THINKSMART

ANNUAL REPORT 2013

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HIGHLIGHTS 2013

"Transformational year for shaping and executing Group strategy"

Statutory **net profit** after tax **of $2.3 million** for the 2013 year compares to a $1.4 million loss in 2012

Consistent strong results from UK operations with profit contribution of $7.8 million before tax

Sale of Australian and New Zealand operations for $43 million cash completed on 31 January 2014

Cash assets immediately post sale **of $49.4 million** with $48.1 million unrestricted and no corporate debt

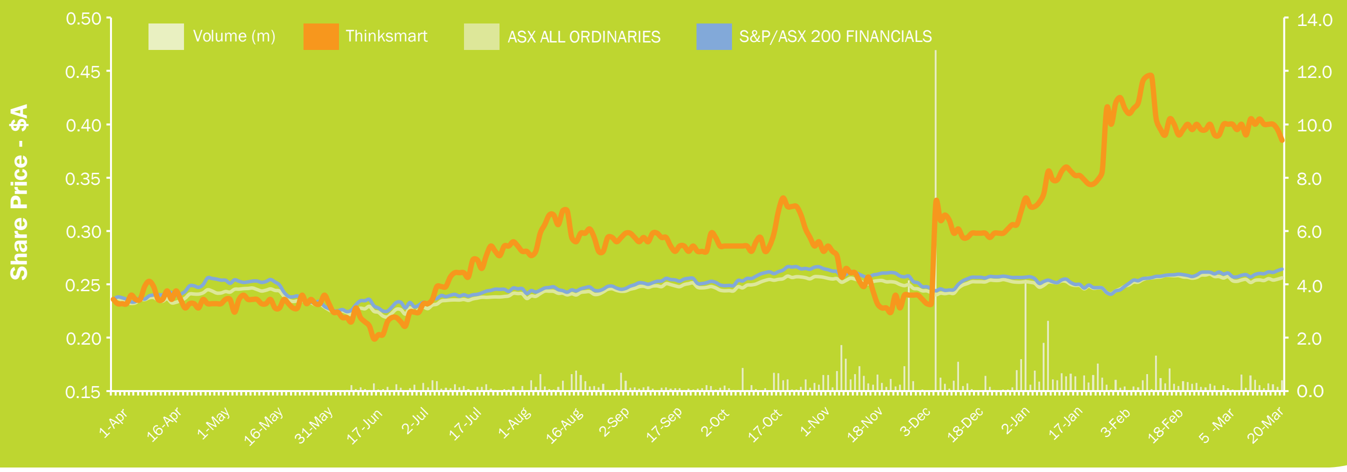
Special **fully franked dividend of 3.6 cents per share** paid on 19 February 2014 and buyback of up to 10% initiated on 20 February 2014

BUSINESS OVERVIEW

We look to build long term, exclusive distribution agreements and entrenched partnerships which deliver value for some of Europe's largest retailers and their customers. Our products are executable throughout today's complex retail channel, creating additional revenue and enhanced margin performance – on and offline. For over 10 years, ThinkSmart has been an exclusive partner for Dixons Retail Plc, during which we have developed compelling Business and Consumer lease finance propositions, most recently introducing Infinity – a first to market offer which enables consumers to upgrade to the very latest Computer or Tablet every 2 years.

"Unlocking shareholder value"

PERFORMANCE CHART (01 APR 13 - 31 MAR 14)



Throughout 2013 the Board conducted a strategic review to determine a go forward strategy for ThinkSmart. A commitment to focus on the UK market opportunity led to the sale of the Australian and New Zealand operations for $43 million cash with the sale transaction completing on 31 January 2014. The announcement of the sale transaction on 12 December 2013 led to an uplift in the Company's share price from a 12 month low of 19.9 cents to a high of 32.7 cents immediately following the announcement.

Part of the proceeds from the sale is intended to return value to shareholders:

- Special fully franked dividend of 3.6 cents per share paid on 19 February 2014.
- On market buyback of issued shares. On 20 February 2014 the Company announced its intention to buyback up to 10% of issued shares. The initial tranche of shares under the buyback were acquired on 18 March and up to 11 April 2014 the Company has acquired and cancelled 572,981 shares.
- A range of capital management strategies are currently under consideration with the intention to optimise overall returns to shareholders as well as providing sufficient capital to meet the growth aspirations of the business in the UK .

The balance of the sale proceeds are intended to be used to fund expansion and growth in our chosen market in the UK.

"Shaping and Executing the Group's strategy"

Since 2003 ThinkSmart has built a strong UK business, with important retail relationships already in place and a powerful platform to build on.

UK Operational Snapshot

A GROWTH MARKET

- Large Market: 62m consumers
- Supportive to business:
  - Lowest company tax in G7- 20% by 2015
- 2013 GDP growth of 1.9%, fastest since 2007
- Significant Growth Potential in resurgent market

OPERATIONAL SNAPSHOT

$7.8m
NPBT FY'13

58,300
Active Customers

$25.9m
In Originations

$4.8m
Cash Generation

$50.7m
Assets Under Management

$59.9m
Spare funding capacity

GROWTH PATH IN 2014

- Organic Growth
- Product & market development
- Invest in synergistic growth opportunities
- Build capability to support growth

"The UK is the right environment to grow our business"

We plan to further develop our current propositions with our existing partner, Dixons. We are working with them to further develop the successful Infinity proposition and broaden its appeal. This will be launched towards the end of H1 2014. ThinkSmart will continue to refresh products aligned to our partners' commercial objectives to assist them in creating a differentiated proposition in their markets. We continue to work closely with Kingfisher and have a current trial underway providing a funding mechanism for purchase and installation of boilers to residential landlords across UK.

