, concise, and widely understood strategic plan which acts as our roadmap, and which will take us forward for the next few years. Underpinning this is a risk assessment exercise which identifies issues that could undermine or derail that plan. Indeed, we are now going through a review of aspects of our risk assessment and our capability to respond to disruption and sudden change. I believe that we are well placed in respect of all these issues and that we are well prepared for all identifiable risks, and as best we can, to mitigate against unknown risks.

It is important that the board continues to ensure that it drives value and performance by keeping a focus on excellence and by continuing to act as a best practice board. The results from our recent "whole of board evaluation" which was conducted externally and is carried out biennially, would suggest that we are now operating at a level commensurate with the best boards in Australasia. However, we are very aware that this is not the time to rest on our laurels. An oft-quoted Darwinian maxim says that "it isn't the strongest of species that survive, nor necessarily the most intelligent, but rather it is the ones that are most able to adapt". If that is to be believed then it is incumbent on our board to ensure that we are as adaptable and as responsive, in a pro-active manner, to change as we can be. This will be a constant theme for us throughout this next year as we examine and continue to assess our appetite for risk.
The good news is that the board is well advanced in this process, is certainly up for it and in this, is receiving excellent help and support from the CEO and his team. We know that change is the only certainty that we can expect, and we need to be able to respond to that.
I am confident that we will not only do that but that we will also be able to maximise the opportunities that will arise from an uncertain future. If we can adopt the right mindset the future will be very exciting as we continue to fulfil our values and our vision.

Despite some of these adverse predictions for the year ahead and with a good understanding of what risks we face, we are now looking to continue our strategic intent for the year ahead. We see some very exciting prospects for Smartpay as we move to consolidate our position as a leading provider to the payments industry. With a strong footprint across both Australia and New Zealand, we can look to build economies of scale and to utilise strong cashflow to grow in our market and to offer new and innovative products and services to both existing and new customers. As previously said, our focus on market opportunity, strategic thinking and innovation will remain key as we look to add ongoing value to the company.
It has been very pleasing to start seeing some reward for our efforts of the past few years and I am confident that this will now continue.

As always, my thanks to the board for their enthusiasm and effort in what has been a very busy year. To the management team, my appreciation for your commitment, dedication, and performance throughout a year that was, as we know, often very challenging. Finally, huge thanks and acknowledgement to our customers and shareholders for your encouragement and support. We look forward to continuing our journey together for the next year and beyond.

Gregor Barclay
Chairman

Chief Executive's Review

The 2023 Financial Year (FY23) has been somewhat of a breakthrough year for our business.

Our commitment to measured investment in our growth, ongoing execution discipline and staying true to our strategy, together with our unrelenting focus on our customers has been reflected in an outstanding performance for the FY23 financial year and has further set the foundation for a bright future for our business. With relatively consistent trading conditions in both Australia and New Zealand throughout the financial year we have been able to execute to our plans, largely without disruption, and have shown our true potential as a team. I thank our customers for their loyalty and ongoing partnership, our business partners for their ongoing support and our team for engaging in and committing to our vision and values and our shareholders for your ongoing support.

Smartpay's Customers

I wish to acknowledge and congratulate our customers for their resilience, determination and success in their own endeavours. Customers are our unsung heroes and supporting their success is at the very heart of our organisational culture and approach. Whilst this year has been different from the previous few years, where lockdowns and COVID impacts were felt by many of our customers, this year has not been without its challenges, given the economic environment that we find ourselves in both locally and globally. We are very aware that our customers have choice, a challenge we meet readily and with a determined resolve. We believe we have one simple job – to do what we said we would do. It is the foundation required to enable us to do more when the opportunity arises, time comes, or if our customers require it of us. We look forward to continuing to support them in the future.

Our team takes pride in supporting our customers and providing them with outstanding service. Our ongoing focus on customer experience has served us well throughout FY23 with very positive average NPS results for both countries. We value our customer feedback and our focus on continuous improvement; be it maintaining what we do well or fixing what we don't, has been evident through FY23 with improvements to many processes supporting engagement with our customers. Additionally, organisational efficiency and customer experience improvements have been realised through the successful implementation of the ERP system early in FY23.

The Smartpay Team

We have a diverse, highly talented team, and as we scale we are mindful to bring our entire organisation with us as One-team, One-organisation. We will grow most effectively through leveraging our talent, wherever it is located, and bringing it to bear on our challenges and opportunities as they present. This is at the heart of our mindful and measured approach to growth. Unless the entire organisation is aligned, purposed and prepared for the opportunities we seek to execute into, we will ultimately sacrifice or compromise on our complete customer experience and not deliver on our ultimate opportunity for success.

Our focus on developing, securing and enhancing our intellectual property is instrumental to building our strategic value whilst delivering growth. Most obviously in our marketing, sales and customer retention functions, but also in our engineering function, where we build our own applications and systems to support our business. These areas have yielded further benefit in FY23, with increases in lead generation and conversion rate both clearly evident in our accelerated customer acquisition through the period. Customer referrals have also increased, reflecting growing awareness of our Brand, primarily through our investment in radio and thereafter television marketing in Australia. The ongoing delivery of our customer experience objectives and the true resonance of our offering to our target audience is clear.

Coupled with our tremendous performance in respect of customer activity for the financial year, we have made significant advances in our core enterprise and production systems and processes ensuring the business has the right foundations in place to scale efficiently and effectively and continue to build strategic value into the future.

It is clear that as we grow we will need additional capability across the business.

Cherise Barrie joined us as Chief Financial Officer in May 2022 and as we have evolved we have had the opportunity to elevate Lucy Williams from General Manager New Zealand to Chief Customer Officer and Peter Thomas from Chief Customer and People Officer to Chief Marketing and Product Officer. Most recently we have added Denise Doyle as the Chief People Officer and Andrew Davies as the Chief Revenue Officer. These changes and additions reflect our growth and the needs of our business.

It is a significant contributor to our ongoing success to be able to elevate people from within our organisation. It is also a reflection of our success to attract highly capable people to our business who readily integrate and add value. As the needs of our business evolve, we will continue to identify talent, both within our team and outside, to enhance our execution capability and deliver on our vision.

Operating Results

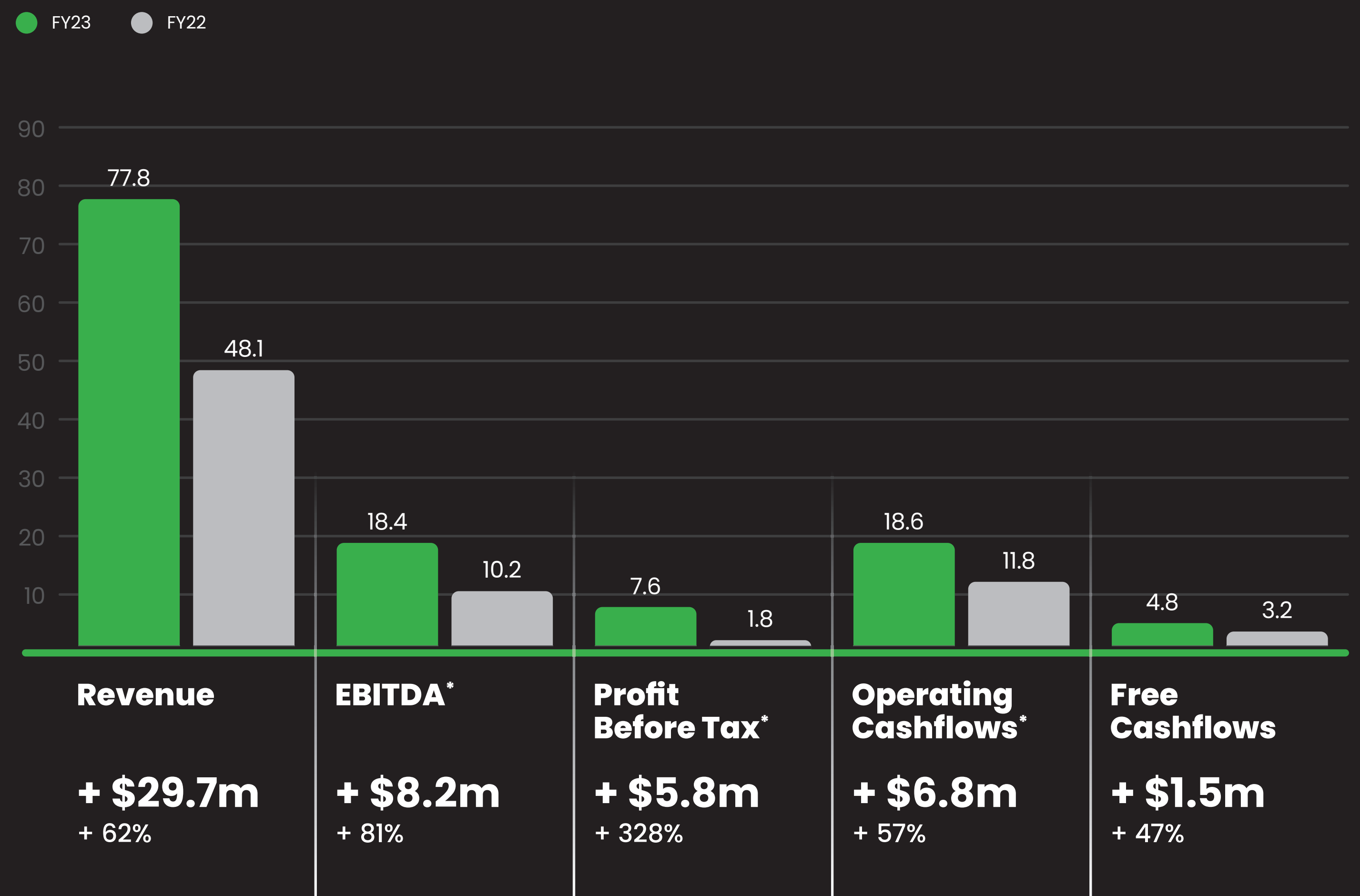
The financial performance for FY23 is exceptional and reflects outstanding execution and the considerable work done in prior years building our foundation for growth. The headline results include revenues of $77.8m, EBITDA of $18.4m, and profit before tax of $7.6m, up 62%, 81% and 328% respectively from the prior year.

The economic conditions in the year, whilst different to those experienced throughout the COVID pandemic, provided challenges for our business and our customers. Like many of our customers we have experienced wage inflation in certain roles to recruit and retain our staff. Earlier border closures and ongoing delays in immigration processes for our offshore engineering capability has further exacerbated this. Positively, trans-Tasman borders opening has allowed our teams to move between New Zealand and Australia which is beneficial, particularly given the majority of the executive and support structures are in New Zealand.

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

The growth in our Australian business is the key contributor to the uplift across all measures. Australia now represents 81% of total group revenue up from 69% in FY22.

Financial Performance Metrics



*Restated

Smartpay operates in two countries as one organisation, allowing for operating costs to be shared. We leverage service and support functions, engineering functions for product development and enhancement, finance functions and a single executive structure across both countries. This supports our ability to grow without significant incremental overhead.

Momentum in customer acquisition from the investment in our key channels to market, including broadening our marketing reach, together with the annuity effect of our Australian acquiring revenues, has seen a 90% increase in Australian acquiring revenue year on year up to $62.8m from $33.1m. The March run-rate (annualised) Australian revenue is now at a similar level to our total consolidated revenue for the 2023 financial year and given the annuity profile of our revenue base is a very strong basis to begin the 2024 financial year.

The Australian transacting terminal base now exceeds 15,700 terminals at March 23, up 62% from March 22 and the Australian acquiring transactional revenues grew to $60.5m, up 94% from $31.2m in FY222.

Monthly Australian acquiring revenues grew to $6.2m at March 23, up from $3.7m in March 22.

The New Zealand fleet of terminals, a strategic asset for the group, has been retained in what is a very competitive environment – an excellent outcome.

EBITDA margin of 24% reflects the annuity nature of our revenue, our measured approach to investment in growth and the scalable nature of the operating model we employ to realise our growth and support our underlying business.

Profit after tax of $8.5m is up 290% on the prior year of $2.2m, primarily due to underlying business growth.

Our underlying business performance for the year has seen consistent improvement across all metrics. Our financial results are reported in New Zealand dollars and as our Australian revenues continue to grow the effect of fluctuations in exchange rates may have an impact on reported results – some of this was evident in FY23.

Our business is generating positive operating cashflows and free cashflows and is paying down debt. The business is run on strong fundamentals which are premised in 'measured investment' for growth – principles we remain committed to at the core of our business.

Summary and Outlook

It has been a significant year for Smartpay, reflected in both the continued and accelerated performance of the business in Australia, and the commitment of our organisation to the next phase of the business in New Zealand.

We are delivering strong business fundamentals – growth, profitability, operating cashflows and free cashflows and we remain committed to these fundamentals.

As an organisation, we believe that everyone has a role to play in delivering the results, and this is becoming more pronounced as we progress our One-team, One-organisation approach to support the growth and maturity of the business. Smartpay has a diverse, highly capable and committed team of people, many of whom have been with Smartpay for a long time. Our team has remained committed to our vision, our values, our customers, our focus on continuous improvement and our performance and I thank them.

In terms of ongoing investment, we will continue the measured and appropriate approach we have taken to date of investing in resources where we see benefit and therefore return. We are also mindful of the maturing profile of our business. We have a large number of customers, employees and suppliers relying on us and we need to continue to deliver and ensure we are a strong sustainable business.

Ongoing software development remains a core requirement of our business. This year's agenda includes ongoing work on an Android in-store proposition to meet our PCI compliance requirements and this will be leveraged for the New Zealand market as we proceed with our New Zealand strategic ambitions.

