

ThinkSmart UK Limited

Annual Report and Financial Statements

For the Year Ended 30 June 2017

Company Number: 06228172

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THINKSMART UK LIMITED
YEAR ENDED 30 JUNE 2017

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THINKSMART UK LIMITED
YEAR ENDED 30 JUNE 2017
REPORT OF THE DIRECTORS'

The Directors hereby submit their Report and the accounts for the year ended 30 June 2017.

Principal activities

The principal activities of the Company are that of operating lessor, renting equipment through the consumer offering 'Upgrade Everytime'. The Company is a Special Purpose Vehicle that purchases lease agreements from its sister company RentSmart Ltd that originates and services the leases on its behalf.

Business review

This is the first year that the Company has submitted financial accounts. During the year a new retailer agreement was entered into with Carphone Warehouse to provide a new innovative retail point of sale smartphone consumer lease finance product. To fund the lease receivable a new up to, £20m 5 year loan facility, was entered into with Secure Trust Bank and signed in December 2016.

The level of business and the financial position at the end of the financial year were satisfactory. The Company's policy is one of growth and this is expected to be reflected in future results. The profit and loss account is set out on page 6.

Going concern

The directors confirm that they are satisfied that the Company has adequate resources to continue in operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis for preparing the accounts. In forming their view, the directors have considered the Company's prospects for a period exceeding twelve months, from the date the financial statements were approved.

Directors

The directors who held office during the year and up to the date of this report, were as follows:

F de Vicente (resigned 30 April 2017)
K Jones (resigned 16 September 2016)
G Halton (appointed 13 March 2009)
G Grimes (appointed 6 July 2017)

Political and charitable contributions

The Company made no political or charitable donations during the year ended 30 June 2017 (2016: £nil).

Disclosure of information to auditor

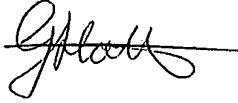
The directors who held office at the date of approval of this director's report confirm that, so far as they are aware, there is no relevant audit information of which the Company's auditor is unaware; and the directors have taken all the steps that they ought to have taken as a director to make themselves aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

The Directors have also taken advantage of the small companies' exemption from the requirement to prepare a strategic report.

THINKSMART UK LIMITED
YEAR ENDED 30 JUNE 2017

REPORT OF THE DIRECTORS (continued)

By order of the board



Gary Halton

Director

7th Floor Oakland House,
Talbot Road, Old Trafford,
Manchester, M16 0PQ

Date: 12th December 2017

THINKSMART UK LIMITED

YEAR ENDED 30 JUNE 2017

STATEMENT OF DIRECTOR'S RESPONSIBILITIES IN RESPECT OF THE DIRECTORS' REPORT AND THE FINANCIAL STATEMENTS

The directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 101 Reduced Disclosure Framework.

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- assess the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF THINKSMART UK LIMITED

We have audited the financial statements of ThinkSmart UK Limited for the financial year ended 30 June 2017 which comprise; Statement of total Comprehensive Income, Balance Sheet, Statement of Changes in Equity and related notes, including the accounting policies in note 1.

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 30 June 2017 and of its loss for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 101 *Reduced Disclosure Framework*; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the company in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

Going concern

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least twelve months from the date of approval of the financial statements. We have nothing to report in these respects.

Directors' report

The directors are responsible for the directors' report. Our opinion on the financial statements does not cover that report and we do not express an audit opinion thereon.

Our responsibility is to read the directors' report and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

- we have not identified material misstatements in the directors' report;
- in our opinion the information given in that report for the financial year is consistent with the financial statements; and
- in our opinion that report has been prepared in accordance with the Companies Act 2006.

Matters on which we are required to report by exception

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit; or
- the directors were not entitled to take advantage of the small companies exemption from the requirement to prepare a strategic report.

We have nothing to report in these respects.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF THINKSMART UK LIMITED (continued)

Other matter - prior period financial statements

We note that the prior period financial statements were not audited. Consequently ISAs (UK) require the auditor to state that the corresponding figures contained within these financial statements are unaudited. Our opinion is not modified in respect of this matter.

Directors' responsibilities

As explained more fully in their statement set out on page 3, the directors are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the company'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 they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

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 our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and 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.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

The purpose of our audit work and to whom we owe our responsibilities

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters 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 members, as a body, for our audit work, for this report, or for the opinions we have formed.

