

ThinkSmart Financial Services Limited

Annual Report and Financial Statements

For the Year Ended 30 June 2015

Company Number: 05176340

WEDNESDAY



A4MVR8R7

A28

23/12/2015

#323

COMPANIES HOUSE

**THINKSMART FINANCIAL SERVICES
LIMITED**

YEAR ENDED 30 JUNE 2015

CONTENTS

Report of the Director	1 - 2
Statement of Directors' responsibilities in respect of the Directors' Report and Financial Statements	3
Independent Auditor's Report to the members of ThinkSmart Financial Services Limited	4 - 5
Profit and Loss Account	6
Balance Sheet	7
Notes to the Financial Statements	8 - 14

**THINKSMART FINANCIAL SERVICES
LIMITED**

YEAR ENDED 30 JUNE 2015

REPORT OF THE DIRECTOR

The Directors hereby submit their Report and the accounts for the year ended 30 June 2015.

Principal activities

The principal activities of the company are that of financial lessor, renting equipment through the consumer offering 'Upgrade Anytime'. 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

The company was incorporated on 12 July 2004 and this is the first year the company has submitted financial accounts, prior to this only dormant accounts were submitted. The company is legally structured to only accept leases which are ultimately funded through a 5 year Santander £10m loan facility, which was signed in December 2014.

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. The profit for the year ended 30 June 2015 of £5,297 has been transferred to reserves and there was no dividend declared during the year ended 30 June 2015.

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

F de Vicente (appointed 01/01/15)
K Jones
G Halton

Political and charitable contributions

The company made no political or charitable donations during the year ended 30 June 2015.

Disclosure of information to auditor

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

**THINKSMART FINANCIAL SERVICES
LIMITED**

YEAR ENDED 30 JUNE 2015

REPORT OF THE DIRECTOR (continued)

By order of the board



Gary Halton

Director

7th Floor Oakland House,
Old Trafford, Manchester,
M16 OPQ

Date 18/12/2015

**THINKSMART FINANCIAL SERVICES
LIMITED**

YEAR ENDED 30 JUNE 2015

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

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

Company law requires the director 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).

Under company law the director 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 judgments 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
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

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 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 FINANCIAL SERVICES LIMITED

We have audited the financial statements of ThinkSmart Financial Services Limited for the financial year ended 30 June 2015 set out on pages 6 to 14. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice).

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.

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities 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. Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of annual report and accounts is provided on the Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 30 June 2015 and of its profit for the period then ended;
- have been properly prepared in accordance with UK Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial period for which the financial statements are prepared is consistent with the financial statements.

**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF THINKSMART
FINANCIAL SERVICES LIMITED (continued)**

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us 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 are entitled to take advantage of the small companies exemption from the requirement to prepare a strategic report.

L. Pomeroy

**Lawrence Pomeroy (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor**

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

Date *18 December 2015*

**THINKSMART FINANCIAL SERVICES
LIMITED**

YEAR ENDED 30 JUNE 2015

PROFIT AND LOSS ACCOUNT

	Note	12 months to June 2015	12 months to June 2014
		£	£
Revenue	3	150,436	-
Total Revenue		<u>150,436</u>	<u>-</u>
Other operating expenses		(79,619)	-
Impairment losses	8	<u>(22,504)</u>	<u>-</u>
Operating profit		48,313	-
Interest receivable		666	-
Interest payable	4	<u>(42,295)</u>	<u>-</u>
Profit on ordinary activities before taxation		6,684	-
Taxation charge	5	<u>(1,387)</u>	<u>-</u>
Profit for the financial period		<u><u>5,297</u></u>	<u><u>-</u></u>

The profit for the period is derived from continuing operations.

The notes on pages 8 to 14 form an integral part of these financial statements.

There are no other recognised gains or losses or movements in shareholder funds for the current period other than as stated in the profit and loss account.

**THINKSMART FINANCIAL SERVICES
LIMITED**

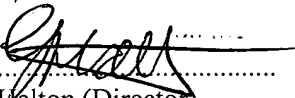
YEAR ENDED 30 JUNE 2015

BALANCE SHEET

	Note	30 June 2015	30 June 2014
		£	£
Current assets			
Debtors	7	110,920	-
Loan and lease receivable	8	1,023,915	-
Cash at bank & in hand		985,177	1
Total current assets		<u>2,120,012</u>	<u>1</u>
Non-current assets			
Loan and lease receivable	8	1,084,213	-
Current liabilities			
Creditors	9	29,289	-
Interest bearing liabilities	10	1,077,345	-
Total current liabilities		<u>1,106,634</u>	<u>-</u>
Non-current liabilities			
Intercompany creditors	11	1,000,000	-
Interest bearing liabilities	10	692,294	-
Total non-current liabilities		<u>1,692,294</u>	<u>-</u>
Net assets		<u>405,297</u>	<u>1</u>
Capital and reserves			
Called up share capital	12	400,000	1
Profit and loss account	13	5,297	-
Equity shareholders' surplus		<u>405,297</u>	<u>1</u>

The notes on pages 8 to 14 form an integral part of these financial statements.