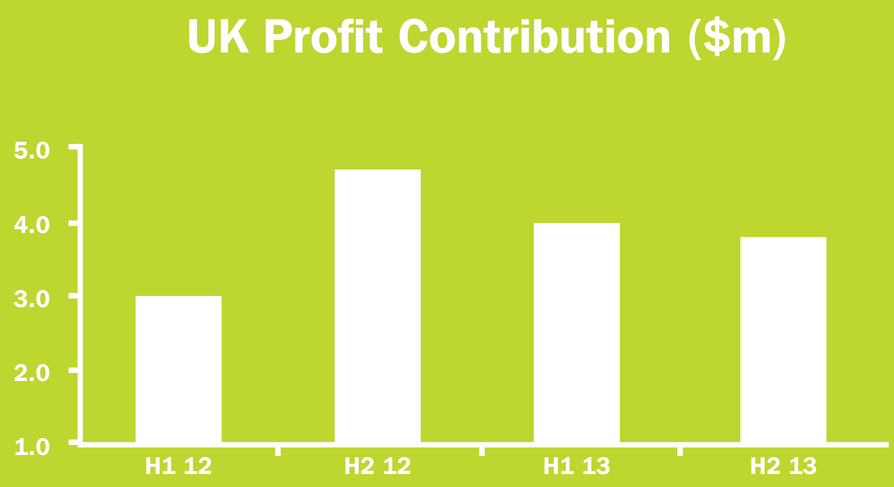
There are further opportunities to introduce our existing in store and online point of sale solutions to other retailers with customers who want all the benefits of the latest technology or product features with the flexibility to upgrade products as their need develops. We do not see these opportunities as limited to computing related product sales.

Finally, the sale of the Australian and New Zealand operations has provided a significant cash reserve available to fund opportunities that have the potential to accelerate synergistic growth. The evaluation of these opportunities is in its early phase however we believe ThinkSmart's strong balance sheet and market experience and singular market focus could unlock value in strategically aligned businesses.

Ultimately we are positioning the Company for growth in a strengthening UK market place. Our people and their capabilities, along side efficient processes and a unique IP capability have created significant added value and support for our retail partners. We plan to continue to build this capability across an even wider range of innovative financial propositions to a broader base of retail partners.

"Consistent performance from the UK business"

The UK operations contributed $7.8 million net profit before tax for the 2013 year, a consistent performance in a market showing indicators of an economic recovery.



Cash flow generation from UK operations increased to $4.8 million, up from $3.8 million in 2012. New originations totalled $25.9 million, a reduction of 8% on a constant currency basis. The 2012 new business volumes were significantly increased by pre Olympics sales activity. In addition, Infinity originations have in part been impacted by a changing sales mix trending towards lower value tablets.

The automation of processes has delivered efficiency benefits with operating costs as a percentage of revenue falling from 29.6% to 28.6%.

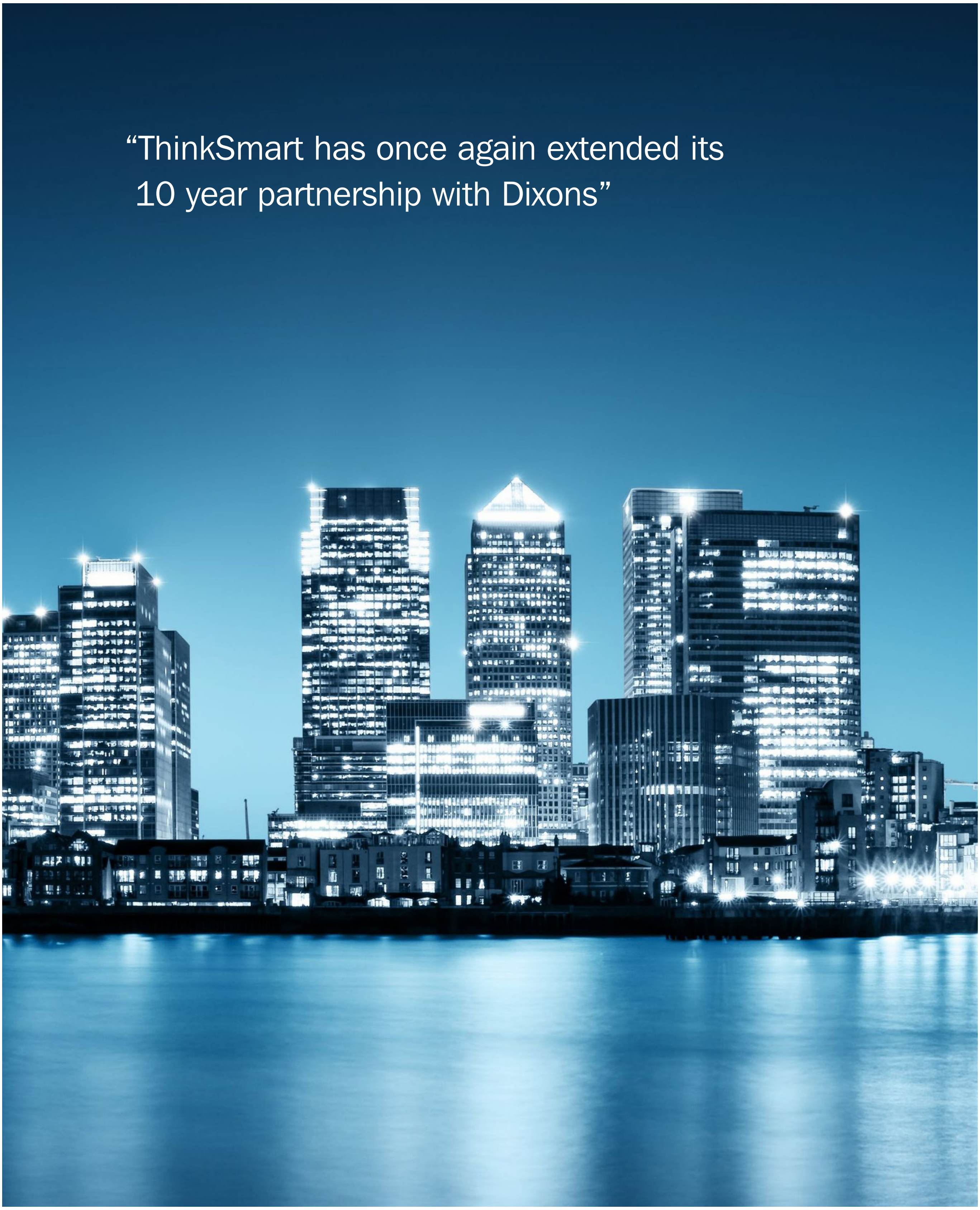
“ThinkSmart is well positioned for future growth through its focus on the UK market and capacity to leverage a strong balance sheet”

