

ThinkSmart Financial Services Limited

Annual Report and Financial Statements

For the Year Ended 30 June 2018

Company Number: 05176340



**THINKSMART FINANCIAL SERVICES
LIMITED**

YEAR ENDED 30 JUNE 2018

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THINKSMART FINANCIAL SERVICES 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 activity of the Company is that of finance 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. Subsequent to the year end, from August 2018 the Company is no longer purchasing any new lease agreements but will continue to collect out the lease agreements that it previously purchased. It is expected that this activity will continue until December 2020 at which point the Company will cease trading.

Business review

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. During the year the Upgrade Anytime product was discontinued for new customers. Subsequent to the year end, from August 2018 the Company is no longer purchasing any new lease agreements but will continue to collect out the lease agreements that it previously purchased. It is expected that this activity will continue until December 2020 at which point the Company will cease trading.

The profit and loss account is set out on page 6. The profit for the year ended 30 June 2018 of £259,493 (year ended 30 June 2017 £250,519) has been transferred to reserves. A dividend of £330,000 was declared during the year ended 30 June 2018 (year ended 30 June 2017 £nil).

Going concern

In previous years, the financial statements have been prepared on a going concern basis. However, as stated above, subsequent to the year end in August 2018 the directors took the decision to no longer purchase any new lease agreements but to continue to collect out the lease agreements that it purchased prior that point. It is expected that this activity will continue until December 2020 at which point the Company will cease trading. Accordingly the directors have not prepared the financial statements on a going concern basis.

It is expected that the Company will remain profitable and cash generative during this collect out period.

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 06 July 2017, resigned 03 January 2018)

THINKSMART FINANCIAL SERVICES LIMITED

YEAR ENDED 30 JUNE 2018

Political and charitable contributions

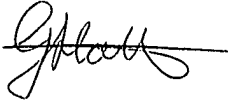
The Company made no political or charitable donations during the year ended 30 June 2018 (2017: £nil).

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.

By order of the board



Gary Halton

Director

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

Date: 12th December 2018

THINKSMART FINANCIAL SERVICES LIMITED

YEAR ENDED 30 JUNE 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 (as explained in the directors report on page 1 above, the directors do not believe that it is appropriate to prepare these financial statements on a going concern basis).

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 FINANCIAL SERVICES LIMITED

We have audited the financial statements of ThinkSmart Financial Services 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 profit 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.

Emphasis of matter - non-going concern basis of preparation

We draw attention to the disclosure made in note 1 to the financial statements which explains that the financial statements have not been prepared on the going concern basis for the reason set out in that note. Our opinion is not modified in respect of this matter.

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 FINANCIAL SERVICES 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 FINANCIAL SERVICES
LIMITED**

YEAR ENDED 30 JUNE 2018

STATEMENT OF TOTAL COMPREHENSIVE INCOME

	Notes	30 June 2018	30 June 2017
		£	£
Turnover	2	729,737	1,131,067
Gross profit		<u>729,737</u>	<u>1,131,067</u>
Administrative expenses		(347,293)	(543,399)
Impairment losses	7	<u>(61,291)</u>	<u>(144,918)</u>
Operating profit		321,153	442,750
Interest receivable		571	813
Interest payable	3	<u>(62,231)</u>	<u>(131,387)</u>
Profit before tax		259,493	312,176
Tax on profit on ordinary activities	4	-	(61,657)
Profit for the financial year		<u>259,493</u>	<u>250,519</u>
Other comprehensive income net of income tax		-	-
Total comprehensive income for the financial year		<u>259,493</u>	<u>250,519</u>

The profit for the year is derived from continuing operations.

The notes on pages 9 to 14 form an integral part of these financial statements.