The position the business finds itself in at the end of FY23, whilst highlighting great progress and an outstanding result when looking back over the 12 months, is perhaps most exciting, as we look forward.

We enter the 2024 financial year with more talent onboard, a steely resolve to continue our rapid growth into the Australian opportunity, strong business fundamentals and a pathway to realise our vision of being a truly world class trans-Tasman payments business.

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

Martyn Pomeroy
Chief Executive Officer

Sustainability

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

Sustainability at Smartpay starts with our business – we make decisions to ensure that Smartpay is in a strong financial position as a company. This foundation allows us to provide confidence and contribute to our Smartpay team, our customers and communities.

Sustainability is not driven from the top – it is across our business with our Smartpay team encouraged to provide ideas, to contribute and engage.

Our contribution to the economy

Smartpay has +46,000 terminals across Australia and New Zealand which allow customers to provide their services to their customers. Our terminals need to work 24/7 and be secure. We create products to serve the Small to Medium Enterprise and ensure that we are always available to support our customers when they need us. In Australia we facilitate the flow of $5bn of transactions annually and settle those funds to our customers daily to allow them to run their businesses and settle their own suppliers.

Our contribution to the community

Our Smartpay Team are all members of the community in which they live. Employing our team, and increasing the team by 20 in the year allows for a wider contribution.

Smartpay supports charities, primarily those that our people support. In addition to contribution of time and money, in the current year, aged laptops were recycled and donated.

Our People

The Smartpay team is 160 strong and are committed to Smartpay's company values of One Team, Fearless and Delivering. We believe in looking after our people. The team wear their Smartpay shirts with pride.

The wellbeing of our team is at the heart of our culture. A committee of team members facilitate a range of activities to support team members.

Smartpay is a living wage employer, and accredited Work Visa employer.

Where possible, all opportunities are advertised internally, and team members are encouraged to seek out these opportunities.

As the company grows, training and education is being enabled to support people's development and allow them to grow into the opportunities that are available.

Smartpay is committed to diversity and measures gender and age. The breadth of the roles in Smartpay allow for a wide range of people to be part of our team.

Our Environment

Smartpay has continued to make changes to reduce the impact on the environment.

100% of fully depreciated or aged terminals are sent for recycling. Smartpay has a small fleet of motor vehicles and hybrid cars have replaced older vehicles. The terminal packaging in Australia where a large number of terminals go out to customers on a daily basis has been updated to reduce the requirement for plastic satchels.

Whilst Smartpay has always had a mindful focus on the impact the company has on the environment, as a listed company Smartpay will from FY24 be required to report in accordance with the Aotearoa Climate Reporting Standards.

Smartpay has commenced the work to determine its base line greenhouse gas emissions and begin the climate risk assessment process. A three-year roadmap has been established and the supporting activities are under way to allow for the Aotearoa Climate Reporting requirements to be met in 2024. This assessment will form the basis for determining the future goals.

The Board has determined that engagement in the requirements in respect to the climate-related disclosures will be governed by the whole Board and this is now a standing agenda item at all board meetings.

At this time of year the donation from Smartpay will go a long way in helping KiwiHarvest rescue more food to distribute into our communities. Nationwide, we are seeing more and more families and individuals accessing food banks for the first time so this donation will be felt with gratitude by families right across Aotearoa.

Gavin Findlay - CEO
KiwiHarvest

Board of Directors

Gregor John Barclay
Chairman and Independent Director
– LLB, Dip. Bus

Martyn Richard Pomeroy
Executive Director

Matthew George Turnbull
Independent Director
– BCom, CA

Geoffrey Carrick
Independent Director
– B.Ec, LLB

Carlos Gil
Non-Executive Director
– BEc, GradDipAppFin SIA, MAppFin FSIA

	Gregor John Barclay	Martyn Richard Pomeroy	Matthew George Turnbull	Geoffrey Carrick	Carlos Gil
Location	Auckland	Auckland	Auckland	Sydney	Sydney
Appointed	April 2010	April 2014	April 2013	June 2022	December 2018
Board Committees	Remuneration and Nominations (Chair)		Audit and Finance (Chair) Remuneration and Nominations	Audit and Finance	Audit and Finance

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

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

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

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

Matt has extensive experience providing accounting and corporate advisory services. Matt has a detailed understanding of Smartpay, having assisted the company in a corporate advisory capacity in the 2012 recapitalisation and restructure, and the acquisition of Viaduct Limited.

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

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

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

Executive Team

Martyn Pomeroy
Chief Executive Officer

Joined: January 2013

Location: Auckland

Martyn was appointed Chief Executive Officer in September 2020 and brings extensive payment experience to Smartpay. He became involved following the acquisition of his business "Viaduct" in 2013, and was Chief Operating Officer prior to becoming Chief Executive Officer.

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

Cherise Barrie
Chief Financial Officer

Joined: May 2022

Location: Auckland

Cherise brings a depth of knowledge and experience in finance gained over many years in the financial services industry with companies such as Westpac New Zealand, ANZ, and Sovereign. Cherise is a chartered accountant.

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

Aidan Murphy
Chief Business Officer

Joined: May 2012

Location: Auckland

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

Aidan is responsible for margin optimisation of the acquiring fleet and for material commercial opportunities and agreements with Smartpay's partners.

Peter Thomas
Chief Marketing & Product Officer

Joined: September 2016

Location: Sydney

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

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

Lucy Williams
Chief Customer Officer

Joined: September 2018

Location: Auckland

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

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

Andrew Davies
Chief Revenue Officer

Joined: April 2023

Location: Auckland

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

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

Denise Doyle
Chief People Officer

Joined: February 2023

Location: Auckland

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

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

Customer Experience

Our customers tell us this...

No Fees, Easy To Set Up, Easy To Use, Smartpay Easy To Deal With We rarely have issues with Smartpay and when we do the helpline is amazing Simplicity of service Reliable and care about customer It's easy to get technical advice and you aren't waiting forever Convienience, easy of use and of course no fees It's good for my business I like the 24/7 availability if it's needed Simple and easy No transaction fees for the business Fantastic customer service The support has been great from Smartpay. The biggest area we love is the savings we are making on fees Very easy to deal with and good service Ease of use Great service, save on bank fees, quick response from the team Consistent and accurate settlements Alternative to the big 4 banks Easy set up and you guys answer the phone when help is needed!! Its very simple to use Reliability - it is rare for system to be down Customer service is so good Easy set up and great customer service No monthly fees Great customer service - especially the help desk Very easy to set up and use and has great support The customer service is second to none Easy to use, low fees, great communication with Smartpay Never fails me and accepts all card payments Fast service, respectful staff and solve the problem on the spot Easy set up, no hassle with monthly bills, easy to use, quick support Simple and user friendly, great service We dont have to pay for the surcharges It is very rare that from a business perspective someone offers you a service & you dont have to pay for it No fees it was the best move I have made for my business Good service, quick response if anything goes wrong Everything is transparent with the company The service is great easy access to talk to somebody straight away Hassle free, if we have an issue you resolve it quickly The easy setup process & fast installation It makes life a lot easier for both us and our customers Easy to contact and deal with! Lovely staff There are so many great things about smartpay!! I love no fees the most

Case Study

Bangkok Rolled Ice Cream

A sweet treat for Auckland's famous ice-cream shop.

Located on Auckland's vibrant K' Road, Bangkok Rolled Ice Cream is the go-to dessert spot for a sweet and unique treat.

After about 6 years of being with his previous provider, the owner and operator, Mohamed, was tired of expensive contracts, poor service and hidden fees. He recently made the switch to Smartpay on a friend's recommendation. He was instantly impressed! With a quick and easy signup process, the icing on the cake was our transparent and efficient service.

We provided prompt assistance to integrate with his POS system. Despite initial challenges, our technicians went above and beyond to get his system up and running. With no hidden fees and the first 12 months of EFTPOS rental free, we sweetened the deal for him. Mohamed was delighted with his decision to switch to Smartpay and receive the excellent customer service he deserved.

As a local Kiwi business, we understand the importance of providing excellent customer service and supporting our local community. That's why we are proud to work with businesses like Bangkok Rolled Ice Cream, who are committed to delivering outstanding products and experiences to their customers.

"There is no need to shop around with an amazing EFTPOS provider like Smartpay who provide a great product, stellar customer service and competitive prices. I will surely be recommending Smartpay EFTPOS to all my friends who are business owners."

2023 Financial Statements

Smartpay Holdings Limited

Directors' Responsibility Statement

The Directors are responsible for the preparation, in accordance with New Zealand law and generally accepted accounting practice, of financial statements which present fairly the financial position of Smartpay Holdings Limited and its subsidiaries (the Group) as at 31 March 2023 and the results of its operations and its cash flows for the year ended 31 March 2023.

These financial statements dated 29 May 2023 are signed in accordance with a resolution of the Directors made pursuant to section 211(1)(k) of the Companies Act 1993.

For and on behalf of the Directors

Greg Barclay

Chairman

Martyn Pomeroy

Managing Director and Chief Executive Officer

Income Statement

For the year ended 31 March 2023

	Note	2023 $'000	2022 restated* $'000
Revenue	5, 6	77,775	48,080
Other income		4	4
Operating expenditure	7	(59,158)	(37,812)
Impairment losses on financial assets		(227)	(110)
Earnings before interest, tax, depreciation, amortisation expense, foreign exchange adjustments, share performance rights amortisation expense, financial instrument realised/unrealised revaluation movements, and impairment and loss on disposal of property, plant and equipment		18,394	10,162
Depreciation and amortisation expense		(8,824)	(7,972)
Foreign exchange adjustments		(86)	(87)
Share performance rights amortisation expense	27	(1,035)	(539)
Finance income		270	37
Finance costs		(908)	(575)
Net finance costs	7	(638)	(538)
Change in fair value of convertible notes		-	909
Impairment and loss on disposal of property, plant and equipment		(238)	(164)
		(10,821)	(8,391)
Profit before tax		7,573	1,771
Income tax (expense) / benefit	8	885	399
Profit for the year		8,458	2,170
Earnings per share attributable to the shareholders of the Parent during the year			
Basic and diluted earnings per share (cents)	9	3.55	0.92

*Restated due to the implementation of the IFRS Interpretations Committee (IFRIC) agenda decision, see Note 2h.
The above Income Statement should be read in conjunction with the accompanying notes.

Statement of Comprehensive Income

For the year ended 31 March 2023

	Note	2023 $'000	2022 restated* $'000
Profit for the year		8,458	2,170
Items that may be classified to profit or loss			
Exchange differences on translation of foreign operation	30	(115)	(83)
Other comprehensive loss, net of tax		(115)	(83)
Total comprehensive income for the year		8,343	2,087

*Restated due to the implementation of the IFRS Interpretations Committee (IFRIC) agenda decision, see Note 2h.
The above Statement of Comprehensive Income should be read in conjunction with the accompanying notes.

Statement of Financial Position

As at 31 March 2023

	Note	2023 $'000	2022 restated* $'000
Current assets			
Cash and bank balances	10	19,477	14,882
Trade and other receivables	12	15,961	8,555
Derivative financial instruments	13	92	-
Current tax assets	22	-	294
Total current assets		35,530	23,731
Non-current assets			
Property, plant and equipment	15	15,632	9,458
Right-of-use assets	16	4,402	5,464
Contract costs	17	2,477	1,089
Intangible assets	18	13,305	12,638
Goodwill	19	14,772	14,772
Deferred tax assets	20	2,152	-
Total non-current assets		52,740	43,421
Total assets		88,270	67,152
Current liabilities			
Trade payables and accruals	21	29,781	17,359
Derivative financial instruments	13	-	16
Borrowings	23	1,000	1,279
Lease liabilities	24	1,220	1,103
Current tax liabilities	22	1,330	-
Deferred tax liabilities	20	-	99
Total current liabilities		33,331	19,856
Non-current liabilities			
Borrowings	23	9,000	10,000
Lease liabilities	24	3,634	4,650
Total non-current liabilities		12,634	14,650
Total liabilities		45,965	34,506
Net assets		42,305	32,646
Equity			
Share capital	25	91,641	91,641
Share performance rights		1,855	539
Foreign currency translation reserve	30	163	278
Retained deficits		(51,354)	(59,812)
Total equity		42,305	32,646

*Restated due to the implementation of the IFRS Interpretations Committee (IFRIC) agenda decision, see Note 2h.
The above Statement of Financial Position should be read in conjunction with the accompanying notes.

Statement of Changes in Equity

For the year ended 31 March 2023

	Note	Share Capital $'000	Share Performance Rights Reserve $'000	Foreign Currency Translation Reserve $'000	Retained Deficits $'000	Total $'000
Year ended 31 March 2022						
Balance at 31 March 2021 restated*		86,663	-	361	(61,982)	25,042
Comprehensive income						
Profit for the year*		-	-	-	2,170	2,170
Exchange differences on translation of foreign operation		-	-	(83)	-	(83)
Total comprehensive income*		-	-	(83)	2,170	2,087
Convertible notes converted to ordinary shares (net of fees)	25	4,978	-	-	-	4,978
Share performance rights	27	-	539	-	-	539
At the end of the year*		91,641	539	278	(59,812)	32,646
Year ended 31 March 2023						
Balance at 31 March 2022 restated*		91,641	539	278	(59,812)	32,646
Comprehensive income						
Profit for the year		-	-	-	8,458	8,458
Exchange differences on translation of foreign operation		-	-	(115)	-	(115)
Total comprehensive income		-	-	(115)	8,458	8,343
Share performance rights	27	-	1,035	-	-	1,035
Deferred tax benefit on share performance rights		-	281	-	-	281
At the end of the year		91,641	1,855	163	(51,354)	42,305

*Restated due to the implementation of the IFRS Interpretations Committee (IFRIC) agenda decision, see Note 2h.
The above Statement of Changes in Equity should be read in conjunction with the accompanying notes.

