Smartpay Holdings Limited

|NZX : SPY | ASX : SMP | ARBN: 160 712 210 |

MARKET RELEASE **FOR IMMEDIATE RELEASE**

SMARTPAY ANNOUNCES 30 SEPTEMBER 2013 HALF YEAR RESULTS

AUCKLAND, 28 November 2013 - Smartpay (NZX: SPY, ASX: SMP), a leading provider of payments and transactional solutions in New Zealand and Australia is pleased to release its half year result for the period to 30 September 2013 which has been subject to independent auditors' review. The following documents are attached:

- Appendix 4D (as required under the ASX Listing Rules)
- Appendix 1 (as required under the NZX Listing Rules)
- Directors' Declaration
- Half Year Report for the six month period ending 30 September 2013 (including the independent auditors' Review Report).

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APPENDIX 4D (Rule 4.2A ASX Listing Rules)
HALF –YEAR REPORT FOR THE SIX MONTH PERIOD ENDED 30 SEPTEMBER 2013

Results for announcement to the market
(all comparisons to the six month period ended 30 September 2012)

Revenue and Profit	30 Sept 2013 $NZ'000	30 Sept 2012 $NZ'000	Up/Down	Movement %
Revenues from ordinary activities	11,308	7,506	⇧	51%
Profit/(Loss) after tax attributable to members	884	(2,396)	⇧	137%
Profit after tax attributable to owners	884	(2,396)	⇧	137%

Dividend Information	Dividend paid/payable date	Amount per share (cents)	Franked amount per shared (cents)	Tax rate for franking
Final 2013 dividend per share		Nil		
Interim 2014 dividend per share		Nil		
Interim dividend dates		n/a		
Ex-dividend date		n/a		
Record date for determining entitlements to dividend		n/a		
Payment date		n/a		

Net tangible assets per share	30 Sept 2013 $NZ'000	30 Sept 2012 $NZ'000
Net tangible assets per share (cents)	(6.71)	(3.88)

Details of entities over which control has been gained or lost during the period

Nil

Additional Appendix 4D disclosure requirements can be found in the attached Financial Report and the notes thereto.

This report is based on the attached Financial Report which has been subject to the independent auditors' review.

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APPENDIX 1 (NZX Listing Rules)
HALF –YEAR REPORT FOR THE SIX MONTH PERIOD ENDED 30 SEPTEMBER 2013

Results for announcement to the market
(all comparisons to the six month period ended 30 September 2012)

Reporting Period	6 months to 30 September 2013	
Previous Reporting Period	6 months to 30 September 2012	
	Amount ($NZ '000)	Percentage change
Revenue from ordinary activities	11,308	+51%
Profit (loss) from ordinary activities after tax attributable to security holders	884	+137%
Net profit (loss) attributable to security holders	884	+137%
Interim/Final Dividend	Amount per security $ NZ	Imputed amount per security
	Nil	n/a
Record Date	n/a	
Dividend Payment Date	n/a	
Comments:	As per attached report	

Additional NZX Appendix 1 disclosure requirements can be found in the attached Financial Report and the notes thereto.

This report is based on the attached Financial Report which has been subject to the independent auditor's review.

Directors' Declaration

The Directors of Smartpay Holdings Limited hereby declare that:

- The interim financial statements for the six month period to 30 September 2013, as set out on pages 4 to 18 of the Half Year Report, have been prepared in accordance with New Zealand International Financial Reporting Standards and give a true and fair view of the financial position of Smartpay Holdings Limited as at 30 September 2013; and

- In the Directors' opinion at the date of this declaration there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of directors' dated 27 November 2013 and is signed for and on behalf of the Board of Directors by the Managing Director.

For and on behalf of the Directors,

Bradley Gerdis
Managing Director

half year report

for the six months ending 30 September

2013

smartpay

payment solutions made easy

Welcome to Smartpay's Half Year Report

for the six months ending 30 September 2013

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

Contents

Reports from the Board and Management

chairman and chief executive's review

The Board of Smartpay is pleased to announce its half year results to 30 September 2013. This is a milestone result for Smartpay as the company achieved a net profit before tax for the first time in its history. This achievement reflects the culmination of the positive changes made in the business and is clear evidence that the business is now in a position of adding value to our shareholders.

Operating Results

Revenue of $11.31m was in-line with directors' expectations for the half year. EBITDA* of $4.95m included a one-off accounting benefit relating to the reversal of an over accrual for communication costs of $345k (which resulted in the negative communications costs of $68k for the period) and non-recurring costs totalling $118k which includes ASX listing costs. Normalising for these one-off items the business achieved underlying EBITDA* for the period of $4.72m.