**THINKSMART FINANCIAL SERVICES
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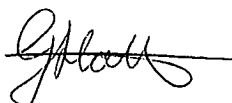
YEAR ENDED 30 JUNE 2018

BALANCE SHEET

	Notes	30 June 2018	30 June 2017
		£	£
Current assets			
Finance lease receivable	6	910,098	1,956,159
Cash at bank & in hand		<u>522,856</u>	<u>1,319,537</u>
		1,432,953	3,275,696
Non-current assets			
Finance lease receivable	6	530,967	1,195,867
Creditors: amounts falling due within one year			
Creditors	8	113,588	197,685
Interest bearing liabilities	9	<u>447,813</u>	<u>1,373,140</u>
		561,401	1,570,825
Creditors: amounts falling due after more than one year			
Intercompany creditors	10	396,485	1,246,010
Interest bearing liabilities	9	<u>261,262</u>	<u>839,448</u>
Total non-current liabilities		657,747	2,085,458
Net assets		<u>744,773</u>	<u>815,280</u>
Capital and reserves			
Called up share capital	11	400,000	400,000
Profit and loss account		344,773	415,280
Equity shareholders' surplus		<u>744,773</u>	<u>815,280</u>

The notes on pages 9 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 12th December 2018 and were signed on its behalf by:



Gary Halton (Director)

Company Number 05176340

**THINKSMART FINANCIAL SERVICES
LIMITED**

YEAR ENDED 30 JUNE 2018

STATEMENT OF CHANGES IN EQUITY

	Fully paid ordinary shares	Accumulated profit	Equity
	£	£	£
Balance at 1 July 2016	400,000	164,761	564,761
Profit for the year	-	250,519	250,519
Other comprehensive income net of income tax	-	-	-
Total comprehensive income for the financial year	-	250,519	250,519
Balance at 30 June 2017	400,000	415,280	815,280
Balance at 1 July 2017	400,000	415,280	815,280
Profit for the year	-	259,493	259,493
Other comprehensive income net of income tax	-	-	-
Total comprehensive loss for the financial year	-	259,493	259,493
Dividends paid	-	(330,000)	(330,000)
Balance at 30 June 2018	400,000	344,773	744,773

The notes on pages 9 to 14 form an integral part of these financial statements.

THINKSMART FINANCIAL SERVICES LIMITED

YEAR ENDED 30 JUNE 2018

NOTES TO FINANCIAL STATEMENTS

1. Accounting policies

ThinkSmart Financial Services 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 Ltd 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 Ltd are prepared in accordance with Australian Accounting Standards (AASBs) adopted by the Australian Accounting Standards Board (AASB) and the Corporation Act 2001. The consolidated financial statements comply with International Financial Reporting Standard (IFRS) adopted by the International Accounting Standards Board (IASB) as well as International Financial Reporting Standards as adopted by the EU ("Adopted IFRSs"). The consolidated financial statements of ThinkSmart Ltd 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.

**THINKSMART FINANCIAL SERVICES
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YEAR ENDED 30 JUNE 2018

NOTES TO FINANCIAL STATEMENTS

1.1 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.

1.2 Basis of preparation

In previous years, the financial statements have been prepared on a going concern basis. However, as stated in the Directors Report, subsequent to the year end in August 2018 the directors took the decision to no longer purchase any new lease agreements but to continue to collect out the lease agreements that it purchased prior that point. It is expected that this activity will continue until December 2020 at which point the Company will cease trading. Accordingly the directors have not prepared the financial statements on a going concern basis however this has had no impact on the financial statements.

It is expected that the Company will remain profitable and cash generative during this collect out period.

1.3 Taxation

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

1.4 Finance 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 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.

**THINKSMART FINANCIAL SERVICES
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YEAR ENDED 30 JUNE 2018

NOTES TO FINANCIAL STATEMENTS (continued)

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.

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

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.

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.