Statement of Cash Flows

For the year ended 31 March 2023

	Note	2023 $'000	2022 restated* $'000
Cash flows from operating activities			
Receipts from customers		77,294	47,751
Interest received		232	72
Payments to suppliers and employees		(58,524)	(35,520)
Interest paid		(999)	(506)
Receipts from research and development grants		563	-
Net cash inflow from operating activities	28	18,566	11,797
Cash flows from investing activities			
Payments for terminal assets and other property, plant and equipment		(8,991)	(4,121)
Payments for contract costs		(1,953)	(946)
Payments for intangible assets		(2,861)	(3,481)
Net cash outflow from investing activities		(13,805)	(8,548)
Cash flows from financing activities			
Proceeds from shares (net of fees)	25	-	(24)
Repayment of secured loan to related party		-	1,594
Repayments of borrowings		(1,279)	(1,795)
Principal elements of lease payments		(1,092)	(664)
Net cash outflow from financing activities		(2,371)	(889)
Net increase in cash and cash equivalents		2,390	2,360
Add opening cash and cash equivalents		9,652	7,292
Closing cash and cash equivalents		12,042	9,652
Reconciliation of closing cash and cash equivalents to the Statement of Financial Position:			
Cash and cash equivalents		12,042	9,652
Other bank balances (restricted use)	10, 11	7,435	5,230
Closing cash and bank balances	10	19,477	14,882

*Restated due to the implementation of the IFRS Interpretations Committee (IFRIC) agenda decision, see Note 2h.
The above Statement of Cash Flows should be read in conjunction with the accompanying notes.

Statement of Accounting Policies

1. General Information

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

The consolidated financial statements of Smartpay Holdings Limited comprise the Parent and its subsidiaries together referred to as the Group (refer Note 14).

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

2. Summary of Significant Accounting Policies

a. Statement of Compliance

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

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

The financial statements also comply with International Financial Reporting Standards (IFRS).

Use of non-GAAP measures within the financial statements

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

EBITDA - A non-GAAP measure representing Earnings before interest, tax, depreciation, amortisation expense, foreign exchange adjustments, share performance rights amortisation expense, financial instrument realised/unrealised revaluation movements, and impairment and loss on disposal of property, plant and equipment.

The financial statements were authorised for issue by the Directors on 29 May 2023.

b. Basis of Preparation

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

These financial statements are prepared on a going concern basis.

2. Summary of Significant Accounting Policies (continued)

c. Functional and Presentation Currency

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

d. Accounting Judgements and Major Sources of Estimation Uncertainty

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

The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods. Refer to Note 3 for a discussion of judgements in applying the accounting policies, and major sources of estimation uncertainty.

e. Adoption of New and Revised Standards and Interpretations

i) Standards and Interpretations Effective in the Current Period

No new standards have been implemented in the current period except the Group revised its accounting policy for the configuration and customisation costs associated with Software as a Service (SaaS) cloud computing arrangements, see Note 2h

ii) Standards on Issue Not Yet Adopted

There are no new standards awaiting implementation that will have a material impact on the Group.

f. Consolidation

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

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

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

Business Combinations

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

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

g. Foreign Currencies

i) Foreign Currency Transactions

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

2. Summary of Significant Accounting Policies (continued)

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

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

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

ii) Foreign Operations

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

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

h. Changes to comparatives

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

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

Configuration or Customisation Costs in a Cloud Computing Arrangement

In April 2021, the IFRS Interpretations Committee (IFRIC) published an agenda decision clarifying the accounting treatment for configuration and customisation costs associated with SaaS cloud computing arrangements. The new interpretation only permits capitalisation in limited circumstances and in many instances configuration and customisation costs must be recognised as an operating expense.

Under the Group's previous accounting policy, these configuration and customisation costs were recorded as Work in Progress prior to capitalisation as an intangible asset. At 31 March 2022, the value of the Work in Progress relating to SaaS cloud computing arrangements was $3,426,000. In accordance with the IFRIC agenda decision, the accounting policy should have been revised in the prior financial period and would have resulted in the costs being expensed in the year they were incurred. The accounting policy was however not revised by the Group until the current period and accordingly the adjustments arising have resulted in a prior period restatement.

The impact of the change in the Group's accounting policy in relation to SaaS cloud computing arrangements on the comparative financial statements is as follows:

2. Summary of Significant Accounting Policies (continued)

Statement of Comprehensive Income for the year ended 31 March 2022	**Previously Reported**	**Change due to IFRIC agenda decision**	**Restated**
Operating expenditure*	(36,878)	(934)	(37,812)
Earnings before interest, tax, depreciation, amortisation expense , foreign exchange adjustments, share performance rights amortisation expense, financial instrument realised/unrealised revaluation movements, and impairment and loss on disposal of property, plant and equipment	11,096	(934)	10,162
Profit before tax	2,705	(934)	1,771
Profit for the year	3,104	(934)	2,170
Basic and diluted earnings per share (cents)	1.31	(0.39)	0.92
Statement of Cash Flows for the year ended 31 March 2022			
Cash flows from operating activities			
Payments to suppliers and employees	(34,617)	(903)	(35,520)
Net cash inflow from operating activities	12,700	(903)	11,797
Cash flows from investing activities			
Payments for intangible assets	(4,384)	903	(3,481)
Net cash outflow from investing activities	(9,451)	903	(8,548)
Statement of Financial Position as at 31 March 2022			
Intangible assets	16,064	(3,426)	12,638
Total non-current assets	46,847	(3,426)	43,421
Total assets	70,578	(3,426)	67,152
Net assets	36,072	(3,426)	32,646
Retained deficits	(56,386)	(3,426)	(59,812)
Total equity	36,072	(3,426)	32,646
Statement of Financial Position as at 1 April 2021			
Intangible assets	14,660	(2,492)	12,168
Total non-current assets	39,806	(2,492)	37,314
Total assets	57,856	(2,492)	55,364
Net assets	27,534	(2,492)	25,042
Retained deficits	(59,490)	(2,492)	(61,982)
Total equity	27,534	(2,492)	25,042

*The previously reported number for operating expenditure has been adjusted by $110,000 to reflect that impairment losses on financial assets are now being presented separately on the face of the Income Statement.

i. Current versus Non Current Classification

The Group presents assets and liabilities in the Statement of Financial Position based on current / non-current classifications.

An asset is current when it is:

- expected to be realised or intended to be sold or consumed within 12 months after the reporting date; or
- is cash or a cash equivalent unless restricted from being exchanged or used to settle a liability for at least 12 months after the Reporting Date.

All other assets are classified as non-current.

A liability is current when it is:

- expected to be settled within 12 months after the reporting date; or
- there is no unconditional right to defer the settlement of the liability for at least 12 months after the reporting date.

All other liabilities are classified as non-current.

2. Summary of Significant Accounting Policies (continued)

j. Revenue Recognition

Refer to Note 5 and Note 6 for revenue streams and details of how revenue is calculated and when it is recognised.

k. Share-based Payment Transactions

Equity Settled Transaction

A long term incentive plan (LTI plan) was implemented in the prior year for key management including the Chief Executive Officer (CEO) whereby the employees render services in exchange for share performance rights (SPRs), refer to Note 27. The cost of these share based payments is recognised by expensing the fair value of SPRs granted, over the period which the employees become unconditionally entitled to these benefits.

The impact of any service and non-market vesting conditions is excluded from the fair value. Instead this is included in assumptions about the number of rights that are expected to vest. These assumptions are revised at the end of each reporting period. The impact of any revision to original estimates is recognised in the Income Statement, with a corresponding adjustment to equity.

l. Finance Costs

Interest expense is accrued on a time basis using the effective interest method and is recognised as an expense when incurred. The Group has elected to classify cashflows in respect of interest paid as operating activities.

m. Taxation

The income tax expense or benefit for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

i) Current Tax

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

ii) Deferred Tax

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill. Deferred income tax is also not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss and does not give rise to equal taxable and deductible temporary differences. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

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

Deferred tax assets and liabilities are offset where there is a legally enforceable right to offset current tax assets and liabilities and where the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

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.

iii) Goods and Services Tax (GST)

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

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

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the Statement of Financial Position.

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

n. Statement of Cash Flows

For the purpose of the Statement of Cash Flows, cash and cash equivalents comprise cash at bank and in hand, net of outstanding bank overdrafts and which are subject to an insignificant risk of changes in value.

2. Summary of Significant Accounting Policies (continued)

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

- operating activities are the principal revenue producing activities of the Group including interest payments;
- investing activities are the acquisition and disposal of long-term assets and other investments not included in cash equivalents; and
- financing activities are the fund raising activities of the Group from both owners and financiers and includes lease payments.

o. Financial Assets

Financial assets are classified into the following categories:

- at fair value through profit or loss; or
- at amortised cost; or
- at fair value through other comprehensive income (the Group has no assets of this classification).

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

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

The Group has the following classifications:

i) Financial Assets at Fair value through Profit or Loss

This category includes in-the-money derivatives. They are carried at fair value through profit or loss with changes to fair value included in the Income Statement within net finance costs.

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

ii) Financial Assets at Amortised Cost

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

Trade receivables are amounts due from customers for services performed and goods provided in the ordinary course of business. Trade receivables, which generally have 30 day terms, are recognised initially at the amount of consideration that is unconditional, unless they contain significant financing components when they are recognised at fair value. They are subsequently measured at amortised cost using the effective interest method, less loss allowance.

Impairment of Financial Assets

The Group applies the NZ IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime loss allowance for all trade receivables and contract assets.

The expected loss rates are based on the payment profiles of sales over a period of 12 months before balance date and the corresponding historical credit losses experienced within this period. The historic loss rates are adjusted to reflect current and forward looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. See Note 30d for further details.

Derecognition of Financial Assets

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

p. Derivative Financial Instruments

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

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

q. Property, Plant and Equipment

Property, plant and equipment are stated at historical cost less accumulated depreciation and any accumulated impairment losses. All other repairs and maintenance are recognised in the Income Statement as incurred.

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

2. Summary of Significant Accounting Policies (continued)

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

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

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

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

Disposal

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

r. Leases

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

Group as Lessee

The Group recognises a right-of-use asset and a lease liability at the lease inception date.

The lease liability is initially measured at the net present value of lease payments, which include fixed payments less any lease incentives receivable, and variable lease payments that are based on a rate. Lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be determined the incremental borrowing rate is used, being the rate that the Group would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions. Each lease payment is allocated between the lease liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

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

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

The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

s. Contract Costs and Intangibles

Intangible Assets

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

i) Software and development costs

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

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

2. Summary of Significant Accounting Policies (continued)

Cloud computing arrangements

The Group recognises costs incurred in configuring or customising cloud application software as an intangible asset only if the activities create a resource that the Group can control and from which it expects to benefit. Such costs are amortised over the estimated useful life of the software application on a straight-line basis. The remaining useful life is reviewed at least at the end of each reporting period and any changes are treated as changes in accounting estimates.

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

However, if the configuration and customisation were performed by the provider of the cloud application software or its subcontractor, the Group also considers whether that upfront service is distinct from the cloud computing arrangement. If it is not distinct, then the operating expense may be initially treated as a prepayment and expensed over the term of the cloud computing arrangement.

ii) Intangible Assets Acquired in a Business Combination

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

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

iii) Research

Expenditure on research activities undertaken with the prospect of gaining new technical knowledge and understanding is recognised in the Income Statement when incurred.

iv) Amortisation

Except for goodwill, intangible assets are amortised on a straight-line basis in the Income Statement (in the line depreciation and amortisation expense) over their estimated useful lives, from the date that they are available for use. The estimated useful lives for the current and comparative years are as follows:

- capitalised development costs - between three - ten years
- customer contracts - between three - ten years
- software - between three - ten years

Contract Costs

Commissions paid to secure a contract with a customer are capitalised to contract costs and classified separately and are amortised over the expected life of the contract.

t. Impairment of Non-financial Assets Other Than Goodwill

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

Any impairment loss identified is recognised immediately in the Income Statement. All impairment to non-financial assets recognised in the current and prior year relate to the impairment of terminal assets. The impairment of terminal assets is comprised of terminals held by customers that have been deemed irrecoverable and impairment of obsolete or damaged terminals.

u. Goodwill

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

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

2. Summary of Significant Accounting Policies (continued)

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

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

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

v. Financial Liabilities and Equity Instruments

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

i) Equity Instruments

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

ii) Financial Liabilities

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

Lease liabilities are explained in Note 2r.

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

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

w. Provisions and Employee Leave Benefits

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

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

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

Employee Leave Benefits

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

x. Earnings Per Share

Basic earnings per share is calculated as profit for the year attributable to shareholders of the Parent, adjusted to exclude any costs of servicing equity (other than dividends) and preference share dividends, divided by the weighted average number of ordinary shares, adjusted for any bonus element.

Diluted earnings per share are calculated as profit for the year attributable to shareholders of the Parent, adjusted for:

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

2. Summary of Significant Accounting Policies (continued)

y. Fair value of financial assets and liabilities

Fair Value Methodologies

The Group measures financial instruments such as derivatives, at fair value at each Statement of Financial Position date.

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

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

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

The principal or the most advantageous market must be accessible by the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data is available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

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

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

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

Certain Short Term Financial Assets

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

Trade Receivables

Due to the short-term nature of trade receivables, their carrying amount is considered to be the same as their fair value.

Other Financial Assets

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

Payables and Other Financial Liabilities

This category includes trade payables and accruals for which the carrying amount is considered to approximate fair value, as they are short term in nature or are payable on demand. Employee entitlements, GST payable and deferred revenue are not considered financial liabilities.

