



Smartgroup Corporation Ltd
Half-year report

30 June 2015

ABN 48 126 266 831

Contents

Market release	2
Appendix 4D	3
Review of operations	4
Directors' report	6
Auditor's independence declaration	7
Half-year report	8
Statement of profit or loss and other comprehensive income	
Statement of financial position	
Statement of changes in equity	
Statement of cash flows	
Notes to the financial statements	12
Note 1. Basis of preparation	
Note 2. Dividends	
Note 3. Operating segments	
Note 4. Borrowings	
Note 5. Equity - issued capital	
Note 6. Earnings per share	
Note 7. Events after the reporting period	
Directors' declaration	15
Independent review report	16
Corporate directory	18

Market release

26 August 2015
ASX Market Announcements Office
ASX Limited
20 Bridge Street
Sydney, NSW, Australia, 2000

Smartgroup Corporation Ltd - Results for announcement to the market

In accordance with the Listing Rules, Smartgroup Corporation Ltd encloses for immediate release the following information:

1. Appendix 4D,
2. Review of operations, and
3. Smartgroup Corporation Ltd half-year report 2015.

Smartgroup Corporation Ltd will conduct an analyst briefing on the results at 9:30 am (Sydney time) on 27 August 2015.



Amanda Morgan
General Counsel and Company Secretary

Appendix 4D

Statutory results for announcement to the market

		\$'000
Revenue from ordinary activities	up 27.8%	to \$44,818
Profit from ordinary activities after tax attributable to the owners of Smartgroup Corporation Ltd	up 282.0%	to \$9,146
Net profit for the period attributable to the owners of Smartgroup Corporation Ltd	up 282.0%	to \$9,146

Dividend information	Amount per share (cents)	Franked amount per share (cents)	Tax rate for franking credit
Final 2014 dividend per share (paid 31 March 2015)	6.1	6.1	30%
Interim 2015 dividend per share (to be paid 30 September 2015)	7.9	7.9	30%

The record date for determining entitlement to the interim dividend is 15 September 2015.

There is no dividend reinvestment plan in place.

Net tangible assets	30 June 2015	30 June 2014
Net tangible assets per ordinary security, cents per share	10.30	(54.93)

The net tangible assets per ordinary share is calculated based on 101,461,150 ordinary shares on issue as at 30 June 2015 (30 June 2014: 78,000,000 ordinary shares), which excludes the 2,236,974 shares issued under the 2015 long-term incentive plan.

Independent auditors review

The half-year financial report for the half-year ended 30 June 2015 has been reviewed by PricewaterhouseCoopers and there is no review dispute or qualification.

Review of operations

	Consolidated		Movement %
	30 June 2015 Statutory \$'000	30 June 2014 Proforma * \$'000	
Revenue	44,818	34,780	29%
Expenses			
Employee benefits expense	(17,654)	(16,226)	9%
Administration and corporate costs	(5,074)	(3,975)	28%
Advertising and marketing expenses	(1,220)	(1,049)	16%
Occupancy expenses	(1,168)	(931)	25%
Other expenses	(1,708)	(539)	217%
Depreciation expense	(482)	(550)	-12%
Earnings before interest, tax and amortisation (EBITA)	17,512	11,510	52%
Amortisation expense	(3,846)	(6,304)	-39%
Finance costs	(458)	(300)	53%
Profit before income tax for the half-year	13,208	4,906	169%
Income tax expense	(4,062)	(1,400)	190%
Profit after income tax for the half-year	9,146	3,506	161%
Add back: Amortisation, tax effected	2,692	4,413	-39%
Add: Cash tax benefit on deductible amortisation	619	619	0%
Net profit after tax and amortisation (NPATA) **	12,457	8,538	46%
EBITA margin	39%	33%	6 pts
NPATA margin	28%	25%	3 pts
Net cash inflow from operating activities	9,295	11,300	-18%
	Cents	Cents	
NPATA per share ***	12.0	8.2	46%
Dividends declared per share ***	7.9	-	-

* Based on proforma financial results which management believes best represent the underlying financial results of the group. The proforma financial results are reconciled to the statutory results in the 2014 Half Year Accounts.