	30 June 2018	30 June 2017
	£	£
Finance lease income	299,236	950,156
Secondary rental income	430,501	180,911
	729,737	1,131,067

3. Interest

	30 June 2018	30 June 2017
	£	£
Bank interest	53,092	108,064
Related party interest (see note 10)	9,139	23,323
	62,231	131,387

**THINKSMART FINANCIAL SERVICES
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YEAR ENDED 30 JUNE 2018

NOTES TO FINANCIAL STATEMENTS (continued)

4. Tax on profit on ordinary activities

	30 June 2018	30 June 2017
	£	£
Current tax on income for the year	-	(61,657)

Reconciliation of effective tax rate

Accounting profit before tax	259,493	312,176
Tax using the UK corporation rate*	(49,304)	(61,657)
Group tax relief at nil consideration	49,304	
Tax using the UK corporation rate*	-	(61,657)

*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.

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

The auditor's remuneration of £21,755 (2017: £16,164) is borne by RentSmart Limited.

6. Finance lease receivable

Current (no later than 1 year)	30 June 2018	30 June 2017
	£	£
Gross investment in finance lease receivables	833,518	1,902,716
Unguaranteed residuals	60,903	144,961
Unearned future finance lease income on finance leases	42,969	(65,596)
Net lease receivable	937,390	1,982,081
Allowance for losses	(27,292)	(25,922)
	910,098	1,956,159

Non-current (later than 1 year, no later than 5 years)	30 June 2018	30 June 2017
	£	£
Gross investment in finance lease receivables	486,289	1,163,196
Unguaranteed residuals	35,532	88,620
Unearned future finance lease income on finance leases	25,069	(40,101)
Net lease receivable	546,890	1,211,715
Allowance for losses	(15,923)	(15,848)
	530,967	1,195,867

All finance leases detailed above have a minimum lease term of 2 years, see note 1.3 for further information on the accounting policy for these finance leases.

**THINKSMART FINANCIAL SERVICES
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YEAR ENDED 30 JUNE 2018

NOTES TO FINANCIAL STATEMENTS (continued)

7. Impairment losses

	30 June 2018	30 June 2017
	£	£
Balance at 1 July 2017	41,770	57,176
Impairment charge	61,291	144,918
Bad debts written off	(59,846)	(160,324)
Balance at 30 June 2018	<u>43,215</u>	<u>41,770</u>

8. Creditors

	30 June 2018	30 June 2017
	£	£
VAT	113,588	197,685
Corporation tax payable	-	-
	<u>113,588</u>	<u>197,685</u>

9. Interest bearing liabilities

	30 June 2018	30 June 2017
	£	£
Current - Loan advances	502,603	1,457,809
Deferred costs of raising facility	(54,790)	(84,669)
	<u>447,813</u>	<u>1,373,140</u>
Non-current - Loan advances	293,227	891,209
Deferred costs of raising facility	(31,965)	(51,761)
	<u>261,262</u>	<u>839,448</u>

A £10m 5 year revolving credit facility was signed with Santander on 15 December 2014 to fund the lease receivables (note 6). On 27 September 2018 the original agreement was amended and restated to reflect that no new Upgrade Anytime contracts are to be funded through this facility. The new terms state that the funded amount will not be increased and that the remaining balance of the loan, if any, will be repaid on 30 September 2019.

10. Intercompany creditors

	30 June 2018	30 June 2017
	£	£
ThinkSmart Europe Limited Loan	350,000	1,101,527
RentSmart Limited Loan	46,485	144,483
	<u>396,485</u>	<u>1,246,010</u>

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 FINANCIAL SERVICES
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YEAR ENDED 30 JUNE 2018

NOTES TO FINANCIAL STATEMENTS (continued)

11. Called up share capital

	30 June 2018	30 June 2017
	£	£
<i>Allotted, called up and fully paid</i>		
400,000 (2017: 400,000) ordinary authorised shares of £1 (2017: £1) each	400,000	400,000
Shares classified in shareholders' funds	400,000	400,000

12. Related parties

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

13. 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 Limited are included. Copies of these group accounts are available from Suite 5, 531 Hay Street, SUBIACO, WA 6008, Australia.

14. 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 other than, as stated above in the directors report on page 1, from August 2018 the Company is no longer purchasing any new lease agreements but will continue to collect out the lease agreements that it previously purchased.