Borrowings

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

Lease Liabilities

Refer to Note 2r

z. Government Grants

Government grants that compensate the Group for expenses incurred are recognised in the Income Statement in the same periods in which the underlying expenses are recognised.

3. Significant Accounting Judgments, Estimates and Assumptions

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

Significant Accounting Estimates and Assumptions

a) Contracts with Customers

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

The Group has determined that its customers do not have the right to direct the use of the asset because the Group continues to have the right and ability to change how the EFTPOS terminal operates during the customer's contractual term. The Group determined that customers do not have the right to control the use of its terminals and therefore the arrangement does not contain a lease. Accordingly, the contracts have been accounted for as service contracts.

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

b) Impairment of Goodwill and Intangibles with Indefinite Useful Lives

The Group determines whether goodwill and intangibles with indefinite useful lives are impaired at least on an annual basis. This requires an estimation of the recoverable amount of the cash-generating units to which the goodwill and intangibles with indefinite useful lives are allocated. The assumptions used in this estimation of recoverable amount and the carrying amount of goodwill and intangibles with indefinite useful lives are discussed in Note 17, Note 18 and Note 19.

c) Recognition of software development

The Group develops software to use internally, on EFTPOS terminals or to be sold.

The Group assesses all development expenditure in accordance with the future economic benefits to determine if it fulfils the criteria for capitalisation as an intangible asset.

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

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

d) Impairment of the EFTPOS terminals

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

4. Financial Risk Management Objectives and Policies

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

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

a. Market Risk

(i) Foreign Currency Risk

The Group has a growing Australian business and an exposure to foreign exchange risk. The Group acquires terminal assets from foreign suppliers and they are denominated in United States of America dollars (USD). The Group manages foreign currency risk on outstanding liabilities by purchasing foreign currency when invoices are received. Amounts purchased are equal to the value of the invoice, thus mitigating the effects of movements in exchange rates.

(ii) Cash Flow and Fair Value Interest Rate Risk

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

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

b. Credit Risk

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

Management have a credit policy in place and the exposure to credit risk is monitored on an on-going basis. Credit checks are performed as necessary and active measures are taken to collect outstanding amounts and prevent them from becoming non-performing accounts.

Refer to Note 30d for more explanation on determining objective evidence that an impairment has occurred and an analysis of accounts overdue and concentrations of credit risk.

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

c. Liquidity Risk

Liquidity risk arises from the financial liabilities of the Group and the ability to meet its obligations to repay its financial liabilities as and when they fall due. The objective is to maintain a balance between continuity of funding and committed available credit lines.

The Group manages its liquidity by forecasting cash flows on a monthly and annual basis and monitoring the total cash flows on a regular basis (refer to Note 30f).

5. Segment Information

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

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

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

In New Zealand and Australia no single customer represents more than 10% of total revenues as such there is no concentration of customers.

The elimination of $6,937,000 (2022: $2,494,000) relates to the revenue on the sales of EFTPOS terminals from New Zealand to Australia within the Group.

Geographical Segments

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

2022 restated* Revenue	NZ $'000	AUS $'000	Elimination $'000	Total $'000
Revenue from Contracts with Customers				
Service revenue	14,133	1,931	-	16,064
Transactional income	318	31,211	-	31,529
Other service revenue	119	-	-	119
Short term rentals	104	-	-	104
Sale of goods	2,653	105	(2,494)	264
Total revenue from contracts with customers	17,327	33,247	(2,494)	48,080
Additions to non-current assets	9,145	6,010	-	15,155
Non-current assets	34,008	10,911	(1,498)	43,421

*Restated due to the implementation of the IFRS Interpretations Committee (IFRIC) agenda decision, see Note 2h.

6. Revenue

a. Revenue streams

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

b. Disaggregation of revenue from contracts with customers

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

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

Major products and service lines	2023 $'000	2022 $'000
EFTPOS terminal service	16,045	16,168
Transaction processing	60,976	31,529
Direct sales	590	264
Other	164	119
Total revenue from contracts with customers	77,775	48,080

Timing of revenue recognition	2023 $'000	2022 $'000
Services transferred at point in time	61,414	31,752
Services transferred over time	15,771	16,064
Products transferred at point in time	590	264
Total revenue from contracts with customers	77,775	48,080

Contract costs	2023 $'000	2022 $'000
Closing carrying value of contract costs	2,477	1,089

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

c. Contract balances

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

	2023 $'000	2022 $'000
Contract assets	1,394	801
Contract liabilities	(41)	(75)
	1,353	726
Contract Assets		
Opening balance	801	824
Additions	1,037	86
Transfers	(443)	(98)
Foreign exchange adjustment	(1)	(11)
Closing balance	1,394	801

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

The contract liabilities primarily relate to the advance consideration received from customers for EFTPOS service contracts, for which revenue is recognised over time. The amount of revenue recognised relating to the previous year's contract liabilitiy balance during the year ended 31 March 2023 was $49,000 (2022: $64,000).

d. Performance obligations and revenue recognition policies

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

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

i) EFTPOS terminal services

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

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

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

6. Revenue (continued)

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

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

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

Revenue recognition

The monthly payments are recognised evenly through the contract term, taking into account part months at the start and end of the contract. The deferred period included for revenue recognition and the payments are spread through the term of the contract.

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

ii) Transactional processing services

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

The transactional processing service is a bundled service made up of the following components.

- Provision of transaction processing
- Provision of support services

In respect of the transaction processing and the support services, reliance is placed on the practical expedient given that if the performance obligations were unbundled the amount recognised in the financial statements would be the same. It is therefore considered that there are two performance obligations. The bundled services are combined into a single performance obligation.

The customer consumes the benefit of the transaction bundled service at a point in time. The provision of the transaction processing and support service is a single performance obligation. The Group provides the transaction processing service and support for the duration of the contract.

Revenue recognition

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

7. Expenditure

The following items are included within the Income Statement:

Operating expenditure	**2023 $'000**	**2022 restated* $'000**
Direct costs of sales	29,464	16,469
Terminal communication and servicing costs	806	589
Compliance and information technology costs	3,743	2,252
Employee benefit expenses net of capitalised amounts	16,915	13,228
Marketing costs	6,931	3,989
Occupancy costs	320	290
Travel, accommodation and other costs	979	995
	59,158	37,812

*Employee benefit expenses net of capitalised amounts restated due to the implementation of the IFRS Interpretations Committee (IFRIC) agenda decision, see Note 2h. In addition, compliance and information technology costs has been restated as a result of impairment losses on financial assets now being presented separately on the face of the Income Statement.

Auditor's Remuneration included in operating expenditure

PricewaterhouseCoopers	**2023 $'000**	**2022 $'000**
Audit of the financial statements	341	-
	341	-

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

KPMG	**2023 $'000**	**2022 $'000**
Audit of the financial statements	-	275
Audit fee overruns for prior year	-	30
Fees for legal and tax services	-	4
Fees for legal and tax services for prior year	-	36
	-	345

Finance income	**2023 $'000**	**2022 $'000**
Interest received	(270)	(37)
	(270)	(37)

Finance costs	**2023 $'000**	**2022 $'000**
Interest on bank overdrafts and borrowings	718	399
Interest on lease liabilities	298	109
Convertible notes interest paid	-	34
Convertible notes amortisation	-	54
Interest rate swap (gains) / losses	(92)	-
Foreign exchange contract realised (gains) / losses	(16)	(21)
	908	575

Impairment and loss on disposal of property, plant and equipment	**2023 $'000**	**2022 $'000**
Merchant terminal impairment provision / (release)	(147)	87
Merchant terminal loss on disposal	385	77
	238	164

8. Income Tax (Expense) / Benefit

	2023 $'000	2022 restated* $'000
Income tax expense comprises:		
Current income tax benefit / (expense)	(1,085)	281
Deferred tax benefit / (expense)	1,970	118
Income tax benefit / (expense)	885	399
Reconciliation between charge for year and accounting profit		
Profit before tax	7,573	1,771
Income tax at 28%	(2,120)	(496)
Add / (deduct) the tax effect of:		
Non-deductible expenses	(275)	(76)
Non-assessable income	(474)	67
Temporary differences now recognised	2,991	724
Research & development tax incentive recognised	603	281
Australian tax losses	204	-
Australian tax rate differences	(44)	(101)
Income tax (expense) / benefit	885	399

*Restated due to the implementation of the IFRS Interpretations Committee (IFRIC) agenda decision, see Note 2h.

The tax rate used in the above reconciliation is the corporate tax rate applicable at 31 March 2023 payable on taxable profits under New Zealand (28%) and Australian (30%) tax law.

9. Earnings per Share

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

	2023	2022 restated*
Basic and diluted earnings per share - cents		
Profit for the year ($'000)	8,458	2,170
Weighted average number of shares ('000)	238,285	236,253
Basic and diluted earnings per share - cents	3.55	0.92

*Restated due to the implementation of the IFRS Interpretations Committee (IFRIC) agenda decision, see Note 2h.

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

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

10. Cash and Bank Balances

For the purposes of the Statement of Cash Flows, cash and cash equivalents includes cash on hand and in banks, net of outstanding overdrafts.

Cash and cash equivalents	Note	2023 $'000	2022 $'000
Cash at bank and in hand		12,042	9,652
Total cash and cash equivalents		12,042	9,652
Other bank balances			
Merchant settlement account (restricted use)	11	7,435	5,230
Total cash and bank balances		19,477	14,882

Cash at bank earns interest at floating rates based on daily bank deposit rates. The carrying amounts of cash and cash equivalents represent fair value.

11. Merchant Settlement

Merchant Settlement	2023 $'000	2022 restated* $'000
Merchant settlement account	7,435	5,230
Merchant receivables	11,817	5,316
Merchant payables	(19,251)	(10,544)
Net Merchant settlement balance	1	2

*The merchant payables account has been restated from the prior year, see Note 21.

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

12. Trade and Other Receivables

	Note	2023 $'000	2022 restated* $'000
Accounts receivable		2,159	1,930
Less expected credit losses on receivables		(571)	(453)
Merchant receivables	11	11,817	5,316
Accrued revenue (contract assets refer to Note 6c)		1,394	801
Prepayments		921	719
Acquiring facility security deposit		241	242
Total trade and other receivables		15,961	8,555

*The expected credit losses on receivables has been restated to include the provision for kit recovery, which also relates to financial assets and is assessed on a similar basis.

Trade and other receivables are held at a value equivalent to their fair value. The Group has a security deposit with Cuscal Limited as a condition of the establishment of the acquiring facility.

Movements in Provisions	2023 $'000	2022 restated* $'000
Expected credit losses on receivables		
Opening balance	(453)	(507)
Net remeasurement of loss allowance	(346)	(570)
Receivables written off	226	622
Foreign exchange adjustment	2	2
Closing balance	**(571)**	**(453)**

*The expected credit losses on receivables has been restated to include the provision for kit recovery, which also relates to financial assets and is assessed on a similar basis.

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

13. Derivative Financial Instruments

The Group entered into an interest rate swap on 6 April 2022 paying fixed at 3.585% and receiving floating at 90 day BKBM on a notional value of $5,000,000 and a maturity date of 8 April 2024. At 31 March 2023 the fair value of the interest rate swap was $92,000 (2022: Nil).

Fair Value	2023 $'000	2022 $'000
Foreign exchange contracts	-	(16)
Interest rate swaps	92	-
Total	92	(16)
Current Asset / (Liability)	92	(16)

14. Subsidiary Companies

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

	Equity Interest		Place of Incorporation	Activities
Subsidiaries	2023	2022		
Smartpay Limited	100%	100%	New Zealand	Product and services
Smartpay New Zealand Limited	100%	100%	New Zealand	Funding
Smartpay Australia Pty Limited	100%	100%	Australia	Product and services
Smartpay Rentals Pty Limited	100%	100%	Australia	Non-trading
Cadmus Payment Solutions Pty Limited	100%	100%	Australia	Non-trading
Pax Technology Pty Limited	-	100%	Australia	Liquidated
Smartpay Taxis Pty Limited	100%	100%	Australia	Non-trading
Smartpay Epayments Pty Limited	-	100%	Australia	Liquidated
Product Rentals Pty Limited	100%	100%	Australia	Non-trading

Pax Technology Pty Limited and Smartpay Epayments Pty Limited were voluntarily liquidated during the year ended 31 March 2023.

15. Property, Plant and Equipment

	Merchant terminals		Furniture, fixtures, office and computer equipment and motor vehicles		Group Total	
	2023 $'000	**2022 $'000**	**2023 $'000**	**2022 $'000**	**2023 $'000**	**2022 $'000**
Merchant terminals and other fixed assets						
Opening carrying value	7,705	6,354	344	311	8,049	6,665
Additions	-	-	310	249	310	249
Transfers from capital work in progress	7,241	4,632	-	-	7,241	4,632
Depreciation	(3,447)	(3,108)	(242)	(214)	(3,689)	(3,322)
Cost of sales	(17)	(4)	-	-	(17)	(4)
Impairment recoveries / (losses)	147	(87)	-	-	147	(87)
Disposals	(385)	(77)	-	-	(385)	(77)
Foreign exchange adjustments	(105)	(5)	(1)	(2)	(106)	(7)
Closing carrying value	11,139	7,705	411	344	11,550	8,049
Capital work in progress						
Opening carrying value	1,409	2,380	-	-	1,409	2,380
Additions	9,991	3,681	-	-	9,991	3,681
Transfers to fixed assets	(7,241)	(4,632)	-	-	(7,241)	(4,632)
Foreign exchange adjustments	(77)	(20)	-	-	(77)	(20)
Closing carrying value	4,082	1,409	-	-	4,082	1,409
Total	15,221	9,114	411	344	15,632	9,458
Reconciled to:						
Cost	24,818	23,639	1,920	1,662	26,738	25,301
Less accumulated depreciation	(13,547)	(15,652)	(1,509)	(1,318)	(15,056)	(16,970)
Less accumulated impairment losses	(132)	(282)	-	-	(132)	(282)
Closing carrying value	11,139	7,705	411	344	11,550	8,049
Capital work in progress	4,082	1,409	-	-	4,082	1,409
Total	15,221	9,114	411	344	15,632	9,458

16. Right-of-Use Assets

Right-of-use assets are principally the rental of offices and motor vehicles.