** NPATA reflects the net profit after tax, adjusted to exclude the non-cash tax-effected amortisation of intangible assets.

*** NPATA per share and Dividends declared per share are based on the number of shares legally on issue at 30 June 2015, being 103,698,124 shares, which includes the 2,236,974 shares held by the Company under the Loan Funded Share Plan (LFSP).

Financial performance

Smartgroup's half-year 2015 financial results have shown strong growth with revenues of \$44.8m and EBITA of \$17.5m representing increases of 29% and 52% respectively from the prior corresponding period. The half-year 2015 NPATA of \$12.5m represents growth of 46% from half-year 2014. Revenue, EBITA, PBT, PAT, NPATA earnings and net cash inflow from operating activities include \$1.2m (after tax) of unusual earnings arising from one time income from supplier based payments. Adjusting for the unusual earnings, half-year 2015 NPATA would be \$11.3m representing growth of 32% from half-year 2014.

Smartgroup's EBITA margin for the half-year 2015 of 39% is an increase from prior corresponding period of 18%. Revenues increased 29% due primarily to increases in novated leasing and novated leasing product volumes together with stronger product margins. Relative to revenues, total costs, excluding amortisation and IPO costs (from 2014) only increased by 17%. Staff costs, as a percentage of revenues, was 39%, a significant improvement from 47% in the prior corresponding period, arising from strengthening in product margins and continued operational efficiencies.

Smartgroup's cashflow from operations, at \$9.3m for the half year ended 30 June 2015, approximates 75% of NPATA compared to \$11.3m and 132% of NPATA for the prior corresponding period. The difference is attributable to a timing difference on supplier payments that had occurred in early January 2015. Excluding this timing difference, the cashflow on operations would approximate 101% of NPATA.

Review of operations (cont'd)

Financial performance (cont'd)

Smartgroup's balance sheet continues to strengthen. As at 30 June 2015, Smartgroup is in a debt free position with \$9.1m of cash at hand. This is an improvement of \$3.2m from 31 December 2014 where Smartgroup had a net cash position of \$5.9m.

Smartgroup has declared an interim fully franked dividend of 7.9 cents per share. The record date is 15 September 2015 and it will be paid on 30 September 2015. This compares to a nil dividend position for the prior corresponding period.

Customers

Smartgroup was pleased to announce in June 2015 that the Department of Defence has signed a new contract to continue receiving salary packaging services exclusively from Smartgroup, effective from 1 July 2015. The term of the agreement, including all possible extensions, runs until 30 June 2021. Defence is a large existing client for whom Smartgroup has provided salary packaging services since 1999.

During the first half of 2015 Smartgroup completed the implementation of two significant salary packaging client contract wins with Peter MacCallum Cancer Centre (c.1,900 packages) and NSW Health Pathology (c.2,700 packages). Further, Smartgroup was added to the panel to provide salary packaging for CSIRO, an employer with c.5,000 eligible employees. As at 30 June 2015, Smartgroup managed salary packages of 122,054 employee customers, an increase of 3,398 customers, representing growth of 3% from the year ended 31 December 2014. This growth from 31 December 2014 is primarily attributable the new clients above which offsets the loss of Western Health with c.4,400 packages as they transition to another provider from 1 April 2015. Organic package growth for the six months was c.3,100 packages.

Operations

Customer engagement

Smartgroup believes that the best proponent of its services comes from word-of-mouth customer referrals. As such, Smartsalary introduced Net Promoter Score (NPS) in 2009 as a key metric to measure the quality of employee customer engagement. NPS ranges from -100% to +100%. Smartsalary's NPS score for the 12 months to 30 June 2015 was 45%, a level attained by few organisations nationally.