The improvement in Net Profit After Tax (NPAT) to $884k for the half year was negatively impacted by $720k of foreign currency exchange differences. This relates to the exchange rate effects of the weakening Australian Dollar against the New Zealand Dollar on unrealised intercompany balances between our Australian and NZ businesses. This is an outcome unrelated to the operations of the business and without which NPAT would have been significantly higher. Another effect of the Australian / NZ currency movement was to increase total comprehensive income of owners by $331k due to foreign currency translation differences.

Review of Operations

The management of the business was largely occupied with implementing a program of operational efficiencies across the business following the integration of the recently acquired Viaduct business, as well as gearing up our Australian operations to take advantage of the strong growth opportunity into that market. The outcome of these efforts has resulted in significant improvements and efficiencies in Smartpay's NZ operations and an increase in our Australian sales capacity. Over the last 3 months our Australian merchant terminal sales have shown strong month-on-month growth. We expect continued growth in this part of our business will be make a material contribution to the bottom line going forward.

We have also continued to invest time and resources in the technology and product side of our business. Some technology and product highlights during the period under review include:

Mobile Payments - We have developed market leading payments products, particularly in the mobile payments space where we integrate our next generation mobile payments terminals with both smartphones and tablet computers including Apple IOS, Android and Windows devices. We are beginning to introduce these products into the NZ market and will follow with the Australian market into next calendar year. These are just a sample of a host of mobile payments opportunities we currently have under development which have the potential to transform our business going forward.

Australian Products - We have introduced a full range of contactless terminals into the Australian market, which together with a number of our value add "apps" running on those terminals, creates a unique value proposition for retail merchants in the Australian market. This unique product set combined with our growing Australian sales capability is showing tremendous promise as evidenced in the strong month-on-month growth we are seeing in our Australian merchant terminal sales.

Smartlink POS Integration - Our next generation Point Of Sale (POS) payments integration solutions are now ready for integration to POS systems. We have developed two versions of this product; our corporate level product which allows larger corporate customers to integrate our payments terminals to their PC based POS systems; and a SME level product which integrates to simpler POS systems typically found in SMEs. This is a significant market which we believe is currently under serviced based on the significant response we are seeing from the SME market to this product in Australia.

Summary and Outlook

While the half year result is pleasing in itself, of greater importance is the progress being made across the key areas of operations – covering technology, product and Australian sales. In particular the importance of our mobile strategy should not be understated as we move the business from a pure terminal focus to an increasingly mobile payments focus which we are already seeing as a lead in to the next level of pure electronic payments. This together with the traction we are building in Australian sales and the increasing efficiencies in our core business all contribute to an increasingly positive outlook for the business into next year and beyond.

Ivan Hammerschlag
Chairman

Bradley Gerdis
Chief Executive Officer

*EBITDA = Earnings Before Interest, Tax, Depreciation, Amortisation (including share option amortisation), impairments and foreign exchange adjustments

directors holding office

The profiles of the directors who held office during or since the end of the half-year are detailed below:

Ivan Jeremy Hammerschlag,

Chairman and Non-Executive Director - BCom, CTA

Ivan is an accountant and has extensive experience in retail, property and investment in both listed and unlisted companies in South Africa and Australia. In 1990, he purchased Freedom Furniture which, during Ivan's years of ownership, grew to sales in excess of A$200 million. Ivan spent 5 years in Australia working alongside private equity fund investors and was executive chairman of five of the businesses purchased by the private equity fund investors. In 2006, Ivan was instrumental in taking control of a retail conglomerate listed on the ASX called RCG Limited. At that time the market capitalisation of RCG was A$8 million and the company was in severe financial stress. Today the business is highly profitable, with a market capitalisation in excess of A$125 million. The business consists of 147 stores selling athletic and lifestyle footwear in Australia and New Zealand. It also has a wholesale division selling international brands into the Australian market.

Ivan Hammerschlag ordinarily resides in Sydney, Australia.

In addition to being Chairman of the Board, Ivan is the Chair of the Board's Remuneration and Appointments Committee.