	Right-of-Use Property		Other Right-of-Use Assets		Group Total	
	2023 $'000	**2022 $'000**	**2023 $'000**	**2022 $'000**	**2023 $'000**	**2022 $'000**
Opening carrying value	5,448	419	16	19	5,464	438
Additions	189	5,781	48	14	237	5,795
Disposals	(21)	-	-	-	(21)	-
Amortisation	(1,257)	(810)	(17)	(17)	(1,274)	(827)
Foreign exchange adjustments	(4)	58		-	(4)	58
Closing carrying value	4,355	5,448	47	16	4,402	5,464
Reconciled to:						
Cost	5,846	7,267	68	63	5,914	7,330
Less accumulated amortisation	(1,491)	(1,819)	(21)	(47)	(1,512)	(1,866)
Closing carrying value	4,355	5,448	47	16	4,402	5,464

17. Contract Costs

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

	2023 $'000	2022 $'000
Opening carrying value	1,089	891
Additions	2,424	954
Amortisation	(1,057)	(754)
Foreign exchange adjustments	21	(2)
Closing carrying value	2,477	1,089

18. Intangible Assets

Intangible assets are software and development costs and customer contracts acquired as part of a historical acquisition valued at fair value.

	Software and development		Customer contracts		Group Total	
	2023 $'000	2022 restated* $'000	2023 $'000	2022 $'000	2023 $'000	2022 restated* $'000
Opening carrying value	12,285	11,391	353	777	12,638	12,168
Additions	4,189	3,539	-	-	4,189	3,539
Amortisation	(2,451)	(2,645)	(353)	(424)	(2,804)	(3,069)
Disposals	(718)	-	-	-	(718)	-
Foreign exchange adjustments	-	-	-	-	-	-
Closing carrying value	13,305	12,285	-	353	13,305	12,638
Reconciled to:						
Cost	21,674	20,492	4,235	4,235	25,909	24,727
Less accumulated amortisation	(8,369)	(8,207)	(4,235)	(3,882)	(12,604)	(12,089)
Closing carrying value	13,305	12,285	-	353	13,305	12,638

*Restated due to the implementation of the IFRS Interpretations Committee (IFRIC) agenda decision, see Note 2h.

The Directors have considered the carrying value of software and development costs and have concluded that no impairment is required.

Significant software and development

Internally developed software

The Group undertakes development in New Zealand in relation to projects on its EFTPOS terminal fleet for both New Zealand and Australia. The combination of the development undertaken in this financial year and previous financial years resulted in the completion of internally developed software amounting to $2,751,000 (2022: $4,102,000). The work in progress software amounting to $4,441,000 (2022:$3,718,000, restated due to the implementation of the IFRS Interpretation Committee (IFRIC) agenda decision, see Note 2h) relates to ongoing EFTPOS terminal development, the development of the transaction processing and merchant management system to support the merchant acquiring business.

The amount of R&D expenditure recognised as an expense during the period ended 31 March 2023 was $718,000 (2022: Nil).

19. Goodwill

	2023 $'000	2022 $'000
Opening value	14,772	14,772
Impairment losses	-	-
Balance at end of year	14,772	14,772
Reconciled to:		
Cost	14,772	14,772
Less accumulated impairment losses	-	-
Balance at end of year	14,772	14,772

Impairment

At 31 March 2023 the Directors tested the goodwill for impairment. The impairment testing was performed over the New Zealand Cash Generating Unit (CGU) on the basis that the goodwill relates only to New Zealand.

The value in use methodology has been applied using past experience of sales and expenses, whilst factoring in any anticipated changes. These cash flows are based on the Directors' view of the projected cash flows for the 31 March 2024 year and beyond that used an average growth rate of 3% (2022: 2.25%). For cash flows beyond five years a terminal value has been used based on the final of the five years net cash flows. The cash flows are discounted using a pre-tax rate of 16.73% (2022: 14.53%).

The recoverable amount was determined by taking the value in use compared to the carrying amount. The value in use was also tested against market capitalisation. This testing indicated no impairment had occurred. Adverse changes in actual performance or future rates of growth will reduce the calculated recoverable amount. An increase to the pre-tax discount rate used of 6.9%, a reduction in revenue in the five year projected cash flows of 9.5% or a 51% reduction in the terminal value is required for the carrying amount of goodwill to equal the recoverable amount.

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

In the year there have been two key changes in determining the value in use of the New Zealand CGU:

- the cost allocation has been refined to ensure only costs which relate to the New Zealand CGU are included in the calculation and expenditure relating to the Australian CGU and certain Smartpay Holdings Limited costs that were previously included in the calculation have now been excluded, which results in lower operating costs being attributed to the New Zealand CGU; and
- only forecasted costs required to maintain the New Zealand CGU have been included in the calculation and costs relating to the growth of the New Zealand CGU have been excluded.

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

20. Deferred Tax Assets / (Liabilities)

Movements in deferred tax:	2023 $'000	2022 restated* $'000
Opening balance	(99)	(217)
Charged to the Income Statement	1,970	118
Charged to Equity	281	-
Balance at end of the year	2,152	(99)
Deferred tax balance reconciliation:		
Customer contracts	-	(99)
Accruals and provisions	660	-
Share performance rights	682	-
IFRS 16 leases	135	-
Tax losses	257	-
Fixed assets and computer software	418	-
Total deferred tax balance	2,152	(99)

*The deferred tax balance reconciliation has been restated from the prior period. In the prior period, the total deferred tax liability balance was attributed to fixed assets and computer software rather than customer contracts. The impact of this correction had no impact on total deferred tax liabilities previously reported in the prior period.

Tax losses

As part of the reassessment of unrecognised deferred tax assets at the end of the reporting period, further analysis was performed over the availability of New Zealand brought forward unrecognised losses. The outcome of this assessment was that a shareholder continuity breach in a prior period was identified which reduced the losses available to carry forward as at 31 March 2022 from $17,520,000 (as disclosed in the prior period) to $2,067,000. This restatement had no impact on any of the amounts presented in the primary financial statements and the amount has been fully utilised in the current year. There are no further New Zealand losses available to carry forward.

The Group has aggregate estimated Australian net tax losses in Australian dollars of $A8,830,000 as at 31 March 2023 (31 March 2022: $A8,404,000).

The Australian tax losses can be carried forward provided that the continuity remains above 49% or the business continuity test is satisfied. Currently the shareholder continuity is above this threshold. Due to the uncertainty of when Smartpay Australia Pty Limited will generate assessable income and the associated uncertainty as to when the tax losses will be utilised, no deferred tax in respect of Australian tax losses has been recognised beyond the deferred tax liability in this reporting period. In the prior period no deferred tax was recognised in relation to Australia.

21. Trade Payables and Accruals

	Note	2023 $'000	2022 restated* $'000
Trade payables		4,795	2,536
Merchant payables	11	19,251	10,544
Accruals		3,443	2,132
Employee entitlements		1,852	1,588
Other trade payables and accruals		440	559
Total trade payables and accruals		29,781	17,359

*The merchant payables and accruals balances have been restated from the prior period. In the prior period, fees payable to card schemes of $1,323,000 were classified as merchant payables rather than accruals. The impact of this correction had no impact on total trade payables and accruals previously reported in the prior period.

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

22. Current Tax Assets / (Liabilities)

Current Tax	2023 $'000	2022 $'000
Opening balance	294	15
Charged to the Income Statement	(1,704)	-
Refundable tax credits	359	-
Research and development grants	284	279
Tax refund	(563)	-
Closing balance	(1,330)	294

Imputation credit account balances

The Group has an Imputation Credit Account (ICA) of $1,330,000 as at 31 March 2023 (2022: Nil) and no franking credit balance.

23. Borrowings

	2023 $'000	2022 $'000
Bank term loans - at amortised cost		
Current	1,000	1,000
Non-current	9,000	10,000
Total bank term loans	10,000	11,000
Other borrowings		
Current	-	279
Total other borrowings	-	279
Total borrowings	10,000	11,279

Summary of borrowing arrangements

A committed cash advance facility (CAF) was established with ASB Bank Limited (ASB) on 11 July 2012 and will expire on 1 October 2025. The Facility Limit is $10,500,000, with amounts of $250,000 payable each quarter until termination.

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

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

The specific covenants relating to financial ratios the Group was required to meet for the year ended 31 March 2023 were:

- Interest cover ratio
- Net leverage ratio

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

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

The Group also has had short term facility loans with Synergy Finance Limited. The balance as at 31 March 2023 is $nil (2022: $279,000 with interest rates of 3.78% and 3.98% and a term of 12 months).

24. Lease Liabilities

Leases as Lessee

Non-cancellable lease liabilities are payable as follows:

	2023 $'000	2022 $'000
Current	1,220	1,103
Non-current	3,634	4,650
Total lease liabilities	4,854	5,753
Amounts recognised in Statement of Comprehensive Income		
Depreciation on right-of-use assets (included in Depreciation and amortisation expense)	1,274	827
Interest expense on lease liabilities (included in Finance costs)	298	109
Amounts recognised in Statement of Cash Flows		
Interest paid	313	100
Principal elements of lease payments	1,092	664
Total cash outflow for leases	1,405	764

Leases comprise

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

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

25. Share Capital

	2023 Shares	2022 Shares	2023 $'000	2022 $'000
Authorised, issued and fully paid up ordinary shares	238,284,963	238,284,963	91,641	91,641

Reconciliation of movements in ordinary shares	2023 Shares	2022 Shares	2023 $'000	2022 $'000
Opening balance	238,284,963	232,109,592	91,641	86,663
Conversion of three convertible notes into 6,175,371 ordinary shares	-	6,175,371	-	5,002
Costs of share issues (convertible notes)	-	-	-	(24)
Closing balance	238,284,963	238,284,963	91,641	91,641

The shares issued on 21 and 29 July 2021 of 6,175,371 arose from the conversion of three convertible notes. Ordinary shares have no par value, have equal voting rights and rank equally.

Capital Management

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

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

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

26. Foreign Currency Translation Reserve

The foreign currency translation reserve comprises all exchange rate differences arising from translating the financial statements of the foreign currency operations. Movements are shown in the Statement of Changes in Equity.

27. Share Performance Rights

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

(a) Type of share-based payments

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

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

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

The Smartpay LTI plan has been accounted for as a grant of shares to employees in accordance with NZ IFRS 2.

27. Share Performance Rights (continued)

(b) Effect of share based payment transactions

Share Capital	2023 $'000	2022 $'000
Share performance rights amortisation	1,035	539
Deferred tax on share performance rights amortisation expense	281	-
	1,316	539

(c) Measurement of Fair Value

The fair value of the SPRs issued under the LTI plan during the year ended 31 March 2023 and those issued in the prior period was determined with reference to the Parent's share price on the NZX and ASX (converted to NZD) at grant date. In respect of the key management a discount was applied to reflect the probability of retention of service in estimating the number of SPRs expected to unconditionally vest.

(d) Movement in Share based payment rights

2022-2024 share performance rights	2023	2022
Opening balance	3,947,748	-
Granted	299,820	3,947,748
Forfeited	(189,648)	-
Unconditional vesting during the period	-	-
Closing balance	4,057,920	3,947,748

In the year ended 31 March 2023, 299,820 SPRs (2022: 1,708,368) were issued to key management and 189,648 were forfeited by key management.

28. Operating Cash Flows Reconciliation

	2023 $'000	2022 restated* $'000
Profit for the year	8,458	2,170
Add / (deduct) non-cash items:		
Depreciation and amortisation expense	8,824	7,972
Financing costs and merchant chargeback	56	11
Operating expenses paid through financing	352	795
Change in fair value of convertible notes	-	(909)
Share performance rights amortisation expense	1,035	539
Convertible note option and fees	-	54
Unrealised foreign exchange	(207)	87
Deferred tax (benefit) / expense	(1,970)	(118)
Impairment and loss on disposal of property, plant and equipment	238	164
Add / (deduct) changes in working capital items:		
Trade and other receivables	(481)	(256)
Derivative financial instruments	(107)	19
Payables and accruals	745	1,548
Current tax	1,623	(279)
Net cash inflow / (outflow) from operating activities	18,566	11,797

*Restated due to the implementation of the IFRS Interpretations Committee (IFRIC) agenda decision, see Note 2h.

29. Related Parties

Key management personnel of the Parent are considered to be related parties of the Group. Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including any director (whether executive or otherwise) of that entity. In relation to the Parent, the key management personnel are the Directors (which includes the Chief Executive Officer) and the direct reports to the Chief Executive Officer during the year ended 31 March 2023.

The Group provided a secured loan to Bradley Gerdis (former Chief Executive Officer) in July 2020 which was fully repaid in January 2022, which earned interest income in FY22.