The financial statements on pages 6 to 14 were approved by the board of directors on 18/12/2015 and were signed on its behalf by:


.....
Gary Halton (Director)

Company Number 05932182

**THINKSMART FINANCIAL SERVICES
LIMITED**

YEAR ENDED 30 JUNE 2015

NOTES TO FINANCIAL STATEMENTS

1. Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the financial statements.

Basis of preparation

The financial statements have been prepared in accordance with applicable UK accounting standards and under the historical cost accounting rules.

Under Financial Reporting Standard No 1: Cash flow statements (revised 1996) (FRS 1), the company is exempt from the requirement to prepare a cash flow statement, on the grounds that it is a wholly owned subsidiary undertaking of ThinkSmart Europe Limited, whose ultimate parent company is ThinkSmart Limited, a company that prepares a consolidated cash flow statement for the ThinkSmart Group, which are publicly available on the company website or from the address given in note 14.

As the company is a wholly owned subsidiary of ThinkSmart Europe Limited, the company has taken advantage of the exemption contained in FRS 8 and has therefore not disclosed transactions or balances with wholly owned subsidiaries which form part of the group.

These financial statements have been prepared on a going concern basis.

Taxation

The charge for taxation is based on the profit for the period.

Lease receivables

The company has entered into or received full beneficial interest of financing transactions with customers and has classified its leases as finance leases for accounting purposes. Under a finance lease, substantially all the risks and benefits incidental to the ownership of the leased asset are transferred by the lessor to the lessee. The company recognises at the beginning of the lease term an asset at an amount equal to the aggregate of the present value (discounted at the interest rate implicit in the lease) of the minimum lease payments and an estimate of the value of any unguaranteed residual value expected to accrue to the benefit of the company at the end of the lease term. This asset represents the company's net investment in the lease.

Unearned interest

Unearned interest on leases and other receivables is brought to account over the life of the lease contract based on the interest rate implicit in the lease using the effective interest rate method.

Initial direct transaction income and costs

Initial direct income/costs or directly attributable, incremental transaction income/costs incurred in the origination of leases are included as part of receivables in the balance sheet and are amortised in the calculation of lease income and interest income.

Allowance for losses

The collectability of lease receivables is assessed on an on-going basis. A provision is made for losses based on historical rates of arrears and the current delinquency position of the portfolio.

**THINKSMART FINANCIAL SERVICES
LIMITED**

YEAR ENDED 30 JUNE 2015

NOTES TO FINANCIAL STATEMENTS (continued)

Impairment of lease receivable

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

In assessing collective impairment, the Group uses modelling of historical trends of the probability of defaults, timing of recoveries and the amount of loss incurred. Impairment losses on assets carried at amortised cost are measured as the difference between the carrying amount of the financial assets and the present value of the estimated future cash flows discounted at the assets original effective interest rate.

Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics. All impairment losses are recognised in profit and loss.

2. Financial risk management

Credit risk

As lessor ThinkSmart Financial Services Limited takes on the credit risk on all contracts. To allow for this ThinkSmart Financial Services 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 lease receivable being expensed to the profit and loss. In addition robust credit checks and collections processes combined with continual development of our market leading IP capability in this area assist in managing and mitigating this risk.

Liquidity risk

ThinkSmart Financial Services 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.

Currency risk

ThinkSmart Financial Services Limited is not exposed to any currency risk.

Interest rate risk

Thinksmart Financial Services Limited's loan facility with Santander is variable and the lease income it receives is fixed. Therefore if interest rates were to significantly rise the company's margin would be eroded. The company believe this risk is currently low due the markets expectation of future interest rates but still plans to put in place interest rate swap agreements in the next financial year for loans relating to all contracts including those written in the current year.

**THINKSMART FINANCIAL SERVICES
LIMITED**

YEAR ENDED 30 JUNE 2015

NOTES TO FINANCIAL STATEMENTS (continued)

2. Financial risk management (continued)

Concentration Risk

ThinkSmart Financial Services Limited's main retail distribution partner in the UK is Dixons Carphone PLC and an exclusive contract for both business sales and consumer sales is in place until 2019 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 Financial Services Limited is through a new 5 year £10m Santander loan facility signed in December 2014. Should Santander not renew/extend the funding contract or facility limit reached TFS would have to find a new funder in order to continue conducting new business. The relationship with Santander is deemed to be strategically strong and the risk of it being dissolved is considered small.

3. Turnover

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

Finance lease income

Finance lease income is recognised on those leases originated by the company where the company, rather than a third party financier, is the lessor. Finance lease income is recognised on the effective interest rate method at the constant rate of return which amortises over its economic life, the lease asset down to the estimate of any unguaranteed residual value that is expected to be accrued to the company at the end of the lease.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset and allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset or, where appropriate, a shorter period.