Smartsalary was first accredited by the Customer Service Institute of Australia (CSIA) in 2008. It was the NSW State Winner of the Australian Service Excellence Award (Medium Business Category) in 2011, 2012, 2013 and again in 2014 and was the National Winner of the Australian Service Excellence Award (Medium Business Category) in 2012. Additionally, in 2014, our Chief Operating Officer, Michael Ellies, was named the NSW Customer Service Executive of the Year. Smartsalary is currently going through the accreditation process with the CSIA for 2015.

Employee engagement accreditation

People are at the foundation of our strategy and in 2013 and 2014 Smartsalary was one of only a handful of companies in Australia and New Zealand to be accredited as an Aon Hewitt Best Employer. For 2015 our engagement score is 71%, which puts us within the top quartile of engaged workplaces in the country and well inside the high engagement zone. Unfortunately, we were not accredited as best employer for 2015 and we are focussing on the feedback received by our team to improve on the areas of opportunity and increase levels of engagement. Simultaneously, we continue to drive the positive aspect of our diverse and inclusive environment, our strong focus on customers, the collaborative workplace and the strength of our brand's reputation in the market.

Innovation and operational efficiencies

Smartgroup introduced innovation as a core capability in 2012. Smartsalary has since been recognised for the second year running in the BRW list of Australia's 50 Most Innovative Companies and is currently working towards implementing 100 staff generated ideas for the calendar year.

In late 2014 Smartgroup launched its E-sign program aimed at reducing paperwork and delays in novated lease applications. During 2015 we have seen more employer clients adopting the program, enabling our employee customers to submit paperless online credit applications, complete with electronic signatures, which have reduced processing times by 75%.

A major driver of efficiency is the increasing uptake of online self-service by employee customers. Smartphone access constitutes 30% of Smartsalary's website traffic and is growing. In response, Smartgroup is finalising a major enhancement of its www.smartsalary.com.au website to be mobile friendly. This development will ensure that employee customers have full and easy access across all devices to their salary packaging accounts for new product sign-ups, benefit claims and reporting.

Directors' report

The directors present their report, together with the financial statements, on the consolidated entity (referred to hereafter as the 'Group') consisting of the Smartgroup Corporation Ltd (referred to hereafter as the 'Company' or 'parent entity') and the entities it controlled for the half-year ended 30 June 2015.

Directors

The following persons were directors of Smartgroup Corporation Ltd for the half-year ended 30 June 2015 and up to the date of this report, unless otherwise stated.

Michael Carapiet (Chairman)
Deven Billimoria
John Prendiville
Gavin Bell
Andrew Bolam
Dr Ian Watt (appointed 1 July 2015)

Principal activities

During the half-year the principal activities of the Group consisted of salary packaging administration and fleet management services.

Review of operations

The profit after tax for the Group is \$9,146,000 (30 June 2014: loss of \$5,024,000). Refer to the Review of operations for further commentary on the results.

Dividends

On 26 August 2015, the directors declared a fully-franked dividend of 7.9 cents per ordinary share. The record date is 15 September 2015 and the dividend will be paid on 30 September 2015.

Rounding of amounts

The Company is of a kind referred to in Class Order 98/100, issued by the Australian Securities and Investments Commission, relating to 'rounding off'. Amounts in this report have been rounded off in accordance with that Class Order to the nearest thousand dollars, or in certain cases, the nearest dollar.

This report is made in accordance with a resolution of directors.

On behalf of the directors,



Michael Carapiet
Chairman
26 August 2015, Sydney

Auditor's independence declaration



Auditor's Independence Declaration

As lead auditor for the review of Smartgroup Corporation Ltd for the half-year ended 30 June 2015, I declare that to the best of my knowledge and belief, there have been:

- a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
- b) no contraventions of any applicable code of professional conduct in relation to the review.

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

A handwritten signature in black ink, appearing to read 'S. Walsh', is written over a faint, light-colored signature line.

Scott Walsh
Partner
PricewaterhouseCoopers

Sydney
26 August 2015

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Liability limited by a scheme approved under Professional Standards Legislation.