Jessica S.S. Katsouris

**Jessica Katsouris (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor**

*Chartered Accountants
St Peter's Square
Manchester
M2 3AE*

Date: 12th December 2017

THINKSMART UK LIMITED
YEAR ENDED 30 JUNE 2017
STATEMENT OF TOTAL COMPREHENSIVE INCOME

	Note	30 June 2017	30 June 2016
		£	£
Turnover	2	11,034	-
Gross profit		<u>11,034</u>	<u>-</u>
Administrative expenses		(91,905)	-
Impairment losses	8	<u>(2,316)</u>	<u>-</u>
Operating loss		(83,187)	-
Interest receivable		151	-
Loss before tax		<u>(83,036)</u>	<u>-</u>
Tax on profit on ordinary activities	3	15,777	-
Loss for the financial year		<u>(67,259)</u>	<u>-</u>
Other comprehensive income net of income tax		-	-
Total comprehensive income for the financial year		<u>(67,259)</u>	<u>-</u>

The loss for the period is derived from continuing operations.

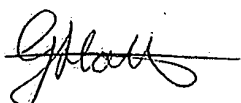
The notes on pages 9 to 15 form an integral part of these financial statements.

THINKSMART UK LIMITED
YEAR ENDED 30 JUNE 2017
BALANCE SHEET

	Note	30 June 2017	30 June 2016
		£	£
Fixed assets			
Tangible assets	5	20,112	-
Intangible assets	6	<u>280,739</u>	<u>-</u>
		300,851	-
Current assets			
Cash at bank & in hand		577,584	1
Debtors	7	3,190	-
Deferred Tax		<u>15,777</u>	<u>-</u>
		596,551	1
Creditors: amounts falling due within one year			
STB loan facility	9	<u>12,831</u>	<u>-</u>
Net current assets		583,720	1
Total assets less current liabilities		884,571	1
Creditors: amounts falling due after more than one year			
STB loan facility	9	2,983	-
Intercompany creditors	10	<u>698,254</u>	<u>-</u>
Total non-current liabilities		701,237	-
Provisions for liabilities			
Operating lease provision	8	593	-
Net assets		182,741	1
Capital and reserves			
Called up share capital	12	250,000	1
Profit and loss account		<u>(67,259)</u>	<u>-</u>
Equity shareholders' surplus		182,741	1

The notes on pages 9 to 15 form an integral part of these financial statements.

The financial statements on pages 6 to 15 were approved by the board of directors on 12th December 2017 and were signed on its behalf by:



Gary Halton (Director)

Company Number 06228172

THINKSMART UK LIMITED

YEAR ENDED 30 JUNE 2017

STATEMENT OF CHANGES IN EQUITY

	Fully paid ordinary shares	Accumulated profit & loss	Equity
	£	£	£
Balance at 1 July 2016	1	-	1
Profit for the year	-	(67,259)	(67,259)
Other comprehensive income net of income tax	-	-	-
Total comprehensive income for the financial year	-	(67,259)	(67,259)
Issue of Share Capital	249,999	-	249,999
Balance at 30 June 2017	250,000	(67,259)	182,741

The notes on pages 9 to 15 form an integral part of these financial statements.

THINKSMART UK LIMITED

YEAR ENDED 30 JUNE 2017

NOTES TO FINANCIAL STATEMENTS

1. Accounting policies

ThinkSmart UK Limited (the "Company") is a company incorporated and domiciled in the UK.

These financial statements were prepared in accordance with Financial Reporting Standard 101 *Reduced Disclosure Framework* ("FRS 101"). The amendments to FRS 101 (2014/15 Cycle) issued in July 2015 and effective immediately have been applied.

In preparing these financial statements, the Company applies the recognition, measurement and disclosure requirements of International Financial Reporting Standards as adopted by the EU ("Adopted IFRSs"), but makes amendments where necessary in order to comply with Companies Act 2006 and has set out below where advantage of the FRS 101 disclosure exemptions has been taken.

The Company's ultimate parent undertaking, ThinkSmart Limited incorporated in Australia and listed on the Alternative Investment Market ("AIM"), a sub-market of the London Stock Exchange includes the Company in its consolidated financial statements. The consolidated financial statements of ThinkSmart Limited prepared in accordance with both Australian Accounting Standards and International Financial Reporting Standards are available to the public and may be obtained from Suite 5, 531 Hay Street, SUBIACO, WA 6008, Australia. In these financial statements, the Company has applied the exemptions available under FRS 101 in respect of the following disclosures:

- a Cash Flow Statement and related notes;
- Disclosures in respect of transactions with wholly owned subsidiaries;
- Disclosures in respect of capital management;
- The effects of new but not yet effective IFRSs;
- An additional balance sheet for the beginning of the earliest comparative period following the retrospective change in accounting policy, the correction of error, or the reclassification of items in the financial statements;
- Disclosures in respect of the compensation of Key Management Personnel; and
- Disclosures of transactions with a management entity that provides key management personnel services to the Company.