Bradley Gavin Gerdis,

Managing Director - B.Bus (Hons), MCom

Bradley joined Smartpay in December 2011 bringing to the company expertise and experience in managing high growth payments businesses. He was a founding executive of Customers Ltd, an ASX listed ATM and payments company which grew from start-up to become Australia's largest ATM operator during his time with the business. Bradley also played a leading role as a founding director in the development of Strategic Payments Services Pty Ltd, a payments processing business in joint venture with Customers Limited, Bendigo Bank Ltd and MasterCard International. Bradley's experience includes direct investment roles with ANZ Private Equity and Gresham Private Equity. He has held executive and non-executive director positions in both publicly listed and private companies.

Bradley Gerdis ordinarily resides in Sydney, Australia.

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

Gregor John Barclay,

Non-Executive Director – LLB, Dip. Bus

Greg was a founding principal of Auckland law firm Claymore Partners and currently acts as a consultant to that firm. He specialises in commercial law including corporate structuring, mergers, acquisitions and deals with new enterprises, venture capital and project commercialism. Greg has a law degree from the University of Canterbury and a post graduate diploma qualification in marketing from Auckland University and is a member of the New Zealand Institute of Directors. He is a past or present director of some high profile New Zealand corporate or sporting entities including Rugby Sales LP (a partner in the commercial programme for Rugby World Cup 2011) and Experience Group (a leading national sports and event management company). He is currently a director of New Zealand Cricket and a former chairman of Northern Districts Cricket. He is a chairman of Pacific Forest Products Group (a significant log and export marketing company in New Zealand) and currently chairs Franchised Businesses Limited (the largest franchise company in New Zealand with over 700 Green Acres and Hire-A-Hubby franchisees).

Greg Barclay ordinarily resides in Auckland, New Zealand.

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

Matthew George Turnbull,

Non-Executive Director – BCom, CA

Matthew Turnbull is a Chartered Accountant and a member of the New Zealand Institute of Chartered Accountants. He commenced his career with PWC (then PriceWaterhouse) and has over 20 years' experience providing accounting and corporate advisory services.

Matthew has a detailed understanding of Smartpay, having assisted the company in the 2012 recapitalisation and restructure, and the recent acquisition of Viaduct.

Matthew Turnbull ordinarily resides in Auckland, New Zealand.

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

Financial Statements

condensed statement of comprehensive income

for the six months ended 30 September 2013

	Note	Group		
		30 Sept 2013 Unaudited	30 Sept 2012 Unaudited Restated	31 Mar 2013
Continuing operations		**$'000**	**$'000**	**$'000**
Revenue				
Operating lease, software and support revenue		9,564	6,261	13,960
Other service revenue		1,076	947	1,850
Sale of goods		563	210	653
Finance revenue		47	50	116
Other revenue		58	38	93
Total Revenue		11,308	7,506	16,672
Other income		-	18	50
Operating expenditure				
Buyout of customers old contracts		24	68	153
Finance lease and direct sales costs		71	40	372
Installation and transportation costs		77	68	126
Telecommunication costs of installations		346	304	619
Transactional costs		88	54	98
Other terminal costs		118	87	149
Compliance and IT		458	360	1,161
Communications		(68)	285	578
Consultancy services		3	3	72
Employee costs		4,019	2,756	5,731
Legal expenses		175	101	745
Marketing costs		123	57	(8)
Occupancy costs		448	417	821
Other administration costs		283	187	383
Travel and accommodation		197	116	254
		6,362	4,903	11,254
Earnings before interest, tax, depreciation, share option expense, amortisation, impairments, and foreign exchange adjustments		**4,946**	**2,621**	**5,468**

condensed statement of comprehensive income (continued)

for the six months ended 30 September 2013

Depreciation and amortisation	4	(1,926)	(1,889)	(4,485)
Foreign currency exchange differences		(720)	-	-
Share option amortisation		(196)	(160)	(373)
Net finance costs	4	(951)	(2,618)	(3,410)
Plant and equipment impairment		(263)	(350)	(510)
Goodwill impairment		-	-	(753)
		(4,056)	(5,017)	(9,531)
Profit / (loss) before tax		**890**	**(2,396)**	**(4,063)**
Tax expense	5	(6)	-	(974)
Profit / (loss) for the period from continuing operations of owners		**884**	**(2,396)**	**(5,037)**
Other comprehensive income				
Foreign currency translation differences for foreign operations		**331**	**(8)**	**(11)**
Total comprehensive income of owners		**1,215**	**(2,404)**	**(5,048)**
Earnings per share from continuing operations attributable to the equity holders of the company during the year	6			
Basic earnings/(loss) per share - cents		0.51 cents	(2.20) cents	(3.77) cents
Diluted earnings/(loss) per share -cents		0.51 cents	(2.20) cents	(3.77) cents