Statement of profit or loss and other comprehensive income

For the half-year ended 30 June 2015

	Notes	Consolidated	
		30 June 2015 \$'000	30 June 2014 \$'000
Revenue		44,818	35,066
Expenses			
Employee benefits expense		(17,654)	(16,226)
Administration and corporate costs		(5,074)	(3,775)
Depreciation expense		(482)	(550)
Amortisation expense		(3,846)	(6,304)
Advertising and marketing expenses		(1,220)	(1,049)
Occupancy expenses		(1,168)	(931)
Transaction costs on initial public offering		-	(10,636)
Other expenses		(1,708)	(539)
Finance costs		(458)	(1,835)
Profit/(loss) before income tax		13,208	(6,779)
Income tax		(4,062)	1,755
Profit/(loss) after income tax for the half-year attributable to the owners of Smartgroup Corporation Ltd		9,146	(5,024)
Other comprehensive income for the half-year, net of tax		-	-
Total comprehensive income for the half-year attributable to the owners of Smartgroup Corporation Ltd		9,146	(5,024)
		Cents	Cents
Basic earnings / (loss) per share	6	9.01	(6.44)
Diluted earnings / (loss) per share	6	9.01	(6.44)

The above statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes.

Statement of financial position

As at 30 June 2015

	Notes	Consolidated	
		30 June 2015	31 December 2014
		\$'000	\$'000
Assets			
Current assets			
Cash and cash equivalents		9,069	27,823
Trade and other receivables		10,097	8,753
Income tax receivable		-	99
Other current assets		2,657	2,219
Total current assets		21,823	38,894
Non-current assets			
Deferred tax asset		5,029	4,903
Property and equipment		3,249	3,631
Goodwill		52,208	52,208
Identifiable intangible		6,449	10,295
Other non-current assets		-	576
Total non-current assets		66,935	71,613
Total assets		88,758	110,507
Liabilities			
Current liabilities			
Trade and other payables		14,169	17,168
Income tax payable		1,057	-
Provisions		3,086	3,765
Other current liabilities		319	771
Total current liabilities		18,631	21,704
Non-current liabilities			
Provisions		1,018	967
Other non-current liabilities		-	17
Borrowings	4	-	21,900
Total non-current liabilities		1,018	22,884
Total liabilities		19,649	44,588
Net assets		69,109	65,919
Equity			
Issued capital	5	62,013	62,013
Reserves		1,133	900
Retained profits		5,963	3,006
Total equity		69,109	65,919

The above statement of financial position should be read in conjunction with the accompanying notes.

Statement of changes in equity

For the half-year ended 30 June 2015

Consolidated	Issued capital \$'000	Reserves \$'000	Retained profits \$'000	Total equity \$'000
Balance at 31 December 2013	26,000	-	3,965	29,965
Loss after income tax for the half-year	-	-	(5,024)	(5,024)
Other comprehensive income for the half year, net of tax	-	-	-	-
Total comprehensive loss for the half-year	-	-	(5,024)	(5,024)
<i>Transactions with owners in their capacity as owners:</i>				
Share-based payments	-	900	-	900
Balance at 30 June 2014	26,000	900	(1,059)	25,841
Balance at 31 December 2014	62,013	900	3,006	65,919
Profit after income tax for the half-year	-	-	9,146	9,146
Other comprehensive income for the half year, net of tax	-	-	-	-
Total comprehensive income for the half-year	-	-	9,146	9,146
<i>Transactions with owners in their capacity as owners:</i>				
Employee options	-	233	-	233
Dividends paid	-	-	(6,189)	(6,189)
Balance at 30 June 2015	62,013	1,133	5,963	69,109

The above statement of changes in equity should be read in conjunction with the accompanying notes.