Related party transactions and balances	2023 $'000	2022 $'000
Interest income	0	17
Payables	28	198

Key management personnel compensation	2023 $'000	2022 $'000
Directors' fees	308	298
Short-term employee benefits	3,550	3,386

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

30. Financial Risk Management Objectives and Policies

a. Financial Instruments by Category

2023	Measured at fair value through profit or loss $'000	Measured at amortised cost $'000	Total $'000
Financial assets:			
Cash and bank balances	-	19,477	19,477
Trade and other receivables	-	15,040	15,040
Derivative financial instruments	92	-	92
	92	34,517	34,609
Financial liabilities:			
Trade payables and accruals	-	27,513	27,513
Borrowings	-	10,000	10,000
Lease liabilities	-	4,854	4,854
	-	42,367	42,367

2022	Measured at fair value through profit or loss $'000	Measured at amortised cost restated* $'000	Total $'000
Financial assets:			
Cash and bank balances	-	14,882	14,882
Trade and other receivables	-	7,836	7,836
	-	22,718	22,718
Financial liabilities:			
Trade payables and accruals	-	15,410	15,410
Derivative financial instruments	16	-	16
Borrowings	-	11,279	11,279
Lease liabilities	-	5,753	5,753
	16	32,442	32,458

*Comparative information has been restated to ensure consistency with presentation in the current period by including accrued revenue (contract assets) as a financial asset in trade and other receivables.

30. Financial Risk Management Objectives and Policies (continued)

b. Fair value

The group uses the following methods for estimating fair values of assets carried at fair value

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

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

			Fair value measurement using		
2023	Date of valuation	Total $'000	Level 1 $'000	Level 2 $'000	Level 3 $'000
Assets and Liabilities measured at fair value					
Derivative financial liabilities:					
Interest rate swap	31-Mar-23	92	-	92	-

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

			Fair value measurement using		
2022	Date of valuation	Total $'000	Level 1 $'000	Level 2 $'000	Level 3 $'000
Assets and Liabilities measured at fair value					
Derivative financial liabilities:					
Forward exchange contracts	31-Mar-22	(16)	-	(16)	-

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

c. Foreign currency exchange risk management

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

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

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

Foreign currency translation reserve	2023 $'000	2022 $'000
Opening balance	278	361
Other comprehensive loss	(115)	(83)
Closing balance	163	278

30. Financial Risk Management Objectives and Policies (continued)

d. Credit Risk

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

Maximum exposure to credit risk at reporting date is:	2023 $'000	2022 $'000
Cash and bank balances	19,477	14,882
Derivative financial instruments	92	-
Merchant receivables	11,817	5,316
Trade receivables (net of expected credit losses on receivables)	1,588	1,477
Accrued revenue (unbilled receivables)	1,394	801
Acquiring settlement facility security deposit	241	242

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

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

Trade receivables balances are monitored on an ongoing basis. A loss allowance for expected credit losses on receivables of $571,000 (2022: $453,000) has been allowed for and is calculated based on the simplified approach for measuring expected credit losses, which uses a lifetime expected loss allowance. The lifetime expected credit loss is calculated using a provision matrix based on historical credit loss rates and adjusted for forward looking factors specific to the receivables and the economic environment.

30. Financial Risk Management Objectives and Policies (continued)

	2023			2022 restated*		
Maximum exposure to credit risk at reporting date is:	Gross carrying amount $'000	Loss rate	Loss Allowance $'000	Gross carrying amount $'000	Loss rate	Loss Allowance $'000
Merchant receivables	11,817	0.00%	-	5,316	0.00%	-
Accrued revenue (unbilled receivables)	1,394	0.00%	-	801	0.00%	-
Trade receivables - current	1,671	12.27%	205	1,733	17.48%	303
Trade receivables - salvage	488	75.0%	366	197	75.0%	150
	15,370		571	8,047		453

*The expected credit losses on receivables has been restated to include the provision for kit recovery, which also relates to financial assets and is assessed on a similar basis.

In terms of geographic location the merchant receivables category relates only to Australia and the other categories relate to both New Zealand and Australia. The merchant receivables are considered to have a very low credit risk due to the short term of settlement.

e. Interest Rate Risk

The Group has interest rate risk on the CAF facility. At 31 March 2023 if interest rates had changed by +/- 2% (2022: +/-1%) from the rates at the end of the reporting period with all other variables held constant, the Group's post tax profit for the period (annualised) would have been $112,000 lower or $112,000 higher. This sensitivity is based on reasonably possible changes over a financial year using the observed range of historical data.

f. Liquidity Risk

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

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

2023	Total $'000	<6 months $'000	6-12 months $'000	1-2 years $'000	2-5 years $'000
Borrowings**	11,721	815	795	1,648	8,463
Lease liabilities	5,300	723	710	1,398	2,469
Trade payables and accruals	27,513	27,513	-	-	-
Total	44,534	29,051	1,505	3,046	10,932

2022 restated*	Total $'000	<6 months $'000	6-12 months $'000	"-2 years $'000	2-5 years $'000
Borrowings**	12,319	1,013	696	610	10,000
Lease liabilities	6,428	628	651	1,329	3,820
Trade payables and accruals	15,410	15,410	-	-	-
	34,157	17,051	1,347	1,939	13,820

*The comparative information in relation to lease liabilities has been restated to disclose the amounts on an undiscounted cash flow basis rather than a discounted cash flow basis in the liquidity risk maturity analysis as required by NZ IFRS 7. In addition, the comparative information in relation to trade payables and accruals has been restated to exclude GST payable and employee entitlements which do not meet the definition of a financial liability.

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

31. Contingencies

Guarantees

The Group has provided bank guarantees in favour of NZX of $75,000 (2022: $75,000) and in respect of a right-of-use property asset in Australia of A$640,000 (2022: A$640,000).

32. Capital Commitments

The Group has capital commitments of $266,354 (2022: Nil) for the development of intangible assets.

33. Subsequent Events

Updated Loan agreement

As at 31 March 2023, the Group owed $10,000,000 to ASB for the CAF. Of this amount, $1,000,000 was due to be paid within the next 12 months.

On 11 May 2023, the Group entered into an amendment regarding the CAF with ASB. The amendment reduces the amount payable by the Group within the next 12 months from $1,000,000 to $0.

New Zealand Strategic Opportunity

On 26 April 2023, the Group entered into a non-binding letter of intent with its Australian processing partner to establish its acquiring product offering in New Zealand. An estimate of the financial impact of this opportunity cannot be made.

pwc

Independent auditor's report

To the shareholders of Smartpay Holdings Limited

Our opinion

In our opinion, the accompanying financial statements of Smartpay Holdings Limited (the Company), including its subsidiaries (the Group), present fairly, in all material respects, the financial position of the Group as at 31 March 2023, its financial performance and its cash flows for the year then ended in accordance with New Zealand Equivalents to International Financial Reporting Standards (NZ IFRS) and International Financial Reporting Standards (IFRS).

What we have audited

The Group's financial statements comprise:

- the statement of financial position as at 31 March 2023;
- the income statement for the year then ended;
- the statement of comprehensive income for the year then ended;
- the statement of changes in equity for the year then ended;
- the statement of cash flows for the year then ended; and
- the notes to the financial statements, which include significant accounting policies and other explanatory information.

Basis for opinion

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

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

Independence

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

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

Key audit matters

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

Description of the key audit matter	How our audit addressed the key audit matter
Impairment assessment of goodwill	
As at 31 March 2023, the Group has goodwill with a carrying value of $14,772,000 as disclosed in note 19 to the financial statements, which relates solely to the New Zealand cash-generating unit (CGU). NZ IAS 36 *Impairment of Assets* (NZ IAS 36) requires goodwill to be tested for impairment annually irrespective of whether there is any indication of impairment. Management have performed their annual goodwill impairment assessment using a value in use (VIU) model. Our audit focused on this area because there are significant judgements made by management in determining the inputs used in the VIU model to support management's goodwill impairment assessment. The most significant judgements applied are in relation to forecast cash flows for five years, the terminal growth rate, the discount rate (weighted average cost of capital) and the allocation of overheads. In addition, as disclosed in note 19, there have been two key changes in determining the VIU of the New Zealand CGU in the current year: ● the cost allocation has been refined to ensure only costs which relate to the New Zealand CGU are included in the calculation and expenditure relating to the Australian CGU and certain Smartpay Holdings Limited costs that were previously included in the calculation have now been excluded, which results in lower operating costs being attributed to the New Zealand CGU; and ● only forecasted costs required to maintain the New Zealand CGU have been included in the calculation and costs relating to the growth of the New Zealand CGU have been excluded. For the New Zealand CGU, the recoverable amount based on the VIU was higher than the carrying value and as a result, no impairment charge was recognised.	Our audit procedures performed included: ● Gaining an understanding of the business process applied by management in preparing the goodwill impairment assessment; ● Comparing the forecast cash flows for the year ended 31 March 2024 included in the goodwill impairment assessment to the budget approved by the Board of Directors; ● Challenging management's assumptions in the VIU model for the five year period, in particular around the revenue growth rate, allocation of overheads (including changes made to the VIU model during the period) and capital expenditure; ● Testing the mathematical accuracy of the VIU model used to determine the VIU of the New Zealand CGU; ● Engaging our auditor's valuation expert to assess the reasonableness of the valuation methodology and management's assumptions relating to the weighted average cost of capital and the terminal growth rate; ● Performing a sensitivity analysis over key assumptions to determine whether reasonably possible changes would result in impairment of goodwill; and ● Assessing the disclosures in the financial statements against the requirements of NZ IAS 36.

Description of the key audit matter	How our audit addressed the key audit matter
Recognition and measurement of software and development intangible assets	
As at 31 March 2023, the Group has software and development intangible assets with a carrying value of $13,305,000 as disclosed in note 18 to the financial statements, which relates primarily to internally developed software in relation to the EFTPOS terminal fleet and the merchant acquiring business. Management applies significant judgement in determining if it is correct to capitalise amounts to the statement of financial position or to expense them in accordance with NZ IAS 38 *Intangible Assets* (NZ IAS 38). NZ IAS 36 *Impairment of Assets* also requires an entity to assess at the end of each reporting period whether there is any indication that an intangible asset may be impaired. Due to the significance of the judgements involved, we considered this to be an area of focus for our audit. In April 2021, the IFRS Interpretations Committee (IFRIC) published an agenda decision clarifying the accounting treatment for configuration and customisation costs associated with Software as a Service (SaaS) cloud computing arrangements. The Group has applied this IFRIC agenda decision for the first time in the current period, which should have been applied in the prior financial period. This resulted in a prior period restatement as disclosed in note 2h to the financial statements.	Our audit procedures performed included: ● Gaining an understanding of the business process applied by management in relation to the recognition and measurement of software and development intangible assets and the assessment for impairment indicators at the end of each reporting period; ● Tracing a sample of capitalised employee time and invoices to supporting documentation and testing the nature of the expenses against the capitalisation requirements of NZ IAS 38; ● On a sample basis, comparing employee time capitalised across projects to total salary amounts at an employee level to check for duplication; ● On a sample basis, testing the judgements made around the completion dates and useful economic lives of internally developed software; ● Discussing and assessing management's intention and ability to complete projects in progress at year end; and ● Reviewing management's assessment of any indicators of impairment. As a result of the late adoption of the IFRIC agenda decision, our audit procedures performed included: ● Evaluating management's assessment of the impact of the change in accounting policy on the software and development intangible assets relating to SaaS cloud computing arrangements; ● Testing the accuracy of the retrospective restatements made to the comparative information presented in the financial statements; and ● Assessing the disclosures in the financial statements against the requirements of the accounting standards, including the adequacy of the disclosure relating to the prior period error in Note 2h as required by NZ IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors.*

Our audit approach

Overview

Overall group materiality: $777,000, which represents approximately 1% of revenue.

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

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

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

- Impairment assessment of goodwill
- Recognition and measurement of software and development intangible assets.

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

Materiality

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

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

How we tailored our group audit scope

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

Other matter

The financial statements of the Group for the year ended 31 March 2022 were audited by another firm of auditors whose report, dated 30 May 2022, expressed an unmodified opinion on those statements.

Other information

The Directors are responsible for the other information. The other information comprises the information included in the Annual report, but does not include the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and we do not express any form of audit opinion or assurance conclusion thereon.

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

Responsibilities of the Directors for the financial statements

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

https://www.xrb.govt.nz/assurance-standards/auditors-responsibilities/audit-report-1/

This description forms part of our auditor's report.

Who we report to

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

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

For and on behalf of:

PricewaterhouseCoopers

Chartered Accountants — Auckland

29 May 2023

Case Study

Cafe Zoo

30,000 great reasons to recommend Smartpay Zero Cost™ EFTPOS.

Cafe owner Marc has seen much change over 30 years in hospitality, but the increase in card payments during Covid was unprecedented and had a significant impact on his costs.

By switching to Smartpay's Zero Cost™ EFTPOS, he is saving close to $30,000 a year, which has made a huge difference to his cash flow. It's helping to fund a new kitchen, refurbish tables and cover the cost of his POS system. Marc is also impressed by how simple it was to integrate his Smartpay EFTPOS with his POS solution.

Together, all this allows his cafe to serve customers better and provide a better working environment for his busy team.

"$30,000 a year is $300,000 over 10 years. That's a heck of a lot of flat whites and brioches, right there."

Case Study

Pearfect Pantry

Happy customers, happy staff, happy bottom line

When friends Bernadette and Mel started The Pearfect Pantry over a decade ago, they were ahead of the curve. They quickly became a hit with locals, offering a menu that catered to everyone with an abundance of vegetarian and vegan options. However, when COVID hit the pair realised that, just like going gluten free for health reasons, they needed to go EFTPOS fee-free for their financial health.

In the first 12 months after COVID first appeared, they noticed more and more customers were paying with their cards and their EFTPOS fees were starting to add up. With all other expenses going up, it was very difficult to absorb. Switching to Smartpay's Zero Cost™ EFTPOS has saved their business up to $24,000 pa.

The staff at The Pearfect Pantry have also been positive about the switch. Smartpay terminals are designed for busy cafe environments and are user friendly.