The impact of the convertible notes and share options was not dilutionary for the 3 reported periods.

condensed statement of changes in equity

for the six months ended 30 September 2013

	Group			
	Share Capital	Foreign Currency	Retained Deficits	Total Equity
	$'000	$'000	$'000	$'000
Balance at 31 March 2012 (restated)	**30,585**	**108**	**(42,348)**	**(11,655)**
Total comprehensive income of owners	-	(8)	(2,396)	(2,404)
Share issue costs	17,140	-	-	17,140
Total changes in equity	17,140	(8)	(2,396)	14,736
Balance at 30 September 2012 (unaudited - restated)	**47,725**	**100**	**(44,744)**	**3,081**
Total comprehensive income of owners	-	(3)	(2,641)	(2,644)
Share options recognised at fair value	373	-	-	373
Shares issued	6,280	-	-	6,280
Total changes in equity	6,653	(3)	(2,641)	4,009
Balance at 31 March 2013	**54,378**	**97**	**(47,385)**	**7,090**
Total comprehensive income of owners	-	331	884	1,215
Share options recognised at fair value	196	-	-	196
Shares issued	-	-	-	-
Total changes in equity	196	331	884	1,411
Balance at 30 September 2013 (unaudited)	**54,574**	**428**	**(46,501)**	**8,501**

condensed statement of financial position

for the six months ended 30 September 2013

		Group		
		30 Sept 2013	30 Sept 2012	31 Mar 2013
		Unaudited	Unaudited	
			Restated	
Current assets		**$'000**	**$'000**	**$'000**
Cash and cash equivalents		3,563	3,542	4,429
Trade and other receivables	7	2,257	1,931	2,595
Non-current assets held for sale		-	-	158
Total current assets		**5,820**	**5,473**	**7,182**
Non-current assets				
Finance and other receivables		723	978	834
Property, plant and equipment - merchant terminals	8	12,176	7,896	11,786
Property, plant and equipment - other		1,227	1,314	1,174
Intangible assets - computer software and development		3,272	3,595	3,187
Intangible assets - customer contracts	9	1,920	-	1,993
Intangible assets - goodwill		14,842	5,350	14,842
Deferred tax		-	1,473	-
Total non-current assets		**34,160**	**20,606**	**33,816**
Total assets		**39,980**	**26,079**	**40,998**
Current liabilities				
Trade payables and accruals		3,987	4,590	4,972
Provisions		50	50	50
Income tax payable		-	49	48
Borrowings	10	2,769	2,000	2,784
Total current liabilities		**6,806**	**6,689**	**7,854**
Non-current liabilities				
Borrowings	10	24,582	16,309	25,969
Deferred tax liabilities		91	-	85
Total non-current liabilities		**24,673**	**16,309**	**26,054**
Total liabilities		**31,479**	**22,998**	**33,908**
Net assets		**8,501**	**3,081**	**7,090**
Equity				
Share capital	10	54,574	47,725	54,378
Foreign currency translation reserve		428	100	97
Retained deficits		(46,501)	(44,744)	(47,385)
Total equity		**8,501**	**3,081**	**7,090**

condensed statement of cash flows

for the six months ended 30 September 2013

		Group		
		30 Sept 2013 Unaudited	30 Sept 2012 Unaudited Restated	31 Mar 2013
		$'000	**$'000**	**$'000**
Cash flows from operating activities				
Receipts from customers		11,866	8,014	15,708
Interest received		100	7	194
Payments to suppliers		(7,722)	(9,429)	(14,819)
Interest paid		(951)	(1,257)	(2,547)
Net cash inflow/(outflow) from operating activities	11	**3,293**	**(2,665)**	**(1,464)**
Cash flows from investing activities				
Purchase of merchant terminals		(2,017)	(1,160)	(1,647)
Purchase of other property, plant and equipment		(245)	(59)	(263)
Purchase of Viaduct		-	-	(14,211)
Development of computer software		(382)	(295)	(728)
Net cash inflow/(outflow) from investing activities		**(2,644)**	**(1,514)**	**(16,849)**
Cash flows from financing activities				
Proceeds from borrowings		-	19,900	33,750
Repayment of borrowings		(1,515)	(31,455)	(34,226)
Shares issued		-	15,434	19,376
Net cash inflow/(outflow) from financing activities		**(1,515)**	**3,879**	**18,900**
Net increase/(decrease) in cash equivalents		(866)	(300)	587
Add opening cash equivalents		4,429	3,842	3,842
Closing cash equivalents		**3,563**	**3,542**	**4,429**
Reconciliation of closing cash equivalents to the statement of financial position:				
Cash and cash equivalents		3,563	3,542	4,429
Closing cash equivalents		**3,563**	**3,542**	**4,429**