Residual interest in equipment (inertia income)

- Secondary rental income
Rental income from extended rental assets is recognised when receivable usually on a monthly basis. No ongoing rental income is brought to account in respect of the unexpired rental contracts.
- Income earned from sale of equipment
Proceeds from the sale of rental assets are brought to account at the time of the sale to the extent not already recognised through Finance lease income.

**THINKSMART FINANCIAL SERVICES
LIMITED**

YEAR ENDED 30 JUNE 2015

NOTES TO FINANCIAL STATEMENTS (continued)

4. Interest

	12 months to June 2015 £	12 months to June 2014 £
Bank interest	7,221	-
Related party interest	35,074	-
	<u>42,295</u>	<u>-</u>

5. Tax on profit on ordinary activities

	12 months to June 2015 £	12 months to June 2014 £
Corporation tax charge at 20.8%	1,387	-
	<u>1,387</u>	<u>-</u>

The current tax charge for the period is the same as the standard rate of corporation tax in the UK of 20.8%.

The 2014 Budget on 21 March 2014 announced that the UK corporation tax rate will reduce to 20% with effect from 1 April 2015. Reductions in the rate from 23% (effective from 1 April 2013) to 21% (effective from 1 April 2014) were substantively enacted on 3 July 2012 and 17 July 2013 respectively. This will reduce the company's future current tax charge accordingly.

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

The auditor's remuneration of £10,000 is borne by RentSmart Limited.

7. Debtors

	30 June 2015 £	30 June 2014 £
Trade debtors	311	-
Intercompany debtors	110,609	-
	<u>110,920</u>	<u>-</u>

**THINKSMART FINANCIAL SERVICES
LIMITED**

YEAR ENDED 30 JUNE 2015

NOTES TO FINANCIAL STATEMENTS (continued)

8. Loan and lease receivable

Current	30 June 2015 £	30 June 2014 £
Rental receivable	1,230,465	-
Unguaranteed residuals	20,305	-
Unearned finance income	<u>(220,002)</u>	<u>-</u>
Net lease receivable	1,030,768	-
Allowance for losses	<u>(6,853)</u>	<u>-</u>
	<u><u>1,023,915</u></u>	<u><u>-</u></u>
Non-current	30 June 2015 £	30 June 2014 £
Rental receivable	1,302,927	-
Unguaranteed residuals	21,501	-
Unearned finance income	<u>(232,958)</u>	<u>-</u>
Net lease receivable	1,091,470	-
Allowance for losses	<u>(7,257)</u>	<u>-</u>
	<u><u>1,084,213</u></u>	<u><u>-</u></u>
Impairment losses	30 June 2015 £	30 June 2014 £
Balance at 1 July 2014	-	-
Impairment charge	22,504	-
Bad debts written off	(8,394)	-
	<u>14,110</u>	<u>-</u>

9. Creditors

	30 June 2015 £	30 June 2014 £
VAT	27,902	-
Corporation tax payable	1,387	-
	<u>29,289</u>	<u>-</u>

**THINKSMART FINANCIAL SERVICES
LIMITED**

YEAR ENDED 30 JUNE 2015

NOTES TO FINANCIAL STATEMENTS (continued)

10. Interest bearing liabilities

	30 June 2015 £	30 June 2014 £
Current - Loan advances	1,127,908	-
Deferred costs of raising facility	<u>(50,563)</u>	<u>-</u>
	<u>1,077,345</u>	<u>-</u>
Non-current - Loan advances	875,688	-
Deferred costs of raising facility	<u>(183,394)</u>	<u>-</u>
	<u>692,294</u>	<u>-</u>

A new £10m 5 year revolving credit facility was signed with Santander on 15 December 2014 to fund the lease receivables (note 8).

11. Intercompany creditors

	30 June 2015 £	30 June 2014 £
ThinkSmart Europe Limited Loan	<u>1,000,000</u>	<u>-</u>

12. Called up share capital

	30 June 2015 £	30 June 2014 £
<i>Allotted, called up and fully paid</i>		
400,000 (2014: 1) ordinary shares of £1 (2014: £1) each	<u>400,000</u>	<u>1</u>
Shares classified in shareholders' funds	<u>400,000</u>	<u>1</u>

**THINKSMART FINANCIAL SERVICES
LIMITED**

YEAR ENDED 30 JUNE 2015

NOTES TO FINANCIAL STATEMENTS (continued)

13. Reconciliation of movements in shareholder funds

	Share capital	Profit and loss account	30 June 2015 Total	30 June 2014 Total
	£	£	£	£
At 1 July	1	-	1	1
Profit for the financial period	-	5,297	5,297	-
Share issue	399,999	-	399,999	-
At 30 June	<u><u>400,000</u></u>	<u><u>5,297</u></u>	<u><u>405,297</u></u>	<u><u>1</u></u>

14. Ultimate parent undertaking

100% of the share capital of ThinkSmart Financial Services 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 Financial Services Ltd are included. Copies of these group accounts are available from Suite 5, 531 Hay Street, SUBIACO, WA 6008, Australia.