ThinkSmart has once again extended its 10 year partnership with Dixons, the market leading technology retailer in the UK, for a further period to 2017. The success of the important relationship is in part due to our ability to innovate and update the customer proposition ensuring it remains relevant to more customers and more products. In August 2013 ThinkSmart announced it had signed a Heads of Term with the UK’s leading DIY retailer, Kingfisher, opening up a partnership opportunity with significant potential for growth. A trial product is in its early stages of development and the evolution of this partnership is expected to continue throughout 2014.

The UK operations are funded through a financing arrangement with Secure Trust Bank. In 2013 the funding limit was increased from GBP40 million to GBP60 million and the facility extended to 2016. There is a focus to move to a multi funder model to support expected future growth and diversification with the stronger balance sheet creating improved opportunities with potential funders and improved pricing.

“Prospects for 2014”

ThinkSmart is well positioned for future growth through its focus on the UK market and capacity to leverage a strong balance sheet. The opportunities for growth exists organically with current long term partners, by extending our propositions to new sectors and retail partners and also through investments which unlock synergies in strategically aligned businesses.


“ThinkSmart has once again extended its
10 year partnership with Dixons”

CHAIRMAN AND CEO REPORTS

Executive Chairman's Report

Dear Shareholder

"2013 was transformational in shaping and executing strategy"

Following a challenging period for shareholders, Directors and staff, improved financial performance together with the sale of the Australian and New Zealand operations for $43 million cash has driven a significant uplift in the market value of ThinkSmart. The Company's share price closed the 2013 year at $0.36, up 89% from one year earlier.

The transformation plan executed in late 2012 delivered improved financial performance and returned the Group to profit in the 2013 year. In addition, the Board completed a comprehensive strategic review in 2013 which led to the acceptance of an offer for the Australian operations which the Board considered to be a fully priced offer.

I am pleased that the sale allows your Board to distribute returns to shareholders in the form of a fully franked special dividend of 3.6 cents per share paid on 19 February 2014. In addition, the Company announced its intention to buyback up to 10% of issued shares through an on market buyback. The initial tranche of shares under the buyback were acquired on 18 March and up to 11 April 2014 the Company has acquired and cancelled 572,981 shares.

On 3 April 2014, we released a market announcement that the company was reviewing its current position on capital management. In response to shareholder feedback the Board is in the process of considering a range of strategies with the objective of optimising returns to shareholders as well as providing sufficient capital to meet the growth aspirations of the business in the UK.

We strongly believe the UK is the place to be to grow our business. ThinkSmart has a strong long term relationship with Dixons, UK's leading electrical retailer and our leadership team has been strengthened by the appointment of Keith Jones, former Dixons Group Retail Director, who joined our Board in May 2013 and commenced in the Chief Executive Officer role on 1 February 2014. I am delighted to have secured Keith in this capacity and I can think of no better individual to take the reins of the business. I look forward to supporting him in my capacity as Executive Chairman and working with him in this next exciting phase of ThinkSmart's journey.

The UK market is three times the size of Australia with 62 million consumers and ThinkSmart has secured access to these consumers through its strong relationship with Dixons. ThinkSmart's sector leading intellectual property delivers capability for point of sale financing solutions and facilitates rapid development of innovative products into other retail sectors allowing ThinkSmart to create financing solutions with its chosen partners at relatively low cost and in rapid timeframes.

ThinkSmart now has significant cash reserves to invest in strategic growth initiatives. A stronger balance sheet also opens the way to increased funding capacity and more favourable financing rates.

Finally, on behalf of the Board of Directors, I would like to thank all of ThinkSmart's customers, partners, funders and shareholders for their continuing support. I especially want to thank the entire team at ThinkSmart for their ongoing commitment and enthusiasm.

Ned Montarello, Executive Chairman

Chief Executive Officer's Report

Dear Shareholders

As a Director and Chief Executive Officer of ThinkSmart, I continue to be excited by the opportunities for the Company in the UK market. The Directors and Executives are actively evaluating the growth opportunities that will maximise long term shareholder value.

