



MEDIA RELEASE

FOR IMMEDIATE RELEASE

**SMARTPAY TO REDUCE INTEREST COSTS
with Fixed Returns Securities Offer**

AUCKLAND, 28 March 2011 - SmartPay (NZX: SPY), a leading provider of payments and transactional solutions in New Zealand and Australia, today announced it is launching a new funding offer to the market to further reduce its current high priced corporate mezzanine debt.

SmartPay subsidiary SmartPay Investments Limited is offering Fixed Returns Securities (FRS) – redeemable preference shares with a fixed dividend of 10% per annum - up to a maximum of \$6 million for a term through to September 2014.

FRS holders will benefit from an unsecured guarantee from SmartPay and indirectly benefit from security over a range of assets of the company that return ongoing recurring revenue streams.

SmartPay will be applying to the NZX for permission to list the FRS on the NZDX with the objective of providing a platform for holders to trade these securities.

The release of the Fixed Return Securities is in line with recent announcements that the company continues to focus on reducing its operating and finance costs to increase shareholder value.

The majority of the company's existing corporate debt has interest rates ranging between 16% and 17.95%, plus fees. SmartPay Managing Director Ian Bailey says that the company's interest costs have been high this year due to the difficulties in obtaining suitable funding. This is expected to change over the next 12 months as mainstream banks are starting to show an interest in SmartPay's performance.

"In the 2010 financial year our interest costs were \$2.4 million with this expected to be over \$3 million for the year ending 31 March 2011, impacted by the rapid increase in our rental book. If the offer is fully subscribed, and combined with the lower cost funding lines for our rental book, we could expect our interest costs to reduce by between \$700K and \$1 million in the coming 2011 year when compared to the existing facilities.

"This offer is in addition to the funding offer for the company's rental book which has seen a significant increase in business over the last year and now includes Kiwibank as one of its funders.

"The company will now have two separate funding sources, one for its rental book via Smartpay Subscriptions Limited and one for its corporate requirements via this FRS offer. With these offers in the market, we now have a solid mechanism to drive growth and profits in both the NZ and Australian markets" says Bailey.

The company recently announced its plans for the Australian market which includes a listing on the ASX and the focus of senior management into that market and will be making an announcement on timing in the near future.

SmartPay Group has appointed FE Securities Limited to be the arranger for the Fixed Returns Securities issue.

ENDS

For further information contact:

Ian Bailey, Managing Director, SmartPay, Mobile +64 21 664 941

Andrew Donaldson, CEO, SmartPay +64 27 255 4682

Brenda Newth, JML Communications, +64 21 655 534

About SmartPay Limited

SmartPay is a leading provider of integrated merchant services utilising the Internet and broadband connectivity.

SmartPay's product set includes:

1. Telecommunications products and services including Voice Over IP, Broadband, EFTPOS terminals and secure EFTPOS internet connectivity
2. Audio and video, music, messaging and media via its Retail Radio product set.
3. Prepayment products and transactional processing services for the taxi industry.

SmartPay Core Products include:

- Wi-Fi – one of the largest networks in New Zealand
- In-store Audio Visual Promotional Systems – Retail Radio
- Internet enabled EFTPOS equipment sales and rental
- Gift Cards
- Secure Internet Payments
- Mobile Top-up
- Calling Cards
- Bill Payment Solutions
- Voice over IP (VOIP)
- Online Payments

| For more information visit – www.smartpay.co.nz