Statement of cash flows

For the half-year ended 30 June 2015

	Consolidated	
	30 June 2015	30 June 2014
	\$'000	\$'000
Cash flows from operating activities		
Receipts from customers (inclusive of GST)	47,218	37,555
Payments to suppliers and employees (inclusive of GST)	(35,050)	(24,127)
Payments to suppliers and employees in relation to transaction costs (inclusive of GST)	-	(4,871)
Interest received from operations	519	364
Interest paid	(360)	(3,419)
Income taxes paid	(3,032)	(1,604)
Net cash from operating activities	9,295	3,898
Cash flows from investing activities		
Interest received from investments	241	286
Payments for purchase of property and equipment	(101)	(190)
Net cash from investing activities	140	96
Cash flows from financing activities		
Payments for qualifying transaction costs in relation to the issue of shares	-	(203)
Repayments of bank borrowings	(22,000)	(2,620)
Dividends paid	(6,189)	-
Net cash used in financing activities	(28,189)	(2,823)
Net (decrease)/increase in cash and cash equivalents	(18,754)	1,171
Cash and cash equivalents at beginning of the financial half-year	27,823	16,850
Cash and cash equivalents at end of the financial half- year	9,069	18,021

The above statement of cash flows should be read in conjunction with the accompanying notes.

Notes to the financial statements

Note 1. Basis of preparation

Smartgroup Corporation Ltd ('the Company') is a company limited by shares, incorporated and domiciled in Australia. The financial report covers the consolidated entity (referred to hereafter as the 'Group') consisting of the Company and the entities it controlled for the half-year ended 30 June 2015.

The consolidated half-year financial report is a general purpose financial report prepared in accordance with Australian Accounting Standard Board ('AASB') 134 'Interim Financial Reporting' and the Corporations Act 2001.

This half-year financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 31 December 2014 and any public announcements made by the Company during the interim reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001. Some expenses have been reclassified in nature in the Statement of profit or loss and comprehensive income, including the comparatives, to enhance comparability. There has been no impact to Earnings before interest, tax and amortisation or Profit after tax.

The Company is of a kind referred to in Class Order 98/100, issued by the Australian Securities and Investments Commission, relating to 'rounding-off'. Amounts in this report have been rounded off in accordance with that Class Order to the nearest thousand dollars, or in certain cases, the nearest dollar.

The principal accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period.

New, revised or amending Accounting Standards and Interpretations adopted

The Group has adopted all of the new, revised or amending Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period. The adoption of these Accounting Standards and Interpretations did not have any significant impact on the financial performance or position of the Group.

Any new, revised or amending Accounting Standards or Interpretations that are not yet mandatory have not been adopted early.

Impact of standards issued but not yet applied by the Group

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet mandatory, have not been adopted early by the Group for the half-year ended 30 June 2015. The Group's assessment of the impact of these new or amended Accounting Standards and Interpretations, most relevant to the Group, are set out below.

AASB 9 Financial Instruments and its consequential amendments

These standards are applicable to annual reporting periods beginning on or after 1 January 2018. AASB 9 has been revised and reissued and completes the project to replace IAS 39 (AASB 139) 'Financial Instruments: Recognition and Measurement' and IAS 32 (AASB 132) 'Financial instruments: Presentation'. The Group will adopt these standards from 1 January 2018 but the impact of their adoption is not expected to be material.

IFRS 15 Revenue from Contracts with Customers

This standard is expected to be applicable to annual reporting periods beginning on or after 1 January 2018. The standard provides a single standard for revenue recognition. The core principle of the standard is that an entity will recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The Group will adopt this standard from 1 January 2018 but the impact of its adoption is yet to be assessed by the Group.

Note 2. Dividends

On 26 August 2015, the directors declared a fully-franked dividend of 7.9 cents per ordinary share. The record date is 15 September 2015 and the dividend will be paid on 30 September 2015.

Notes to the financial statements (cont'd)

Note 3. Operating segments

Reportable segments

The Group is organised into two operating segments: salary packaging and fleet management. Salary packaging provides outsourced salary packaging services, novated leasing financing and management, salary packaging software solutions and the marketing of salary packaging debit cards. Fleet management provides end-to-end fleet management services and distribution of vehicle insurances. These operating segments are based on the internal reports that are reviewed and used by the Chief Executive Officer and Chief Financial Officer (who are identified as the Chief Operating Decision Makers ('CODM')) in assessing performance and in determining the allocation of resources. There is no aggregation of operating segments.