"Building long term shareholder value in the UK"

Our strategic focus is to build long term value in the UK through 3 Pillars of Growth:

1. Organic growth with existing partners
2. Product and market development extending the model with new partners
3. Synergistic opportunities

The current plan to refocus, realign and broaden the offer with our principal partner in the UK creates an opportunity to deliver our most exciting product proposition yet to even more customers and product categories. Our partnership with Dixons has recently been extended to 2017. We are working with them to deliver an enhanced Infinity proposition which will be relevant to more customers across more products. It will provide added flexibility and allow customers to benefit from the very latest products in a fast changing technology landscape. It will be great for customers, our partner, their suppliers and obviously for ThinkSmart and its shareholders.

We are already working towards replicating the successful partnership we have with retailers who do not directly compete with Dixons. The relationship with Kingfisher announced in 2013 is in development phase as we trial a product in their Kingfisher Future Homes operation. We are encouraged by the partner's commitment to the evolving relationship. Our focus in the UK opens up the opportunity to create and build additional partnerships and to work alongside retailers to develop innovative, fast and market winning point of sale finance solutions.

Significant cash reserves are now available to fund investments in strategically aligned opportunities where we can unlock value and deliver growth. We are actively evaluating a number of opportunities that compliment ThinkSmart's key competencies and shareholders will be appraised of developments as they arise.

Execution of the Group's strategy occurs at a time of renewed optimism for the UK economy. The economic outlook has turned positive with GDP growth the strongest since 2007 and both employment and inflation ahead of expectation.

Finally, I would like to acknowledge the hard work and commitment from the ThinkSmart team based in the UK. I look forward to leading the team, building the capability and driving ahead with the planned growth initiatives for the benefit of all stakeholders.

Keith Jones, Chief Executive Officer

FINANCIAL REPORT

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Your Directors present their report on the consolidated entity (referred to hereafter as the "Group") consisting of ThinkSmart Limited ("the Company" or "ThinkSmart") and the entities it controlled at the end of, or during, the financial year ended 31 December 2013.

DIRECTORS

The following persons were Directors of the Company during the financial year and until the date of this report.

Names, qualifications, experience and special responsibilities

Ned Montarello
Executive Chairman

Ned was appointed Executive Chairman on 22 May 2010 and stepped down as Chief Executive Officer on 31 January 2014. Ned has over 28 years experience in the finance industry. He founded ThinkSmart in 1996 and through this vehicle has been credited with elevating the Nano-Ticket rental market sector in Australia, receiving the Telstra and Australian Government's Entrepreneur of the Year Award in 1998. Ned led the development of the Group's Australian distribution network by building partnerships with key retailers, including JB Hi-Fi and Dick Smith. Ned also steered the expansion of the business into Europe, establishing agreements with DSG International and a joint venture with HBOS to launch in the UK. In 2007 Ned successfully listed the business in Australia for $204m. In 2010 he developed the "Infinity" product with Dixons to move into the "Business to Consumer" market for the first time in the UK. Ned continued to drive the business to maintain its sector leading IP in point of sale finance with the introduction of e-sign to its process ensuring that it maintained its relevance to the fast moving retail environment.

Keith Jones
MBA Bus
Chief Executive Officer

Keith joined the Board on 24 May 2013 and was appointed Chief Executive Officer on 1 February 2014. Keith has 30 years of retail experience in Europe including roles as Chief Executive Officer of JJB Sports plc and Group Retail Director of Dixons Retail plc. At Dixons, Keith was a member of the Group Executive Committee with responsibility for all UK and Ireland fascias including PC World and Currys. Previously he was Managing Director of PC World Stores Group with responsibility for stores in the UK, Spain, France, Italy and Nordics in addition to Group Service Operations. Keith has a MBA from Manchester Business School.

David Griffiths
B. Ec (Hons), M. Ec, D. Ec (Hon), FAICD
Non-Executive Director, Deputy Chairman

David joined the Board on 28 November 2000 and was appointed Deputy Chairman on 22 May 2010. David has over 14 years experience in investment banking at Macquarie Bank Limited and previously as Executive Chairman of Porter Western Limited. Prior to that he held a number of senior financial positions across a wide range of industries. He holds an Honours Degree in Economics and an honorary Doctor of Economics from The University of Western Australia, a Masters Degree in Economics from Australian National University and is a Fellow of the Australian Institute of Company Directors. David sits on the Board of the Perth International Arts Festival and is currently Chairman of Automotive Holdings Group Limited. David is currently Chair of the Audit and Risk Committee of ThinkSmart.

Steven Penglis
B. Juris and B. Law
Non-Executive Director

Steven joined the Board on 1 July 2000 and stepped down as Chairman on 6 May 2007. Until 30 September 2012, Steven was a partner of Freehills, having been appointed to the partnership on 1 July 1987. Steven now practises solely as a barrister, specialising in the area of Corporate and Corporations Law litigation. He is a part time Senior Member of the Commonwealth Administrative Appeals Tribunal, a former elected member and Chairman of the Legal Practice Board of Western Australia and a former elected member of the Council of the Law Society of Western Australia (having served from 1 January 2002 to 31 December 2012). Steven is currently Chairman of the Nomination and Remuneration Committee of ThinkSmart.

Fernando de Vicente
B. Econ, MBA Bus
Non-Executive Director

Fernando is a citizen of Spain who joined the Board on 7 April 2010 and the Audit and Risk Committee on 18 August 2013. Fernando has a Degree in Economics (International Development) from the University Complutense in Madrid, and an Executive MBA from IESE Business School in Madrid. Fernando spent nine years at DSG International, one of Europe's largest electrical retailers, where he most recently held the role of International Managing Director, with responsibility for DSG's Central & Southern European operations, a A$3 billion business with 350 stores across six countries.

