ThinkSmart UK Limited

Annual Report and Financial Statements

For the Year Ended 30 June 2018

Company Number: 06228172

THINKSMART UK LIMITED

YEAR ENDED 30 JUNE 2018

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THINKSMART UK LIMITED

YEAR ENDED 30 JUNE 2018

REPORT OF THE DIRECTORS

The Directors hereby submit their Report and the accounts for the year ended 30 June 2018.

Principal activities

The principal activities of the Company are that of finance lessor, renting equipment through the consumer offerings 'Flexible Leasing' and 'Upgrade Everytime'. The Company is a Special Purpose Vehicle that purchases lease agreements from its sister company RentSmart Limited that originates and services the leases on its behalf. The lease receivable is funded through a £20m 5 year loan facility which was entered into with Secure Trust Bank and signed in December 2016.

Business review

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 Company finances its day to day working capital needs with equity and loans from its parent company, Thinksmart Europe Limited, which in turn relies on the continuing support from Thinksmart Limited, the ultimate parent company.

Notwithstanding net liabilities of £68,399 as at 30 June 2018 and a loss for the year then ended of £251,140 the financial statements have been prepared on a going concern basis which the directors consider to be appropriate for the following reasons. 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. The directors have prepared base and sensitised cash flow forecasts for a period of two and a half years from the date of approval of these financial statements which indicate that, taking account of reasonably possible downsides, that the company will continue to require the support of Thinksmart Limited (including additional funding) in order to support future growth, meet its liabilities as they fall due for that period and to ensure that the covenants related to the loan facility will continue to be met (see note 9).

Thinksmart Limited has indicated its intention to continue to make available such funds as are needed by the company for at least the next twelve months. As with any company placing reliance on other group entities for financial support, the directors acknowledge that there can be no certainty that this support will continue although, at the date of approval of these financial statements, they have no reason to believe that it will not do so.

Consequently, 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.

Directors

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

G Halton
N Montarello (appointed 28 February 2018)
G Grimes (appointed 6 July 2017, resigned 03 January 2018)

Political and charitable contributions

The Company made no political or charitable donations during the year ended 30 June 2018 (2017: £nil).

REPORT OF THE DIRECTORS (continued)

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 themself 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.

By order of the board

Gary Halton

Director

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

Date: 12th December 2018

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 year ended 30 June 2018 which comprise the ; 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 2018 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.
- 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)

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: 14 December 2018

THINKSMART UK LIMITED

YEAR ENDED 30 JUNE 2018

STATEMENT OF TOTAL COMPREHENSIVE INCOME

	Notes	30 June 2018	30 June 2017
		£	£
Turnover	2	493,104	11,034
Gross profit		493,104	11,034
Administrative expenses		(299,951)	(91,905)
Impairment losses	7	(348,395)	(2,316)
Operating loss		(155,242)	(83,187)
Interest receivable		271	151
Interest payable		(80,392)	-
Loss before tax		(235,363)	(83,036)
Tax on loss on ordinary activities	3	(15,777)	15,777
Loss for the financial year		(251,140)	(67,259)
Other comprehensive income net of income tax		-	-
Total comprehensive loss for the financial year		(251,140)	(67,259)

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 2018
BALANCE SHEET

	Notes	30 June 2018	30 June 2017
		£	£
Current assets			
Finance lease receivable		**2,484,026**	-
Cash at bank & in hand		**232,068**	577,584
Debtors		**23,714**	3,190
Deferred Tax		**-**	15,777
		2,739,808	596,551
Non-current assets			
Finance lease receivable		**2,942,483**	-
Tangible assets	5	**9,260**	20,112
Intangible assets	6	**244,017**	280,739
		3,195,760	300,851
Creditors: amounts falling due within one year			
STB loan facility	8	**2,177,445**	12,831
Creditors		**504,010**	593
		2,681,455	13,424
Creditors: amounts falling due after more than one year			
STB loan facility	8	**2,579,318**	2,983
Intercompany creditors	9	**743,194**	698,254
Total non-current liabilities		**3,322,512**	701,237
Net assets		**(68,399)**	182,741
Capital and reserves			
Called up share capital	10	**250,000**	250,000
Profit and loss account		**(318,399)**	(67,259)
Equity shareholders' surplus/(deficit)		**(68,399)**	182,741

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 2018 and were signed on its behalf by:

Gary Halton (Director)

Company Number 06228172

THINKSMART UK LIMITED

YEAR ENDED 30 JUNE 2018
STATEMENT OF CHANGES IN EQUITY

	Fully paid ordinary shares £	Accumulated profit & loss £	Equity £
Balance at 1 July 2016	1	-	1
Loss 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
Balance at 1 July 2017	250,000	(67,259)	182,741
Loss for the year	-	(251,140)	(251,140)
Other comprehensive income net of income tax	-	-	-
Total comprehensive income for the financial year	-	(251,140)	(251,140)
Issue of Share Capital	-	-	-
Balance at 30 June 2018	250,000	(318,399)	(68,399)

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

YEAR ENDED 30 JUNE 2018

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 continue 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.

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 Basis of preparation

The Company finances its day to day working capital needs with equity and loans from its parent company, Thinksmart Europe Limited, which in turn relies on the continuing support from Thinksmart Limited, the ultimate parent company.