condensed notes to the financial statements

for the six months ended 30 September 2013

1. General Information

Smartpay Holdings Limited (the “Parent”) is a New Zealand company registered under the Companies Act 1993 and listed on the New Zealand Stock Exchange (“NZX”) and, as from, 3 September 2013 the Australian Stock Exchange ("ASX"). The Parent is an issuer in terms of the Financial Reporting Act 1993. The addresses of its registered office and principal place of business are disclosed in the directory to the interim report.

The condensed consolidated financial statements of Smartpay Holdings Limited comprise the Parent and its subsidiaries (together referred to as the “Group”). The interim report is unaudited.

The Parent is a profit-oriented entity. The Group is a provider of technology products and services to merchants and retailers in New Zealand and Australia.

2. Basis of Preparation

a. Statement of Compliance

The condensed consolidated financial statements have been prepared in accordance with generally accepted accounting practice in New Zealand and IAS 34 Interim Financial Statements. The interim report should be read in conjunction with the financial statements and related notes included in the Group's annual report for the year ended 31 March 2013.

The interim report does not include all notes of the type normally included within the annual financial report and therefore cannot be expected to provide as comprehensive an understanding of the financial performance, financial position, and financing and investing activities as the full financial report.

b. Estimates

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.

In preparing these condensed consolidated interim financial statements, the significant judgements made by management in applying the Group's accounting policies and key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements as at and for the year ended 31 March 2013.

c. Functional and Presentation Currency

The condensed consolidated financial statements for the six months ended 30 September 2013 are expressed in New Zealand dollars ($), which is the Parent's functional currency. All financial information presented in New Zealand dollars has been rounded to the nearest thousand.

d. Accounting Policies

The accounting policies are the same as those adopted in the most recent annual financial report. There are some minor changes in presentation and where these have occurred the comparable information in the prior periods has been changed to ensure consistency.

3. 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, 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 not analysed for decision making purposes to a segment level.

Geographical Segments

Geographical Segments at 30 September 2013 and 30 September 2012	New Zealand		Australia		Elimination		Total	
	2013 Unaudited	2012 Unaudited Restated	2013 Unaudited	2012 Unaudited Restated	2013 Unaudited	2012 Unaudited Restated	2013 Unaudited	2012 Unaudited Restated
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Sales - external								
Operating lease, software and support revenue	8,374	4,999	1,190	1,262	-	-	9,564	6,261
Other service revenue	852	708	224	239	-	-	1,076	947
Sale of goods	373	653	287	(4)	(97)	(439)	563	210
Finance revenue	2	3	45	47	-	-	47	50
Other revenue	58	38	-	-	-	-	58	38
Total segment sales	9,659	6,401	1,746	1,544	(97)	(439)	11,308	7,506

In New Zealand, no customer represents more than 10% of total revenues, so there is no concentration of customers. In Australia, three customers make up 97% of sales, one of those represents 48% to total Australian revenues.

4. Expenditure

	Group		
	30 Sept 2013 Unaudited	30 Sept 2012 Unaudited Restated	31 Mar 2013
Depreciation	$'000	$'000	$'000
Merchant terminals	1,247	788	2,200
Computer equipment	185	206	298
Motor vehicles	20	-	4
Other	28	6	45
Amortisation			
Customer contracts	73	-	94
Software	373	889	1,844
	1,926	1,889	4,485

	Group		
	30 Sept 2013 Unaudited	30 Sept 2012 Unaudited Restated	31 Mar 2013
Net finance costs	$'000	$'000	$'000
Other interest received	(189)	(21)	(79)
Interest on bank overdrafts and borrowings	952	1,236	2,034
Interest on convertible notes	-	111	111
Finance transaction fees amortisation	188	1,292	1,344
	951	2,618	3,410

5. Taxation Expense

	Group		
	30 Sept 2013 Unaudited	30 Sept 2012 Unaudited Restated	31 Mar 2013
Income tax expense / (credit) comprises:	$'000	$'000	$'000
Deferred tax	(6)	-	974
Income tax expense / (credit)	(6)	-	974
Reconciliation between charge for year and accounting profit			
Profit/(loss) before tax	890	(2,396)	(4,063)
Income tax at 28%	249	(671)	(1,138)
Add/(deduct) the tax effect of:			
Non-deductible expenses	92	73	326
Non-assessable income	-	-	(945)
Australian tax rate difference	4	(14)	(16)
Write off tax losses	-	-	1,009
Prior year tax losses utilised	(290)	-	-
Current year tax losses and deferred tax not recognised	(49)	612	1,738
Income tax expense	6	-	974