Fernando started his career with DSG as Finance Director for PC City Spain, and became the MD for Spain in 2003. In 2006 he was promoted to Regional Managing Director for South-East Europe based in Greece, before assuming the role of International Managing Director in 2008. In March 2010, Fernando left DSG to become the Executive Chairman of BodyBell Group, one of Spain's largest speciality retailers. On 15 February 2012, Fernando was appointed Non-Executive Director of Levantina, a multinational company dealing in natural stone products.

Nancy Fox
BA, JD (Law), FAICD
Non-Executive Director

Nancy resigned as Non-Executive Director on 18 March 2013.

COMPANY SECRETARY

Neil Barker
B. Bus, FCPA

Neil was appointed Company Secretary on 12 December 2013. Neil is a Certified Practicing Accountant (Fellow) with over 30 years experience in banking and finance. He previously worked for ThinkSmart for 6 years until July 2011 in the roles of Chief Operating Officer, Chief Financial Officer and Company Secretary. Prior to joining ThinkSmart in 2005, Neil was the Group Financial Controller of Alinta Limited, an Australian public listed company. Prior to joining Alinta, he was employed with the NAB Group in senior finance roles based in the UK and Australia.

Alistair Stevens
BA (Hons), ACA
Company Secretary and Chief Financial Officer

Alistair resigned as Company Secretary and Chief Financial Officer on 12 December 2013.

PRINCIPAL ACTIVITIES

The Group's principal activity during the year was the provision of lease and rental financing services in Australia and the UK and the supply of interest free payment plans in Australia.

OPERATING AND FINANCIAL REVIEW

The Board presents its Operating and Financial Review for the 2013 financial year. This information should be read in conjunction with the financial statements and accompanying notes.

Business model

ThinkSmart is a leading international finance company, creating differentiation and competitive advantage in 'point of sale' finance. It has an exclusive distribution agreement and partnership with one of the UK's leading electrical retailers and their customers. ThinkSmart's products leverage its sector leading software and processing IP for delivering fast finance solutions in today's complex retail environment and it offers a compelling and highly profitable value proposition for retail partners, customers and funders.

During the year, a decision to sell the Australian and New Zealand operations was taken after a full strategic review by the Board. The sale agreement for the Australian and New Zealand operations for $43m was executed on 12 December 2013 and settled 31 January 2014. This will enable the Group to focus on the UK market with its 62 million consumers and allow it to continue to build on the strong relationship it has with the UK's dominant electrical retailer – Dixons, to further develop new products and markets and invest in synergistic growth opportunities.

Key financial data

	Continuing operations		Discontinued operations		Total	
For year ended 31 December	**2013**	**2012**	**2013**	**2012**	**2013**	**2012**
	$000	**$000**	**$000**	**$000**	**$000**	**$000**
Total revenue	**18,933**	19,043	**18,758**	20,680	**37,691**	39,723
Indirect customer acquisition costs	**(4,943)**	(4,992)	**(1,361)**	(3,147)	**(6,304)**	(8,139)
Operating expenses	**(9,923)**	(11,005)	**(13,039)**	(14,969)	**(22,962)**	(25,974)
Depreciation and amortisation	**(463)**	(450)	**(2,399)**	(2,786)	**(2,862)**	(3,236)
Impairment losses	**(255)**	(182)	**(2,338)**	(4,098)	**(2,593)**	(4,280)
Profit / (loss) before tax	**3,349**	2,414	**(379)**	(4,320)	**2,970**	(1,906)
Income tax (expense) / benefit	**(752)**	(569)	**91**	1,034	**(661)**	465
Profit / (loss) after tax	**2,597**	1,845	**(288)**	(3,286)	**2,309**	(1,441)

Summary of results

- Net profit after tax of $2.3m, inclusive of $0.35m after tax expenses in relation to transaction costs with respect to the after balance date sale of the Australian and New Zealand businesses, compared to a loss in 2012 of $1.4m
- Total revenue of $37.7m, down 5%
- Total expenses of $34.7m, down 16%
- Operating expenses of $23.0m, down 9%
- Available cash assets of $7.4m, up 22%
- Earnings per share of 1.45 cents, compared to a loss per share of 0.95 cents in 2012
- No dividend declared for 2013, however a fully franked special dividend of 3.6 cents per share declared on 31 January 2014 to be paid on 19 February 2014

Review of operations

Continuing operations – UK

A consistent set of results was delivered by the UK business with profit contribution of $7.8m before tax (2012: $7.7m). Cash flow generation of $4.8m, is up 26.0% from $3.8m in 2012. New originations totalling $25.9m are down 8.0% on a constant currency basis. This is partly as a result of growth in new business volumes having 'normalised' relative to the spike experienced in 2012 driven by the London Olympics. In addition, Infinity volumes in the second half of 2013 were below expectations due to a change in computer sales mix. This has reduced growth, particularly in Q4. The Group has now agreed with Dixons to refocus and realign products to broaden categories within Dixons stores. Further, SmartPlan volumes (predominantly computers) have declined by 10% in line with B2B computing volumes.

UK average transaction values (ATV's) have increased from £541 to £663. This was driven by a re-pricing of the Infinity product from May 2013 to include the full service cost within the invoice, increasing Infinity ATV from around £430 to £550. 2013 also saw an increase in repeat business for Infinity with 30% of customers are now upgrading after 2 years and ATV for repeat business is 20% higher than the original contract.

Operating costs as a percentage of revenue have fallen to 28.6% from 29.6% as the business model becomes more efficient and continues to leverage scalability.