	Salary Packaging \$'000	Fleet Management \$'000	Intersegment eliminations / unallocated \$'000	Total \$'000
Half-year ended 30 June 2015				
Revenue				
Sales to external customers	40,317	4,260	-	44,577
Intersegment sales	-	(699)	699	-
Total sales revenue	40,317	3,561	699	44,577
Finance revenue	-	-	241	241
Total revenue	40,317	3,561	940	44,818
Segment results (EBITA)	16,057	2,956	(1,501)	17,512
Amortisation expense				(3,846)
Finance cost				(458)
Consolidated profit before income tax				13,208
Income tax				(4,062)
Consolidated profit after income tax				9,146
30 June 2015				
Assets				
Segment assets	73,082	11,829	3,847	88,758
Consolidated total assets				88,758
Liabilities				
Segment liabilities	13,864	3,861	1,924	19,649
Consolidated total liabilities				19,649
Half-year ended 30 June 2014				
Revenue				
Sales to external customers	31,180	3,600	-	34,780
Intersegment sales	-	(635)	635	-
Total sales revenue	31,180	2,965	635	34,780
Finance revenue	-	-	286	286
Total revenue	31,180	2,965	921	35,066
Segment results (EBITA)	10,201	2,208	(11,049)	1,360
Amortisation expense				(6,304)
Finance cost				(1,835)
Consolidated profit before income tax				(6,779)
Income tax				1,755
Consolidated profit after income tax				(5,024)
31 December 2014				
Assets				
Segment assets	63,508	13,983	33,016	110,507
Consolidated total assets				110,507
Liabilities				
Segment liabilities	17,284	8,447	18,857	44,588
Consolidated total liabilities				44,588

Notes to the financial statements (cont'd)

Note 4. Borrowings

The bank loan was fully repaid in June 2015. The following bank facilities remain available to the Group:

- Tranche A facility: a three year bullet revolving term facility for \$22 million;
- Tranche B facility: a three year interest only, revolving working capital facility for \$5 million;
- Tranche C facility: a three year letter of credit facility for \$3 million; and
- Ancillary facilities: credit card and electronic pay away facility for \$1.85 million.

Tranche A Facility and Tranche B Facility are subject to a variable interest rate, which is based on BBSY plus a margin. The banking facilities mature on 1 July 2017. The banking facilities are guaranteed and secured by the Company and certain of the Company's subsidiaries.

The Group is subject to certain financing arrangements covenants and meeting these is given priority in all capital risk management decisions. These covenants include leverage and interest cover ratios with reference to recurring earnings before interest, tax, depreciation and amortisation, and a distribution restriction on dividends. There have been no events of default on the financing arrangements during the period.

Note 5. Equity - issued capital

Consolidated	Date	Shares	Issue price	\$'000
Ordinary shares	31 December 2014	101,461,150		62,013
Ordinary shares	18 March 2015	1,204,525	1.60	1,927
Ordinary shares	27 April 2015	1,032,449	1.65	1,704
Number of shares legally on issue		103,698,124		65,644
Less: Shares associated with the Loan Funded Share Plan		(2,236,974)		(3,631)
Balance at 30 June 2015		101,461,150		62,013

Under the 2015 LTIP grant approved at the Annual General Meeting on 23 April 2015, the CEO and executive management team purchased shares at a price at the higher of the IPO issue price of \$1.60 and the market price. The shares were purchased as part of a Loan Funded Share Plan (LSFP) and are held by the participant until they vest or are forfeited and are eligible for dividends. Should the Company pay dividends or make capital distributions in the future, any dividends paid or distributions made to the participant will be applied to repay the loan and to meet the tax liability on those dividends or distributions.

50% of the shares will vest on 1 January 2017, with the remaining 50% vesting on 1 January 2018. The vesting of the shares is subject to two performance hurdles, being an earnings growth hurdle (based on NPATA per share) and a total shareholder return hurdle.