6. Earnings per Share

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

	Group		
	30 Sept 2013 Unaudited	30 Sept 2012 Unaudited Restated	31 Mar 2013
	$'000	$'000	$'000
Basic earnings/(loss) per share - cents			
Profit/(loss) for the period	884	(2,396)	(5,037)
Weighted average number of shares ('000)	171,752	108,676	133,572
Basic earnings/(loss) per share - cents	0.51	(2.20)	(3.77)

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

On the 21 August 2013 the Parent completed a 1:2 consolidation of its ordinary shares so the 30 September 2012 and the 31 March 2013 comparative weighted average number of shares and any other share numbers quoted for these periods have been restated to reflect the reduction in share numbers arising from the consolidation.

	Group		
	30 Sept 2013 Unaudited	30 Sept 2012 Unaudited Restated	31 Mar 2013
	$'000	$'000	$'000
Diluted earnings/(loss) per share - cents			
Diluted weighted average number of shares:			
Weighted average number of shares	171,752	108,676	133,572
Weighted average number of shares attributable to the share options and convertible notes	26,500	21,024	22,392
Diluted weighted average number of shares	198,252	129,700	155,964
Diluted earnings/(loss) per share - cents	0.51	(2.20)	(3.77)

The calculation of diluted earnings per share is based on the profit attributable to ordinary shareholders and a weighted average number of ordinary shares whether issued or able to be issued during the year. For 30 September 2013 the share options were not dilutionary so the calculation excludes the impact of 26,500,000 shares (30 September 2012: 22,500,000 and 31 March 2013: 26,500,000 shares) potentially issuable.

7. Trade and Other Receivables

	Group		
	30 Sept 2013 Unaudited	30 Sept 2012 Unaudited Restated	31 Mar 2013
	$'000	$'000	$'000
Accounts receivable	1,456	1,345	1,897
Less impairment provision on receivables	(246)	(149)	(222)
Finance lease receivable	257	257	268
Accrued revenue	440	91	327
Prepayments	325	296	236
GST	21	37	70
Other receivables	4	54	19
Total trade and other receivables	2,257	1,931	2,595

8. Property, Plant and Equipment - Merchant Terminals

Merchant terminals represents the equipment leased by customers, primarily EFTPOS terminals, under operating leases where the lease has been determined it is not a finance lease.

	Group		
	30 Sept 2013 Unaudited	30 Sept 2012 Unaudited Restated	31 Mar 2013
	$'000	$'000	$'000
Opening carrying value	11,786	7,890	7,890
Purchase of Viaduct	-	-	4,824
Additions	2,017	1,160	1,647
Depreciation	(1,247)	(788)	(2,200)
Impairment	(263)	(350)	(350)
Opening balance FX adjustment	(117)	(16)	(25)
Closing carrying value	12,176	7,896	11,786
Reconciled to:			
Cost	14,209	7,870	12,270
Less accumulated depreciation	(4,647)	(2,220)	(2,993)
Closing carrying value	9,562	5,650	9,277
Capital work in progress	2,614	2,246	2,509
Total Merchant Terminals	12,176	7,896	11,786

condensed notes to the financial statements (continued)

for the six months ended 30 September 2013

9. Customer Contracts

Customer contracts are the lease contracts purchased as part of the business combination of Viaduct and are valued at fair value.

	Group		
	30 Sept 2013 Unaudited	30 Sept 2012 Unaudited Restated	31 Mar 2013
	$'000	$'000	$'000
Opening carrying value	1,993	-	-
Purchase of Viaduct	-	-	2,087
Amortisation	(73)	-	(94)
Closing carrying value	1,920	-	1,993
Reconciled to:			
Cost	2,087	-	2,087
Less accumulated depreciation	(167)	-	(94)
Closing carrying value	1,920	-	1,993

The Viaduct purchase price adjustment finalisation will be completed within the permitted 12 months of acquisition.

10. Debt and Equity Securities

On the 21 August 2013 the Parent completed a 1:2 consolidation of its ordinary shares . There have been no new share or options issues during the period.