Continuing operations – Corporate

Corporate costs fell by $0.5m to $4.4m from $4.9m in 2012. Excluding one off sale transaction costs incurred during 2013 of $0.5m, the underlying savings of $1.0m was driven by a cost reduction program implemented in H1 2013.

Discontinued operations – Australia and New Zealand

During 2013, the performance in the Australian operations improved from a loss of $4.3m in 2012 to a loss of $0.4m in the current year. Total revenue was down $1.9m mainly due to the transition of its funding model from a brokerage model to a securitisation model in 2012, causing the commencement of lease accounting for new originations from May 2012. However total costs reduced by $5.8m following the restructure announcement in November 2012. Specifically, customer acquisition costs reduced by $1.8m, credit loss performance improved by $1.8m, the interest charge reduced by $1.1m, other operating costs were lower by $0.8m, and depreciation and amortisation reduced by $0.4m.

Key developments and significant changes in state of affairs

As set out in notes 8 and 12 of the Financial Report, on 12 December 2013 the Group announced the sale of its Australian and New Zealand operations to FlexiGroup Limited for $43.0m. The settlement of the sale completed on 31 January 2014, with the gain on the sale to be accounted for in FY 2014.

Financial position and cash flows

Summary financial position

As at 31 December	2013 $000	2012 $000
Cash and cash equivalents (unrestricted)	7,375	6,008
Cash and cash equivalents (restricted)	194	12,560
Loan and lease receivables	-	62,414
Other assets	16,605	16,256
Goodwill and intangibles	16,613	17,707
Assets held for sale	66,617	-
Total assets	**107,404**	**114,945**
Other interest bearing liabilities	-	54,363
Other liabilities	12,677	12,561
Liabilities held for sale	41,108	-
Total liabilities	**53,785**	**66,924**
Equity	**53,619**	**48,021**
Net cash from operating activities	1,538	690

Significant changes in the financial position in the table above reflect the accounting requirement to reclassify in FY 2013 the Australian and New Zealand operation's assets and liabilities as "held for sale" assets.

Cash at 31 December 2013 excludes $12.0m reclassified as "Assets held for Sale" and there are no corporate borrowings as these were fully repaid in H2 2012. Total cash assets immediately after the sale of the Australian and New Zealand business are $49.4m. Closing cash as at 31 December 2013 of $19.6m includes investments in funding arrangements of $12.0m and available cash of $7.4m. Available cash of $7.4m at the end of December is up from $6.0m at 31 December 2012, driven by operating cash generation.

Operating cash generation of $1.5m is up from $0.7m in 2012, with UK operations contributing $4.8m (2012: $3.8m) for the year. Investment in infrastructure continues at reduced levels with $1.4m invested in the establishment of new funding facilities and the development of online capability compared to $2.3m in 2012, due to projects nearing completion.

No dividend has been declared in respect of 2013. A special dividend of 3.6 cents, fully franked, was declared on 31 January 2014 for payment on 19 February 2014.

Business strategies and prospects for future financial years

Distribution network

ThinkSmart has a 10 year partnership with Dixons, now extended to 2017. During 2013, the Group also entered into a new relationship with Kingfisher, which is in its trial phase. There is now a singular leadership focus on the UK, aimed at establishing additional relationships.

Operational capability and efficiency

With the recent appointment of a UK based CEO with extensive retail experience, ThinkSmart will, through the use of its market leading IP capability, further develop its multi-channel operating model at an efficient and scalable level.

Asset quality

Our continued focus on consistent improvements in loss history, which improves the cost of funding, will make ThinkSmart a more attractive proposition to potential new funding partners.

Product diversification

There will be a renewed focus on the development of the Infinity product, which is anticipated to further broaden the product's reach in stores. The SmartPlan offering will be revitalised, targeting realignment to meet the changing retail environment in 2014. In addition to existing products, our in-house development capability will be used to develop bespoke products for new partners and markets.

Funding platform and cash resources

During FY 2013, funding limits with the Group's UK funding partner have increased to GBP£60m. Further, the Group's focus will be to move to a multi-funder model enabled by increased group cash balances as it seeks to utilise cash available (in the region of $20m post the sale of the Australian and New Zealand operations) for investment in growth initiatives.

Risks

ThinkSmart accepts that risk is an inherent part of doing business and actively identifies, monitors and manages material risks.

Key material risks faced by the group are:

Credit risk
The credit quality of accepted customers and the Group's policies and procedures to mitigate payment defaults has an impact on the Group's financial performance either directly through impairment losses or indirectly through funding cost. Robust credit checking and collections processes combined with continual development of our market leading IP capability in this area assist in managing and mitigating this risk.

Achievement of Volume Growth
The Group's ability to achieve its growth targets is impacted by Retail partner's own growth strategies, key relationships with those partners, the ability to establish new partnerships or product lines, and the broader economic environment particularly in the retail sector.

Funding
The availability and cost of funds impacts the Group's product pricing decisions, its ability to accept volume growth delivered by its partners and the ultimate profitability of its products. The historic credit quality of ThinkSmart's lending, market competition for debt and other macro-economic factors also impact this risk.

SIGNIFICANT CHANGES IN STATE OF AFFAIRS

On 12 December 2013, the Group entered into an agreement to sell its Australian and New Zealand business to FlexiGroup for $43m. The sale was completed 31 January 2014.

Other than the matter described above, there has been no transaction or event of a material nature likely, in the opinion of the Directors of the Company, to affect significantly the operations, results or state of affairs of the Group, in future financial years.