Notwithstanding net liabilities of £68,399 as at 30 June 2018 and a loss for the year then ended of £251,140 the financial statements have been prepared on a going concern basis which the directors consider to be appropriate for the following reasons. 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. The directors have prepared base and sensitised cash flow forecasts for a period of two and a half years from the date of approval of these financial statements which indicate that, taking account of reasonably possible downsides, that the company will continue to require the support of Thinksmart Limited (including additional funding) in order to support future growth, meet its liabilities as they fall due for that period and to ensure that the covenants related to the loan facility will continue to be met (see note 9).

Thinksmart Limited has indicated its intention to continue to make available such funds as are needed by the company for at least the next twelve months. As with any company placing reliance on other group entities for financial support, the directors acknowledge that there can be no certainty that this support will continue although, at the date of approval of these financial statements, they have no reason to believe that it will not do so. Consequently, 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.

1.4 Taxation

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

1.5 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 Finance Lease Receivable

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 the value of any guaranteed 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 finance lease income

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.

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 Company 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 when an asset is either non recoverable or has suffered arrears of at least 91 days.

1.6 Intangible assets - Agreements

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.

2. Turnover

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

Finance lease income (Flexible Leasing)
In accordance with IAS 17 the contracts are considered to be finance leases and the only source of revenue is Finance Lease Income. This Finance Lease Income is recognised on the effective interest rate method at the constant rate of return. This method amortises the lease asset over its economic life down to the estimate of any unguaranteed residual value that is expected to be accrued to the Group 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.

Operating lease income (Upgrade Everytime)
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.

	30 June 2018	30 June 2017
	£	£
Lease income	**486,794**	11,034
Other fee revenue - customer	**6,310**	-
	493,104	11,034

YEAR ENDED 30 JUNE 2018
NOTES TO FINANCIAL STATEMENTS (continued)

2.2 Future minimum lease payments

	30 June 2018	30 June 2017
	£	£
Less than one year	2,634,710	17,230
Between one and five years	3,120,977	7,673
	5,755,687	24,903

3. Tax on loss on ordinary activities

	30 June 2018	30 June 2017
	£	£
Current tax credit/(charge) on loss for the year	(15,777)	15,777

Reconciliation of effective tax rate

Accounting loss before tax	(235,363)	(83,036)
Tax using the UK corporation rate*	44,719	15,777
Losses carried forward not recognised	(44,719)	-
Deferred tax credit/(charge)	(15,777)	-
Current tax credit/(charge) on loss for the year	(15,777)	15,777

Temporary differences and losses on which deferred tax not recognised at 30 June 2018 amounted to £318,400.

*The Finance Act 2015 reduced the main rate of corporation tax from 20% to 19% from 1 April 2017. The Finance Act 2016 will further reduce the main rate of corporation tax to 17% from 1 April 2020. This will reduce the Company's future current tax charge accordingly.

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

The auditor's remuneration of £21,755 (2017: £5,388) is borne by RentSmart Limited.

5. Tangible assets

Cost	IT Equipment
	£
At 1 July 2016	-
Additions	30,411
Balance at 30 June 2017	30,411
At 1 July 2017	30,411
Additions	-
Balance at 30 June 2018	30,411

Accumulated depreciation	
At 1 July 2016	-
Charge for the year	8,576
Impairment loss	1,723
Balance at 30 June 2017	10,299
At 1 July 2017	**10,299**
Charge for the year	**10,852**
Impairment loss	
Balance at 30 June 2018	**21,151**
Net Book Value	
At 30 June 2018	**9,260**
At 30 June 2017	**20,112**

6. Intangible Assets

Cost	**Agreements**
	£
At 1 July 2016	-
Additions	317,818
Balance at 30 June 2017	317,818
At 1 July 2017	**317,818**
Additions	**31,365**
Balance at 30 June 2018	**349,183**
Accumulated depreciation	
At 1 July 2016	-
Charge for the year	37,079
Balance at 30 June 2017	37,079
At 1 July 2017	**37,079**
Charge for the year	**68,087**
Balance at 30 June 2018	**105,166**
Net Book Value	
At 30 June 2018	**244,017**
At 30 June 2017	280,739

NOTES TO FINANCIAL STATEMENTS (continued)

7. Impairment losses

	30 June 2018	30 June 2017
	£	£
Balance at 1 July	593	-
Impairment charge	348,395	2,316
Bad debts written off	(84,754)	(1,723)
Balance at 30 June	264,234	593

8. STB loan facility

	30 June 2018	30 June 2017
	£	£
Current - Loan advances	2,177,445	12,831
Non-current - Loan advances	2,579,318	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).

9. Intercompany creditors

	30 June 2018	30 June 2017
	£	£
ThinkSmart Europe Limited Loan	500,000	500,000
RentSmart Limited Loan	243,194	198,254
	743,194	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.

10. Called up share capital

	30 June 2018	30 June 2017
	£	£
Allotted, called up and fully paid		
250,000 (2017: 250,000) ordinary authorised shares of £1 (2017: £1) each	250,000	250,000
Shares classified in shareholders' funds	250,000	250,000

11. Related parties

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

12. 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.

13. 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.