At 30 June 2015, the shares issued under the LFSP have been treated as contingently issuable as all the vesting conditions have not been satisfied at the balance date. Therefore, the shares issued under the LFSP are excluded from Basic Earnings per Share. For the purposes of Diluted Earnings per Share, the shares held under the LFSP are not considered dilutive at 30 June 2015.

Note 6. Earnings per share

	30 June 2015 \$'000	30 June 2014 \$'000
Consolidated Profit /(loss) after income tax expense for the half-year attributable to the owners of Smartgroup Corporation Ltd	9,146	(5,024)
	Number	Number
Weighted average ordinary shares used in calculating basic earnings per share	101,461,150	78,000,000
Weighted average ordinary shares used in calculating diluted earnings per share	101,461,150	78,000,000
	Cents	Cents
Basic earnings per share	9.01	(6.44)
Diluted earnings per share	9.01	(6.44)

Refer to the disclosure in Note 5 regarding the basis of calculation for basic and diluted earnings per share.

Note 7. Events after the reporting period

Other than the dividends declared as disclosed in Note 2, no other matter or circumstance has arisen since 30 June 2015 that has significantly affected, or may significantly affect the Group's operations, the results of those operations, or the Group's state of affairs in future financial years.

Directors declaration

In the directors' opinion:

- (a) the attached financial statements and notes complies with Australian Accounting Standards AASB 134 'Interim Financial Reporting' and other mandatory professional reporting requirements;
- (b) the attached financial statements and notes thereto give a true and fair view of the consolidated entity's financial position as at 30 June 2015 and of its performance for the financial half-year ended on that date; and
- (c) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of directors.

On behalf of the directors,

A handwritten signature in blue ink, appearing to read 'Michael Carapiet', with a long horizontal stroke underneath.

Michael Carapiet
Chairman
26 August 2015, Sydney

Independent review report



Independent auditor's review report to the members of Smartgroup Corporation Ltd

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Smartgroup Corporation Ltd (the Company), which comprises the statement of financial position as at 30 June 2015, the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the half-year ended on that date, selected explanatory notes and the directors' declaration for Smartgroup (the consolidated entity). The consolidated entity comprises the company and the entities it controlled during that half-year.

Directors' responsibility for the half-year financial report

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

Auditor's responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Australian Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 30 June 2015 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Smartgroup Corporation Ltd, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*.

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Independent review report (cont'd)



Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Smartgroup Corporation Ltd is not in accordance with the *Corporations Act 2001* including:

- a) giving a true and fair view of the consolidated entity's financial position as at 30 June 2015 and of its performance for the half-year ended on that date;
- b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

A handwritten signature in black ink that reads 'PricewaterhouseCoopers' in a cursive script.

PricewaterhouseCoopers

A handwritten signature in black ink that reads 'Scott Walsh' in a cursive script.

Scott Walsh
Partner

Sydney
26 August 2015

Corporate directory

Directors	Michael Carapiet Deven Billimoria John Prendiville Gavin Bell Andrew Bolam Dr Ian Watt	Auditor	PricewaterhouseCoopers Darling Park, Tower 2 201 Sussex Street Sydney, NSW, Australia, 2000
Company secretaries	Timothy Looi Amanda Morgan	Solicitors	Minter Ellison Lawyers Level 23, 525 Collins Street Melbourne, VIC, Australia , 3000 Tel: 02 9921 8888
Registered office	Smartgroup Corporation Ltd Level 8, 133 Castlereagh Street Sydney, NSW, Australia, 2000 Tel: 1300 476 278	Bankers	Australia and New Zealand Banking Group Limited 242 Pitt Street Sydney, NSW, Australia, 2000
Principal place of business	Smartgroup Corporation Ltd Level 8, 133 Castlereagh Street Sydney, NSW, Australia, 2000	Stock exchange listing	Smartgroup Corporation Ltd shares are listed on the Australian Securities Exchange (ASX Code: SIQ)
Share registry	LINK Market Services Level 12, 680 George Street Sydney, NSW, Australia, 2000 Tel: 1300 554 474	Website	www.smartgroup.com.au