DIVIDENDS

There were no dividends paid during the year (2012: nil) or since the year end.

Declared after year end
Subsequent to 31 December 2013, the following dividends were declared by the directors.

	Cents per share	Total amount	Franked/unfranked	Date to be paid
Special dividend	3.6 cents	$5,843,055	Fully franked	19 February 2014

The financial effect of these dividends has not been brought to account in the financial statements for the year ended 31 December 2013 and will be recognised in subsequent financial reports.

SIGNIFICANT EVENTS AFTER THE BALANCE DATE

In December 2013 the Group entered into an agreement to sell its operations in Australia and New Zealand to FlexiGroup Limited for $43 million. The transaction was completed on 31 January 2014.

The operations in Australia and New Zealand have been presented as discontinued operations in the financial statements for the year ended 31 December 2013.

DIRECTORS' MEETINGS

The following table sets out the number of Directors' meetings held during the financial year.

Director	Board Meetings		Audit and Risk Committee Meetings		Nomination and Remuneration Committee Meetings	
	A	B	A	B	A	B
N Montarello	15	16	2*	2	-	-
D Griffiths	16	16	2	2	2	2
S Penglis	16	16	2	2	2	2
F de Vicente	13	16	0	1	2	2
N Fox	1	1	1	1	-	-
K Jones	13	13	-	-	-	-

A – Number of meetings attended

B – Number of meetings held during the time the Director held office during the year

* – Attendance by invitation from the Committee

DIRECTORS' INTERESTS

The relevant interests of each Director in ThinkSmart Limited shares and options at the date of this report are as follows:

	Number of ordinary shares	Options granted over ordinary shares
N Montarello	30,559,356	-
D Griffiths	2,592,001	-
S Penglis	1,272,600	-
F de Vicente	426,000	-
K Jones	-	-

Unissued Shares under Options

At the date of this report there were 1,050,000 unissued ordinary shares of the Company subject to option or performance rights, comprising:

Number of shares under option	Exercise price of options	Expiry date of options
300,000	$0.19	09 August 2017
750,000	$0.27	04 July 2018

All options expire on the earlier of their expiry date or the termination of the option holder's employment. Further details are included in the remuneration report on pages 19 to 30. These options do not entitle the holder to participate in any share issue of the Company or any other body corporate.

REMUNERATION REPORT - Audited

This Report details the remuneration arrangements for Key Management Personnel. Key Management Personnel encompass all Directors and those Executives that have specific responsibility for planning, directing and controlling material activities of the Group. In this report, "Executives" refers to the Key Management Personnel excluding the Non-Executive Directors. The information provided in this Remuneration Report has been audited as required by Section 308(3C) of the Corporations Act 2001. This Report contains the following sections:

A: Principles of remuneration
B: Key Management Personnel remuneration
C: Service agreements
D: Share-based compensation (loan-funded shares and options)
E: Share-based compensation (shares)
F: Bonus remuneration

A. Principles of Remuneration

Key Management Personnel have authority and responsibility for planning, directing and controlling the activities of the Company and the Group and comprise for the year ended 31 December 2013:

Executive Chairman and Chief Executive Officer
N Montarello*

Non-Executive Directors
D Griffiths (Deputy Chairman)
S Penglis (Non-Executive Director)
F de Vicente (Non-Executive Director)
N Fox (Non-Executive Director) – until 18 March 2013
K Jones (Non-Executive Director)* – from 24 May 2013 until 1 February 2014

Executives
A Baum (Group Chief Operating Officer)
G Halton (Managing Director (acting) – UK)
A Stevens (Group Chief Financial Officer) – until 12 December 2013
G Varma (Group Chief Information Officer)

*On 1 February 2014 Mr K Jones became the Group's Chief Executive Officer.

The Board recognises that the Company's performance depends upon the quality of its staff. To achieve its financial and operating objectives, the Company must attract, motivate and retain highly skilled Directors and Executives. To this end, the remuneration structure seeks to:

- Provide competitive rewards to attract, retain and motivate talented Directors and Executives;
- Align incentive rewards with the Company's short term and long term objectives by including a significant portion of Executive remuneration "at risk" as short term and long term incentives;
- Set demanding performance hurdles which are clearly linked to an Executive's remuneration; and
- Structure remuneration at a level that reflects the Executive's duties and responsibilities and is competitive within the sector.

The remuneration structures take into account:

- the capability and experience of the individual;
- the individual's ability to control the relevant segment's performance; and
- the performance of the Group.

The Nomination and Remuneration Committee may obtain independent advice on the appropriateness of remuneration packages, trends in comparative companies and markets, both locally and internationally, and the objectives of the Company's remuneration strategy.

Remuneration packages include a mix of fixed and variable remuneration with a blend of short-term and long-term performance-based incentives. The variable remuneration components are directly linked to both the performance of the Group and the performance of the Company's share price. This ensures close alignment of remuneration of Key Management Personnel and the creation of shareholder value.

Non-Executive Directors

Fees and payments to Non-Executive Directors reflect the demands which are made on and the responsibilities of the Non-Executive Directors. Non-Executive Directors' fees and payments are reviewed annually by the Board. Non-Executive Directors do not receive share options or loan-funded shares.

Non-Executive Directors' Fees

Non-Executive Directors' fees are determined within an aggregate Directors' fee pool of $600,000 and was approved by shareholders at a previous general meeting. The total fees paid in the 2013 financial year were $252,409. In addition to these fees, Directors also receive superannuation contributions as required under government legislation. The Company also pays all reasonable expenses incurred by Directors attending meetings and carrying out their duties.