"We are saving between $18,000 and $24,000 per annum. That goes a long way to help pay our rent."

Governance

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

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

This section of the Annual Report reflects the company's compliance with the requirements of the New Zealand Stock Exchange (NZX) Corporate Governance Code dated 10 December 2020.

Principle 1 – Code of Ethical Behaviour

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

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

Values, Ethics and Code of Conduct Policy

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

Securities Trading Policy

The Securities Trading Policy applies to all directors, employees and representatives of Smartpay. None of these parties may use their position of knowledge of Smartpay and its business to engage in financial products trading for personal benefit or to provide benefit to any third party.

Protected Disclosures (Protection of Whistleblowers) Policy

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

Principle 2 – Board Composition & Performance

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

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

Board Charter

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

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

Board Appointment

A policy exists to support the Director Nomination and Recruitment process.

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

Independent Directors and Residency of Directors

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

As at 31 March 2023, the Board determined the following directors are independent directors of Smartpay: Gregor Barclay, Matthew Turnbull and Geoffrey Carrick.

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

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

Subsidiary Company Directors

The Directors of each of Smartpay's subsidiary companies are all executive appointments and as at 31 March 2023 are Martyn Pomeroy and Cherise Barrie. Peter Thomas is a director of only the Australian subsidiaries.

Principle 2 – Board Composition & Performance (continued)

Board of directors and attendance

Page 24 of the Annual Report sets out information in respect to each of the directors experience, date of appointment, independence and the committees on which they have positions at 31 March 2023.

	Board		Audit and Finance Committee		Remuneration and Nominations Committee	
	Eligible to attend	Attended	Eligible to attend	Attended	Eligible to attend	Attended
Gregor Barclay*	7	6	2	1	3	3
Martyn Pomeroy	7	7	-	2	-	-
Matthew Turnbull	7	7	5	5	3	3
Geoffrey Carrick**	5	5	3	3	-	-
William Pulver***	2	2	-	-	-	-
Carlos Gil	7	6	5	5	-	-

*Gregor Barclay stepped down from the Audit and Finance Committee on 25 August 2022.

**Geoffrey Carrick was appointed to the Board on 1 June 2022 and the Audit and Finance Committee on 25 August 2022.

***William Pulver resigned from the Board on 1 June 2022.

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

The Chief Financial Officer attends all Audit and Finance Committee Meetings.

Directors have the opportunity to request training on key issues, and in the current year, this training has focused on The Aotearoa New Zealand Climate Standards. This will continue into the coming year together with Modern Slavery and CYBER.

Diversity and Inclusion Policy

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

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

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

The objectives and outcomes are set out below:

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

	31 March 2023		31 March 2022	
	Male	Female	Male	Female
Board	5 (100%)	0	5 (100%)	0
Officers*	6 (60%)	4 (40%)	6 (60%)	4 (40%)
Whole of Business	103 (64%)	57 (36%)	92 (66%)	48 (34%)

*In accordance with the NZX definition of an Officer, Officers represent the Chief Executive Officer and persons reporting directly to the Chief Executive Officer at 31 March 2023. At 31 March 2023, the persons reporting directly to the Chief Executive Officer are the Chief Financial Officer, Chief Business Officer, Chief People Officer, Chief People and Customer Officer, General Manager New Zealand, Head of Engineering, Head of Operations Australia, Head of Sales Australia and Head of Business Development Australia. The Company Secretary reports to the Chief Financial Officer and therefore is not considered to be an officer at 31 March 2023. The Head of Technology reports to the Head of Engineering and is therefore not considered an officer at 31 March 2023.

Principle 2 – Board Composition & Performance (continued)

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

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

	16 - 19	20 - 29	30 - 39	40 - 49	50 - 59	60 - 64	65+
31 March 2023	1 (1%)	46 (29%)	53 (33%)	33 (20%)	22 (14%)	3 (2%)	2 (1%)
31 March 2022	-	39 (28%)	49 (35%)	28 (20%)	19 (13%)	4 (3%)	1 (1%)

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

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

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

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

During the year, Smartpay became a member of Diversity Works NZ to support the development of diversity and inclusion in Smartpay.

Board Performance and Training

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

Principle 3 – Board Committees

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

For the year ended 31 March 2023 there were two standing committees of the Board, being the Audit and Finance Committee and the Remuneration and Nominations Committee. Albeit the NZX Code recommends a separate Nominations Committee, the Board have determined these responsibilities can be discharged by a combined Remuneration and Nominations Committee.

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

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

Audit and Finance Committee

At 31 March 2023, the members of the Audit and Finance Committee are Matthew Turnbull, Geoffrey Carrick and Carlos Gil.

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

Employees attend the Committee at the invitation of the Chair. In the year ended 31 March 2023, the Chief Financial Officer attended all Audit and Finance Committee meetings.

Remuneration and Nominations Committee

As at 31 March 2023, the members of the Remuneration and Nominations Committee are Gregor Barclay and Matthew Turnbull.

In accordance with recommendation 3.1 of the NZX Corporate Code, the Committee has a majority of members who are independent directors.

Management attend the Committee at the invitation of the Chair.

Principle 4 – Reporting and Disclosures

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

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

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

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

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

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

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

The current focus is on the requirement to report in accordance with the Aotearoa New Zealand Climate Standards and the Board is engaged in understanding Smartpay's requirements and current climate impact and this is now a standing agenda item at the Board.

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

Principle 5 – Remuneration

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

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

In accordance with the Remuneration Policy, directors are paid a basic fee for their appointment as a director. In addition directors may be paid extra remuneration for their membership of Board appointed committees and or in consideration of their appointment as Chairman or Deputy Chairman.

Directors do not receive retirement or other benefits.

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

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

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

Subsequent to this approval, with effect from 1 September 2022 the remuneration paid to the Chairman of the Audit and Finance Committee was increased from $5,000 per annum to $15,000 per annum to reflect alignment to the market. There have been no other changes to the remuneration of directors in the year ended 31 March 2023.

Please refer to the Remuneration Report for the summary of Directors and Senior Executives Remuneration.

Principle 6 – Risk Management

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

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

Smartpay is committed to actively manage all material risks in order to conduct business as usual and to accept an appropriate level of commercial, financial compliance, strategic and ESG risk consistent with desired profitability.

The risk management policy is available on Smartpay's investor website smartpayinvestor.com together with the health and safety policy.

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

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

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

Health and safety of our employees is a core responsibility of the board. A Health and Safety report is presented to the Board at each meeting summarising incidents, risks and actions undertaken.

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

In the year to 31 March 2023 there have been no notifiable events to report to Worksafe NZ or Worksafe Australia.

In the current year, reflecting the growth of Smartpay, a permanent Risk and Compliance Manager has joined the business to provide further maturity to the management of risk.

Principle 7 – Auditors

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

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

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

During the year ended 31 March 2023, the Board approved a change in external auditors following the recommendation of the Audit and Finance Committee. PricewaterhouseCoopers were appointed to replace KPMG. Callum Dixon is the lead partner and was appointed in 2022 with the first external audit opinion being provided in respect of the year ended 31 March 2023.

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

All non-audit services provided by the external auditor are subject to approval by the Audit and Finance Committee Chairman.

Smartpay does not have an internal audit function or engage an external party to undertake internal audit activities. The Audit and Finance Committee review the need for internal audit on a regular basis.

Principle 8 – Shareholder Rights and Relations

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

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

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

Smartpay presents a quarterly investor update to the market, together with the half year and full year results and associated investor presentations and the annual general meeting of shareholders. Investors are invited to engage in these structured engagements and more informally at their request. Whilst some shareholders have direct contact details, the investor website has a 'Contact Us' mechanism. Computershare are the share registrar for Smartpay and manage all formal distributions to shareholders and allows for shareholders to agree to receiving communications electronically or by mail. The contact details for Computershare are in the directory on page 100.

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

Major decisions are taken to the Annual General Meeting of Shareholders and the next Annual General Meeting will be in July 2023. The Notice of Meeting will be sent to shareholders and published on Smartpay's investor website and the NZX/ASX at least 20 working days prior to the annual shareholders meeting each year.

NZX Corporate Governance Code

The current Corporate Governance Statement references the NZX Corporate Governance Code dated 10 December 2020. The Board acknowledges that the NZX have updated the Corporate Governance Code with effect from 1 April 2023. Smartpay has not chosen to voluntarily apply the 2023 Corporate Governance Code (2023 Code) retrospectively as is allowed by the 2023 Code.

Case Study

Yellowtail

Creating a perfect payment recipe

Chef and owner of Yellowtail restaurant, Scott, knows what he wants from his suppliers: nothing short of the best. He said, "We're a fine-dining restaurant that fuses Asian, Middle Eastern and Mediterranean influences, and I'm always looking for the best quality in everything."

For payments, that meant only one thing: Smartpay and Zero Cost™ EFTPOS.

"We pride ourselves on our unique cuisine and customer service. Smartpay prides itself on its unique payment solutions and customer service. I now understand why they call them a payment specialist," said Scott.

He continued, "Thanks to Zero Cost™ EFTPOS, we are saving about $24,000 per annum, which is improving our cash flow, and helping us cover other expenses, offsetting the impact of inflation."

"Owning a fine dining restaurant means I am very time poor and Smartpay makes payments easy and hassle-free".

Remuneration Report

Smartpay recognises that its people are fundamental to its business. Smartpay wants to attract and retain the best people and to be recognised as the preferred employer in the payments industry. To this end Smartpay is committed to providing structures in its remuneration that enable it to recognise everyone's contribution to the business and to attract, reward and retain staff by providing a remuneration structure that rewards activities that are aligned to the values, performance and strategic goals of the business.

Remuneration structure

The remuneration for the company has three components as set out below.

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

Short term incentive

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

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

Long term incentive

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

Component	Description
Purpose	To secure the Chief Executive Officer and key employees for a period to support the achievement of Smartpay's longer term strategic goals and to encourage long term decision making.
LTI measurement period	Three financial years commencing 1 April 2021 and ending 31 March 2024 Where an employee subsequently joins Smartpay and is invited to participate in the LTI, the LTI measurement date will be agreed with the Board.
Vesting date	Within 10 days of the release of the audited financial results for the year ended 31 March 2024 subject to the Boards approval and with limited exceptions available to the Board subject to the continued employment of the participant at vesting date
Conditional vesting date	Upon the achievement of the annual targets, the Share Performance Rights (SPRs) will conditionally vest to the recipient. Please refer to vesting date.
Performance period	1 April to 31 March of the financial year.
Performance hurdles	**EBITDA per Share 50%** • Financial year ended 31 March 2022 $0.05 • Financial year ended 31 March 2023 $0.063 • Financial year ended 31 March 2024 $0.084 **Revenue 50%** • Financial year ended 31 March 2022 $47,383,000 • Financial year ended 31 March 2023 $66,336,200 • Financial year ended 31 March 2024 $92,870,680 Any SPRs that do not conditionally vest due to the non-achievement of a performance hurdle will roll over to the following year. The Board has the ability to make adjustments to the performance hurdles to take account of the impacts of COVID-19 in any territory that Smartpay operates.
Performance assessment	The Chief Executive Officer reviews performance against the annual budget within 10 days following the completion of the audit of the annual financial statements for the financial year to which the LTI relates. A recommendation is made to the Remuneration and Nominations Committee for review and recommendation to the Board for approval. The Board has absolute discretion in respect to the LTI.
Cessation of employment	Board discretion may be exercised.
Rights issue, bonus issue, reconstruction, takeover	In the event of a bonus issue of shares prior to the exercise date, the eligible employee is entitled to received an additional number of shares on exercise of any vested SPRs to put the eligible employee in the same position as they would have been had the eligible employee held those shares at the time of the bonus issue (amount of additional shares to be determined by the Board). The performance hurdles will be amended (subject to obtaining any necessary approvals from the NZX or the shareholders) as the Board at its absolute discretion considers appropriate.

LTI targets for the financial year ended 31 March 2022 were achieved and accordingly the tranche of SPRs related to that period conditionally vested to all participants. There were no participants who ended their tenure with Smartpay in that period.

Directors Remuneration

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

Subsequent to this approval, the remuneration paid to the Chairman of the Audit and Finance Committee was increased from $5,000 per annum to $15,000 per annum from 1 September 2022 to reflect alignment to the market. There have been no other changes to the remuneration of directors in the year ended 31 March 2023.

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

Directors received the following director's fees for the year ended 31 March 2023. All fees are in NZD.

NZ$	Base fee	Audit and Finance Committee Chair	Remuneration and Nominations Committee Chair	Total remuneration received for the year ended 31 March 2023
Gregor Barclay	90,000	-	-	90,000
Matthew Turnbull	65,000	10,000	-	75,000
Geoffrey Carrick*	59,467	-	-	59,467
William Pulver*	11,889	-	-	11,889
Carlos Gil	71,356	-	-	71,356

*William Pulver ceased to be a Director on 1 June 2022 and was replaced by Geoffrey Carrick on the same day.

Chief Executive Officer Remuneration

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

NZ$	Fixed Remuneration	STI*	LTI**	Superannuation	Other Benefits	Total Remuneration Paid
2023	514,416	247,675	-	30,909	24,749	817,749
2022	515,971	-	-	20,639	17,155	553,765
2021	408,000	350,000	-	30,320	12,588	800,908

*STI targets are set in respect of a financial year. Performance against the STI targets is reviewed 10 days after the release of the annual audited financial statements for the year to which the STI relates. Accordingly, the STI is paid in the financial year following eg; FY22 STI payment is paid in FY23.

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

The STI for the Chief Executive Officer is set as 50% of base salary, with a maximum available of 150% of this amount. The performance objectives for the Chief Executive Officers STI are agreed with the Board on an annual basis. For the year ended 31 March 2023, the performance objectives are 50% on achievement of budgeted Group Revenue and 50% on achievement of budgeted Group EBITDA.