Share Capital	Number of Shares ('000)	$'000
Opening balance at 1 April 2013	343,504	54,378
Share consolidation 1 for 2	(171,752)	-
Share based payments: employee remuneration	-	196
Closing Balance at 30 September 2013	171,752	54,574

The total number of shares on issue at 30 September 2013 was 171,752,278 (31 March 2013: 343,504,304 shares and 30 September 2012: 302,338,023 shares). All ordinary shares are fully paid and rank equally with one vote attaching to each share. The ordinary shares have no par value.

The movement in share capital for the six months of $196,000 was the amortisation of the fair value of options issued to directors and employees in recognition for services rendered.

Debt

No new debt has been entered into, however, the existing ASB Bank facilities have been extended for 12 months and now expires on 11 July 2016. Normal quarterly repayments have been made and there has been no breach of covenants during this period.

11. Operating Cash Flows Reconciliation

	Group		
	30 Sept 2013 Unaudited	30 Sept 2012 Unaudited Restated	31 Mar 2013
	$'000	$'000	$'000
Profit/(loss) for the period	884	(2,396)	(5,037)
Add/(deduct) non-cash items:			
Depreciation & amortisation	1,926	1,889	4,485
Share based payments	196	160	726
Financing costs and bad debts	77	1,468	1,039
Foreign exchange adjustments	720	-	-
Impairment	263	350	1,263
Deferred tax	6	-	974
Add/(deduct) changes in working capital items:			
Trade and other receivables	605	(528)	(898)
Payables and accruals	(1,384)	(3,608)	(4,016)
Net cash inflow/(outflow) from operating activities	3,293	(2,665)	(1,464)

12. Commitments and Contingencies

a. Operating Lease Commitments

There has been no material change to the operating lease commitments disclosed in the most recent annual financial report.

b. Guarantees

There has been no material change to the guarantees disclosed in the most recent annual financial report.

13. Impact of Restatement

Lease Classification

In 2012, the accounting for leases was corrected and management's best estimate of the impact was included in the half year report to 30 September 2012. Subsequent to 30 September 2012 the restatement was finalised and reflected in the audited annual financial report to 31 March 2013. Consequently, we have restated the half year comparatives to reflect the adjustments required.

In the interim results for 30 September 2012, the treatment of the terminals for the bulk of the EFTPOS rental contracts were recognised as operating leases for the first time. The impact of this change was to recognise revenue from the terminals on a monthly basis over the term of the rental agreement rather than recognising the full rental revenue on a net present value basis at the inception of the lease, including having separated out the service components of the contract (software and support) and recognise as delivered.

Lease Related Adjustments

In connection with the restatement of lease classification, accounting for the leasing of EFTPOS terminals involving funding from two financiers have been corrected and the terminal assets are now not derecognised and the funding received has been accounted for as deferred revenue (and taken to earnings as services are delivered). Previously recorded intangibles arising from have been reversed as part of this restatement.

The changes to the six month period to 30 September 2012 are reported below. The impact of the restatements for the periods to 31 March 2012 and 31 March 2013 included in the audited financial statements issued for 31 March 2013 have not changed.

Restatement - Statement of Comparative period to 30 September 2012

Statement of Comprehensive Income

	As Reported	Adjustments			Restated
		Alteration to Finance Leases Changed to Operating Leases	Alterations to Other Lease Related Adjustments	Other Changes	
	$'000	**$'000**	**$'000**	**$'000**	**$'000**
Continuing operations					
Revenue	7,155	-	548	(197)	7,506
Other Income	18	-	-	-	18
Expenditure	(5,257)	100	65	189	(4,903)
Earnings before interest, tax, depreciation, share option expense, amortisation and impairments	1,916	100	613	(8)	2,621
Depreciation and amortisation	(2,761)	477	56	339	(1,889)
Share option amortisation	(160)	-	-	-	(160)
Interest expense and related costs	(2,618)	-	-	-	(2,618)
Plant and equipment impairment	-	(350)	-	-	(350)
	(5,539)	127	56	339	(5,017)
Profit / (loss) before tax	(3,623)	227	669	331	(2,396)
Basic earnings/(loss) per share - cents	(3.33) cents				(2.20) cents
Diluted earnings/(loss) per share -cents	(3.33) cents				(2.20) cents

The impact of the convertible notes and share options was not dilutionary in any of the periods.

On the 21 August 2013, the Parent completed a 1:2 consolidation of its ordinary shares, so the 30 September 2012 weighted average number of shares for this period has been restated to reflect the reduction in share numbers arising from the consolidation.