As the consolidated financial statements of ThinkSmart Ltd include the equivalent disclosures, the Company has also taken the exemptions under FRS 101 available in respect of the following disclosures:

- Certain disclosures required by IFRS 13 *Fair Value Measurement* and the disclosures required by IFRS 7 *Financial Instrument Disclosures*.

The Company proposes to adopt the reduced disclosure framework of FRS 101 in its next financial statements.

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements.

THINKSMART UK LIMITED

YEAR ENDED 30 JUNE 2017

NOTES TO FINANCIAL STATEMENTS

1.1 Change in accounting policy

As this is the first year the company has submitted financial accounts there have been no changes in accounting policies. The Company has adopted accounting policies in line with the related group companies including adopting FRS101.

1.2 Measurement convention

The financial statements are prepared on the historical cost basis. Non-current assets and disposal groups held for sale are stated at the lower of previous carrying amount and fair value less costs to sell.

1.3 Taxation

The credit for taxation is based on the loss for the year.

1.4 Tangible assets

Tangible assets are stated at cost less depreciation. Depreciation is calculated so as to write down tangible fixed assets over the expected useful economic lives of the assets concerned.

All these assets are smartphones purchased from Dixons Carphone Plc which are then leased to customers over 23 months. The Company has classified these leases as operating leases for accounting purposes. Under an operating lease, substantially all the risks and benefits incidental to the ownership of the leased asset are retained by the lessor and not transferred to the lessee. This method depreciates the lease asset over its economic life down to the guaranteed residual value that is expected to be accrued to the Company at the end of the lease.

1.5 Intangible assets

The contractual rights obtained by ThinkSmart UK Limited under financing agreements entered into with its funding partners and operating agreements with its retail partners constitute intangible assets with finite useful lives. These contract rights are recognised at cost and amortised on a straight line basis over their expected useful lives to a maximum of 5 years. At each reporting date a review for indicators of impairment is conducted.

THINKSMART UK LIMITED
YEAR ENDED 30 JUNE 2017

NOTES TO FINANCIAL STATEMENTS (continued)

2. Turnover

Turnover, all of which arose from activities within the United Kingdom, represents income from rental agreements and from associated services.

Operating lease income

In accordance with IAS 17 the contracts are considered to be operating leases and the only source of revenue is Operating Lease Income. This Operating Lease Income is recognised on a straight-line basis over the lease term as the payments become receivable.

2.1 Amounts recognised in income statement

	30 June 2017	30 June 2016
	£	£
Operating lease income	11,034	-

2.2 Future minimum lease payments

	30 June 2017	30 June 2016
	£	£
Less than one year	17,230	-
Between one and five years	7,673	-
	<u>24,903</u>	<u>-</u>

3. Tax on loss on ordinary activities

	30 June 2017	30 June 2016
	£	£
Current tax credit on loss for the year	(15,777)	-

Reconciliation of effective tax rate

Accounting loss before tax	(83,036)	-
Tax using the UK corporation rate* (2016: 20%)	(15,777)	-

*The Budget on 8 July 2015 announced changes in the main UK corporation tax rate. During the Year Ending 30 June 2017 the rate was 20% to 31 March 2017 and reduced to 19% from 1 April 2017. The rate will reduce again to 18% from 1 April 2020.

4. Profit on ordinary activities before taxation is stated after charging:

The auditor's remuneration of £5,388 is borne by RentSmart Limited.

THINKSMART UK LIMITED
YEAR ENDED 30 JUNE 2017

NOTES TO FINANCIAL STATEMENTS (continued)

5. Tangible assets

Cost	IT Equipment £
At 1 July 2016	-
Additions	<u>30,411</u>
Balance at 30 June 2017	<u>30,411</u>
 Accumulated depreciation	
At 1 July 2016	-
Charge for the year	8,576
Impairment loss	<u>1,723</u>
Balance at 30 June 2017	<u>10,299</u>
 Net Book Value	
At 30 June 2017	<u>20,112</u>
At 30 June 2016	-