Share performance rights (SPRs) that have been granted, conditionally vested or vested as at 31 March 2023 are set out below.

SPRs FY22 – FY24 Scheme

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

*All performance hurdles were achieved for the measurement date 31 March 2022, and accordingly all SPRs at that measurement date unconditionally vested to the Chief Executive Officer and remain subject to the achievement of the tenure hurdle only.

Employee Remuneration

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

During the year ended 31 March 2023 the number of employees (excluding the Chief Executive Officer) who received remuneration with a combined total value exceeding $100,000 is set out below.

Of the employees reported below, 41 are employed in New Zealand and 31 are employed in Australia.

NZ$	No of Employees	NZ$	No of Employees
100,000 – 110,000	11	230,001 - 240,000	-
110,001 – 120,000	10	240,001 – 250,000	-
120,001 – 130,000	10	250,001 – 260,000	1
130,001 – 140,000	9	260,001 – 270,000	2
140,001 – 150,000	6	270,001 – 280,000	-
150,001 – 160,000	4	280,001 – 290,000	2
160,001 – 170,000	2	290,001 – 300,000	1
170,001 – 180,000	3	300,001 – 310,000	3
180,001 – 190,000	3	310,001 – 320,000	-
190,001 – 200,000	1	320,001 – 330,000	1
200,001 – 210,000	1	330,001 – 340,000	-
210,001 – 220,000	-	340,001 - 350,000	-
220,001 – 230,000	1	640,001 – 650,000	1

Share performance rights (SPRs) that have been granted, conditionally vested or vested as at 31 March 2023 excluding the Chief Executive officer are set out below.

SPRs FY22 – FY24 Scheme

Grant date	Measurement date	Balance at 31 March 2022	Granted during year	Forfeited**	Balance at 31 March 2023***
21-12-2021	31-3-2022	569,456*	-	(63,216)	506,240 (conditionally vested)
21-12-2021	31-3-2023	569,456	-	(63,216)	506,240
17-6-2022	31-3-2023	-	149,910	-	149,910
21-12-2021	31-3-2024	569,456	-	(63,216)	506,240
17-6-2022	31-3-2024	-	149,910	-	149,910
Total		**1,708,368**	**299,820**	**(189,648)**	**1,818,540**

*All performance hurdles were achieved for the measurement date 31 March 2022, and accordingly all SPRs at that measurement date unconditionally vested to the participants and remain subject to the achievement of the tenure hurdle only.

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

***In accordance with the SPR rules, no SPRs vested in the year ended 31 March 2023.

Statutory Information

Directors and Former Directors

Directors

The persons who held office as directors of Smartpay Holdings Limited at any time during the year ended 31 March 2023, are as follows:

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

William Pulver ceased to be a Director on 1 June 2022 and was replaced by Geoffrey Carrick on the same day.

Subsidiary Company Directorships

The persons who held office as directors of subsidiary companies at 31 March 2023, are as follows:

Subsidiary Companies	Director
Smartpay Limited	Martyn Pomeroy, Cherise Barrie
Smartpay New Zealand Limited	Martyn Pomeroy, Cherise Barrie
Smartpay Australia Pty Limited	Martyn Pomeroy, Cherise Barrie, Peter Thomas
Smartpay Rentals Pty Limited	Martyn Pomeroy, Cherise Barrie, Peter Thomas
Smartpay Taxis Pty Limited	Martyn Pomeroy, Cherise Barrie, Peter Thomas
Cadmus Payment Solutions Pty Limited	Martyn Pomeroy, Cherise Barrie, Peter Thomas
Product Rentals Pty Limited	Martyn Pomeroy, Cherise Barrie, Peter Thomas

Pax Technology Pty Limited and Smartpay Epayments Pty Limited were voluntarily deregistered during the year ended 31 March 2023.

Gregor Barclay ceased to be a director of Smartpay Australia Pty Limited, Cadmus Payment Solutions Limited, Smartpay Rentals Pty Limited and Product Rentals Pty Limited from 31 January 2023.

Carlos Gil ceased to be the Director of Smartpay Australia Limited, Smartpay Rentals Pty Limited, Smartpay Taxis Pty Limited, Cadmus Payment Solutions Pty Limited and Product Rentals Limited from 31 January 2023.

Directors' and Senior Managers' Interests

Directors and Officers interests in external entities

In accordance with Section 140(2) of the Companies Act 1993, the directors named below have made a general disclosure of interest by a general notice disclosed to the Board and entered in the Company's interest register. General notices given by directors which remain current as at 31 March 2023 are as follows:

Gregor Barclay	
Consultant	Claymore Partners Limited
Director	Various Claymore client trustee companies
Director	Claymore Property Limited
Director	Franchised Businesses Limited
Director	Pacific Forest Products NZ Limited (and various related or subsidiary companies)
Director	Planet Fun Limited
Director	Rugby Hospitality New Zealand Limited (and related)
Director & Shareholder	Kervus Property Group Limited
Director	New Zealand Cricket Association
Chair	International Cricket Council
Director	ICC Development (International) Limited
Director	ICC Business Corporation NZ LLC
Director	Boffa Miskell Limited
Director	Ngatapa Finance Limited
Director	Ngatapa Legal Limited
Director	Ngatapa Trustees Limited
Director	Stress Crete Group, including Stress Crete Northern and Stress Crete Wellington Limited

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

Matthew Turnbull	
Director	Black Rock Capital Limited
Director	Verbier Limited
Director	Mangawara Farms Limited
Director	Browning Street Limited
Director	Pearlfisher FM Fund I GP Limited
Director	Pearlfisher FM Fund II Limited
Director	Bepure Health Limited
Director	SCA Trust Limited
Director	Mt Cardrona Station Foundation Limited

Geoffrey Carrick	
Director	Branchip Holding Limited
Chair	VCF Capital Pty Limited
Shareholder	Licentia Group Limited

Carlos Gil	
Director	Microequities Asset Management Pty Limited
Director	Complexia Pty Limited

Cherise Barrie	
Director	Aurora Financial Group Limited
Director	Aurora Capital Limited

Changes in the reporting period:

- Geoffrey Carrick made a general disclosure of an interest in Branchip Holding Limited, VCF Capital Pty Limited, Licentia Group Limited and Global Study Partners Pty Limited.
- Geoffrey Carrick subsequently made a general disclosure that he had stepped down as a director of Global Study Partners Pty Limited.
- Cherise Barrie made a general disclosure of an interest in Aurora Financial Group Limited and Aurora Capital Limited

Use of Company Information

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

Directors' and Senior Managers' Interests (continued)

The following directors held the following relevant interests in the ordinary shares of Smartpay at 31 March 2023:

Directors Interests in Shares of The Company

Director	Name of shareholder	Nature of relevant interest	Balance at 31 March 2023
Gregor Barclay	Ngatapa Trustees Ltd	Potential beneficiary under a discretionary trust	576,910
	Ngatapa Advisory Ltd	Potential beneficiary under a discretionary trust	49,404
Martyn Pomeroy	Pomeroy Asset Protection Trust	Potential beneficiary under the trust	3,399,053
Carlos Gil	Microequities Asset Management Pty Limited	Power to control the acquisition or disposal of securities or exercise the right to vote	34,609,979

William Pulver held 4,253,830 ordinary shares at the time he ceased to be a director.

In accordance with definition provided by Section 6 of the Financial Markets Conduct Act 2013 Senior Managers of the company include anyone who is not a director but occupies a position that allows that person to exercise significant influence over the management or administration of the Company. Senior Managers of the Company are required by the Financial Markets Conduct Act 2013 to disclose their interests in the Company. The Senior Managers of the Company include the Chief Executive Officer, Chief Financial Officer and Chief Business Officer.

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

Share Dealings by Directors

There have been no disclosures by Directors of the acquisitions or disposals of Smartpay shares.

Directors and Senior Managers held interests in the following unlisted share performance rights of the Company

The following directors and senior managers held interests in the unlisted SPRs of Smartpay at 31 March 2023.

The SPRs granted to Cherise Barrie were made during the year ended 31 March 2023. There were no other SPRs granted in the year.

Holder	Position	Balance at 31 March 2023
Martyn Pomeroy	Director and Senior Manager	2,239,380
Cherise Barrie	Subsidary Company Director and Senior Manager	299,820
Aidan Murphy	Senior Manager	486,276
Peter Thomas	Subsidary Company Director	294,192

NZX Waivers

There were no waivers or exemptions granted to Smartpay during the year ended 31 March 2023.

NZX Disciplinary Actions

The NZX did not take any disciplinary action against Smartpay during the year ended 31 March 2023.

Auditors Fees

PricewaterhouseCoopers were appointed as auditors of Smartpay during the year ended 31 March 2023 replacing KPMG. The audit fee payable to PricewaterhouseCoopers for the year ended 31 March 2023 is $341, 250 including disbursements.

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

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

Directors' and Officers' Insurance and Indemnity

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

Other disclosures

Donations

Smartpay does not make any political donations. Smartpay did make donations to Lifeline Australia and New Zealand, Mercy Hospice, movember and Cerebal Palsey in Australia via STEPtember to a total value of $39,000.

Apart from Lifeline, which was a donation in lieu of a Christmas gift to customers, these are all activities the Smartpay team engaged in and the company supported as part of the wellbeing programme.

Credit Rating

Smartpay does not have a credit rating.

Security Holder Information

Securities on Issue

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

238,284,963 quoted financial products issued by Smartpay. Ordinary fully paid shares, all shares in this class carry a 1 vote per share voting right.

4,057,920 unlisted share performance rights.

Range of Shareholders

As at 31 March 2023.

Range	Total holders	Units	% of Issued Capital
1 - 499	372	54,426	0.02
500 - 999	231	160,738	0.07
1000 - 1,999	361	462,388	0.19
2000 - 4,999	473	1,406,117	0.59
5,000 - 9,999	296	1,923,400	0.81
10,000 - 49,999	432	8,615,560	3.62
50,000 - 99,999	69	4,427,059	1.86
100,000 - 499,999	65	12,825,620	5.38
500,000 - 999,999	10	6,619,263	2.78
1,000,000 Over	21	201,790,392	84.68
Total	**2,330**	**238,284,963**	**100.00**

Source: Computershare

Dividends

Smartpay did not declare any dividends in the year ended 31 March 2023.

Shareholder Information

Twenty Largest Shareholders

As at 31 March 2023.

Rank	Name	Units	% of Shares
1	JP Morgan Nominees Australia Limited	53,305,092	22.37
2	National Nominees Limited - NZCSD (NNLZ90)	28,849,565	12.11
3	HSBC Custody Nominees (Australia) Limited	23,617,783	9.91
4	National Nominees Limited	22,305,630	9.36
5	Anacacia Pty Ltd (Wattle Fund A/C)	19,513,989	8.19
6	Citicorp Nominees Pty Limited	18,646,623	7.83
7	Haymaker Investments Pty Ltd (The Haymaker A/C)	6,587,422	2.76
8	New Greenwich Pty Ltd (New Greenwich S/F A/C)	4,253,830	1.79
9	Martyn Pomeroy & Sara Pomeroy (Pomeroy Asset Protection A/C)	3,399,053	1.43
10	New Zealand Depository Nominee Limited (A/C 1 Cash Account)	3,353,714	1.41
11	Microequities Asset Management Pty Ltd (Microequities Nanocap 9 A/C)	3,004,106	1.26
12	Accident Compensation Corporation - NZCSD (ACCI40)	2,592,051	1.09
13	Australian Philanthropic Services Foundation Pty Ltd (APS Foundation A/C)	2,058,457	0.86
14	UBS Nominees Pty Limited	1,981,293	0.83
15	G Chan Pension Pty Ltd (Chan Super Fund A/C)	1,808,457	0.76
16	BNP Paribas Nominees Pty Ltd (LB Au Noms Retail client DRP)	1,523,870	0.64
17	Walker & Hall Fine Gifts Limited	1,500,000	0.63
18	Broadgate Investments Pty Limited	1,374,278	0.58
19	JDA Investments Pty Limited	1,089,278	0.46
20	Vance Justin Murdoch & Karen Lisa Pease	1,025,901	0.43
	Total top 20 holders of ordinary shares	201,790,392	84.68

Source: Computershare

Substantial Security Holders

The following information is given pursuant to section 293 of the Financial Markets Conduct Act 2013. The names and holdings of Smartpay's substantial security holders is based on notices filed with Smartpay in the period to 31 March 2023.

As at 31 March 2023.

Name	Total Ordinary Shares	% of Shares on issue at March 2023
Microequities Asset Management Pty Limited	34,609,979	14.52
Milford Asset Management Limited	32,713,503	13.73
Anacacia Pty Limited	20,321,224	8.53
MA Financial Group Limited (MAF)	18,811,171	7.89

Audit of share register

As required by section 218 of the Financial Markets Conduct Act 2013 and Regulations 108 and 110 of the Financial Markets Conduct Regulations 2014 Computershares registers of security holders are audited. The most recent Independent Assurance Report in respect to the year ended 30 June 2022 was received 15 August 2022.

Directory

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Glossary

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

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

COGS
Cost of Goods Sold represent the costs associated with the provision of the services provided by the terminal. These costs form part of Operating Expenditure reported in Note 7 of the FY23 Financial Statements.

EBITDA
A non-GAAP measure representing Earnings before interest, tax, depreciation, amortisation expense, foreign exchange adjustments, share performance rights amortisation expense, financial instrument realised/unrealised revaluation movements, and impairment and loss on disposal of property, plant and equipment.

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

FY
Financial year ended 31 March.

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

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

PCP
Prior Comparable Period.

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

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

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

YoY
Year on year.

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