Statement of Financial Position

	As Reported	Adjustments			Restated
		Alteration to Finance Leases Changed to Operating Leases	Alterations to Other Lease Related Adjustments	Other Changes	
Current assets	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
Cash and cash equivalents	3,542	-	-		3,542
Trade and other receivables	1,774	-	310	(153)	1,931
Inventories	2,246	(2,246)	-	-	-
Total current assets	**7,562**	**(2,246)**	**310**	**(153)**	**5,473**
Non-current assets					
Finance receivables	769	-	-	209	978
Property, plant and equipment - merchant terminals	8,178	722	(1,004)	-	7,896
Property, plant and equipment - other	1,314	-	-	-	1,314
Intangible assets - computer software and development	3,595	-	-	-	3,595
Intangible assets - customer contracts	4,056	(2,098)	(1,958)		-
Intangible assets - goodwill	5,350	-	-	-	5,350
Deferred tax	1,582	(109)	-	-	1,473
Total non-current assets	**24,844**	**(1,485)**	**(2,962)**	**209**	**20,606**
Total assets	**32,406**	**(3,731)**	**(2,652)**	**56**	**26,079**
Liabilities					
Trade payables and accruals	4,590	-	-	-	4,590
Provisions	50	-	-	-	50
Income tax payable	49	-	-	-	49
Borrowings	18,309	-	-	-	18,309
Total liabilities	**22,998**	**-**	**-**	**-**	**22,998**
Net assets	**9,408**	**(3,731)**	**(2,652)**	**56**	**3,081**
Equity					
Share capital	47,725	-	-	-	47,725
Foreign currency translation reserve	(15)	(69)	-	184	100
Retained deficits	(38,302)	(3,662)	(2,652)	(128)	(44,744)
Total equity	**9,408**	**(3,731)**	**(2,652)**	**56**	**3,081**

14. Related Parties

The notes below should be read in conjunction with note 34 Related Parties in the most recent annual financial statements for the year ended 31 March 2013. The comments in the most recent financial statements unless amended below, are not materially different for the period to 30 September 2013.

Other transactions with directors and key management or entities related to them

Bradley Gerdis, Managing Director of Smartpay Holdings Limited, has changed his relationship with the company from a consultant to an employee with effect from 1 July 2013.

15. Subsequent Events

There are no subsequent events.

independent auditor's review report

KPMG

Auditors' review report

To the shareholders of Smartpay Holdings Limited

We have completed a review of the interim financial statements on pages 4 to 18 in accordance with the Review Engagement Standard RS-1 issued by the External Reporting Board. The financial statements provide information about the past financial performance of Smartpay Holdings Limited and its subsidiaries ("the Group") and its financial position as at 30 September 2013.

Directors' responsibilities

The Directors of Smartpay Holdings Limited are responsible for the preparation of interim financial statements which give a true and fair view of the financial position of the Group as at 30 September 2013 and the results of its operations and cash flows for the 6 month period ended on that date.

Reviewers' responsibilities

It is our responsibility to express an independent opinion on the interim financial statements presented by the Directors and report our opinion to you.

Basis of opinion

A review is limited primarily to enquiries of Group personnel and analytical review procedures applied to the financial data and thus provides less assurance than an audit. We have not performed an audit and, accordingly, we do not express an audit opinion.

Our firm has also provided other services to the Group in relation to taxation and general accounting services. Partners and employees of our firm may also deal with the Group on normal terms within the ordinary course of trading activities of the business of the Group. These matters have not impaired our independence as auditors of the Group. The firm has no other relationship with, or interest in, the Group.

Review opinion

Based on our review, nothing has come to our attention that causes us to believe that the interim financial statements on pages 4 to 18 do not give a true and fair view of the financial position of the Group as at 30 September 2013 and the results of its operations and cash flows for the 6 month period ended on that date in accordance with NZ IAS 34 *Interim Financial Reporting*.

Our review was completed on 27 November 2013 and our opinion is expressed as at that date.

KPMG

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Bradley Gerdis	Managing Director
Greg Barclay	Independent Director
Matthew Turnbull	Independent Director

Management

Martyn Pomeroy	General Manager New Zealand
Mark Unwin	General Manager Sales and Marketing
Peter Trengrove	Head of Finance
Linc Burgess	EFTPOS and Payments Strategy
Rowena Bowman	Company Secretary

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Stock Exchange Listing

New Zealand Securities Exchange (NZX Code: SPY)
Australian Securities Exchange (ASX Code: SMP)

Smartpay Holdings Limited

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