6. Intangible assets

Cost	Agreements £
At 1 July 2016	-
Additions	<u>317,818</u>
Balance at 30 June 2017	<u>317,818</u>
 Accumulated depreciation	
At 1 July 2016	-
Charge for the year	37,079
Balance at 30 June 2017	<u>37,079</u>
 Net Book Value	
At 30 June 2017	<u>280,739</u>
At 30 June 2016	-

THINKSMART UK LIMITED
YEAR ENDED 30 JUNE 2017

NOTES TO FINANCIAL STATEMENTS (continued)

7. Debtors

	30 June 2017	30 June 2016
	£	£
Trade debtors	406	-
VAT receivable	2,784	-
	3,190	-

8. Impairment losses

	30 June 2017	30 June 2016
	£	£
Balance at 1 July	-	-
Impairment charge	2,316	-
Bad debts written off	(1,723)	-
Balance at 30 June	593	-

9. STB loan facility

	30 June 2017	30 June 2016
	£	£
Current - Loan advances	12,831	-
Non-current - Loan advances	2,983	-

In December 2016 a 5 year loan facility up to £20m was signed with STB to fund the purchase of smartphones for the sole purpose of leasing (note 1.4).

10. Intercompany creditors

	30 June 2017	30 June 2016
	£	£
ThinkSmart Europe Limited Loan	500,000	-
RentSmart Limited Loan	198,254	-
	698,254	-

The Company is a Special Purpose Vehicle that purchases lease agreements from its sister company RentSmart Ltd that originates and services the leases on its behalf. RentSmart charges the Company a transaction fee for the work involved in generating the lease agreements and also charges the Company an annual rate of 9% interest on the outstanding loan each month.

THINKSMART UK LIMITED

YEAR ENDED 30 JUNE 2017

NOTES TO FINANCIAL STATEMENTS (continued)

11. Financial instruments

Credit risk

As lessor ThinkSmart UK Limited takes on the credit risk on all contracts. To allow for this ThinkSmart UK Limited sets aside a provision on every live contract to provide for any future defaults. Any contract reaching 91 days in default is impaired with the net book value of the operating lease being expensed to the profit and loss. In addition robust credit checks and collections processes combined with continual development of ThinkSmart's IP capability in this area assist in managing and mitigating this risk.

Liquidity risk

ThinkSmart UK Limited's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation. Payment terms on intercompany loans can be amended to reduce any liquidity risks and regular cash forecasts and sensitivities are prepared.

Currency risk

ThinkSmart UK Limited is not exposed to any currency risk.

Interest rate risk

The interest rate payable on ThinkSmart UK Limited's loan facility with STB is variable, and the lease income it receives is fixed. This potentially exposes the Company to interest rate risk, therefore as volumes grow the company will consider taking out interest rate hedges to cover this exposure.

Concentration Risk

ThinkSmart UK Limited's main retail distribution partner in the UK is Dixons Carphone PLC and an exclusive contract for consumer sales is in place with the Group. Should Dixons cease trading or terminate the exclusive contract with the Group, turnover would be reduced until alternative distribution partners were found. The relationship with Dixons is deemed to be strategically strong and the risk of it being dissolved is considered small.

Funding for ThinkSmart UK Limited is through a 5 year up to £20m STB loan facility signed in December 2016. Should STB not renew/extend the funding contract or facility limit reached ThinkSmart UK Ltd would have to find a new funder in order to continue conducting new business. The relationship with STB is deemed to be strategically strong and the risk of it being dissolved is considered small.

THINKSMART UK LIMITED
YEAR ENDED 30 JUNE 2017

NOTES TO FINANCIAL STATEMENTS (continued)

12. Called up share capital

	30 June 2017	30 June 2016
	£	£
<i>Allotted, called up and fully paid</i>		
250,000 (2016: 1) ordinary authorised shares of £1 (2016: £1) each	250,000	1
Shares classified in shareholders' funds	250,000	1

13. Related parties

ThinkSmart UK Limited does not hold any interests in any other subsidiaries, associates, joint ventures or other significant holdings.

14. Ultimate parent undertaking

100% of the share capital of ThinkSmart UK Limited is held by ThinkSmart Europe Limited, whose ultimate parent company is ThinkSmart Limited. ThinkSmart Limited is incorporated in Australia, and is the largest group in which the results of ThinkSmart UK Limited are included. Copies of these group accounts are available from Suite 5, 531 Hay Street, SUBIACO, WA 6008, Australia.

15. Events occurring after balance sheet date

There has not arisen, in the interval between the end of the financial year and the date of this report, any subsequent events.