Executive Pay

The Group's executive remuneration structure has four components which comprise the Executive's total remuneration:

- base pay and benefits;
- short-term performance incentives (STIs);
- long-term incentives through participation in the ThinkSmart Long Term Incentive Plan (LTIs); and
- other remuneration such as superannuation.

Base Pay – Fixed Compensation

Executives are offered a competitive salary that comprises the components of base pay and benefits. Base pay for Executives is reviewed annually by the Nomination and Remuneration Committee or the Executive Chairman to ensure the Executive's pay is competitive with the market and appropriate to the Executive's experience, responsibilities and contribution. An Executive's pay is also reviewed on promotion. Base pay for the Executive Chairman is reviewed annually by the Nomination and Remuneration Committee.

Short-Term Performance Incentive

Short-term performance incentives (STIs) vary according to individual contracts, however, for Executives they are broadly based as follows:

- a component of the STI is linked to the individual performance of the Executive (this is based on a number of factors, including performance against budgets, achievement of key performance indicators (KPIs) and other personal objectives); and
- a component of the STI is linked to the financial performance of the Group determined at the beginning of each financial year.

Using various performance targets and personal performance objectives the Group ensures variable reward is only paid when value has been created for shareholders. The performance measures include financial, such as Profit Before Tax and the value of new originations, and non-financial, including KPIs targeting high levels of customer service and new retail partner acquisition. The STI bonus is delivered in the form of cash.

The short-term bonus payments may be adjusted up or down in line with under or over achievement against the target performance levels. This is at the discretion of the Nomination and Remuneration Committee or the Executive Chairman. The STI targets are reviewed annually. Information on the STI is detailed in section F of the Remuneration Report.

Long-Term Performance Incentive

Long-term performance incentives are awarded to Key Management Personnel and other Executives. Prior to 2012, incentives were awarded under the Company's Executive Share Option Plan. In May 2012, shareholders approved a Long Term Incentive Plan designed to increase the motivation of staff and to create a stronger link between increasing shareholder value and employee award. The details of these schemes are set out on pages 22 to 25.

Consequences of Performance on Shareholder Wealth

In considering the Group's performance and benefits for shareholder wealth, the Remuneration Committee have regard to the following indices in respect of the current financial year and the previous four financial years.

	2013	2012	2011	2010	2009
Profit/(loss) attributable to owners of the company ($000s)	$2,309	($1,441)	$6,798	$6,773	$5,172
Basic EPS	1.45 cents	(0.95) cents	5.23 cents	6.52 cents	5.35 cents
Dividends paid	-	-	$4,545,779	$1,937,788	$2,900,682
Dividend paid per share	-	-	3.5 cents	2 cents	3 cents
Share price at year end	$0.36	$0.19	$0.41	$0.73	$0.90
Change in share price	$0.17	($0.22)	($0.32)	($0.17)	$0.73

The table below sets out the details of the performance options issued to Executives in 2009, 2010 and 2011:

Instrument	Each option represents an entitlement to one ordinary share.
Exercise price	Performance Options Tranche 1 - \$0.62 Performance Options Tranche 2 - \$1.11 Performance Options Tranche 3 - \$0.84
Vesting conditions	Performance options will vest on, and become exercisable on or after, the Vesting Date to the extent that certain performance conditions that are based on the achievement of pre-determined financial performance of the Group over the performance measurement period, as follows: • 50% of performance options are subject to achievement of Earnings Per Share (EPS) performance condition; and • 50% of performance options are subject to achievement of Total Shareholder Return (TSR) performance condition. Subject to the Executive remaining an employee of the Group. If the Executive ceases to be an employee of the Group before the option is exercised, all options held by the Executive will automatically lapse one month after the date of cessation of employment.
EPS performance target	The Group's EPS growth will be measured relative to a target of more than 7.5% per annum compound growth.
EPS performance period	Performance Options Tranche 1: 3 year period commencing 1 January 2009 with the base year being the period ended 31 December 2008. Performance Options Tranche 2: 3 year period commencing 1 January 2010 with the base year being the period ended 31 December 2009. Performance Options Tranche 3: 3 year period commencing 1 January 2011 with the base year being the period ended 31 December 2010.
TSR performance target	The Group will be given a percentile ranking having regards to its performance relative to a comparator group consisting of the S&P/ASX Small Ordinaries Index (ASX code: ASO). The percentage of the TSR reward that vests will be determined by the Group's ranking as follows: • TSR rank less than 50th percentile: 0% • TSR ranks 50th percentile: 50% • TSR rank between 50th and 75th percentile: 50% plus an additional 2% of this award for each additional percentile ranking above 50th percentile • TSR rank at or above 75th percentile: 100%
TSR performance period	Performance Options Tranche 1: As at 1 January 2009 Performance Options Tranche 2: As at 1 January 2010 Performance Options Tranche 3: As at 1 January 2011

Why vesting conditions are chosen	The vesting conditions (EPS and TSR) were chosen as performance conditions as they are aligned to earnings growth and the creation of shareholder value.
Vesting date	Performance Options Tranche 1: 1 January 2012 Performance Options Tranche 2: 31 December 2012 Performance Options Tranche 3: 31 December 2013
Exercise period	Performance Options Tranche 1: From vesting date to expiry date Performance Options Tranche 2: From vesting date to expiry date Performance Options Tranche 3: From vesting date to expiry date
Expiry date	Performance Options Tranche 1: 31 December 2013 Performance Options Tranche 2: 31 December 2014 Performance Options Tranche 3: 31 December 2015
Disposal restriction	No disposal restriction imposed at the time of this grant.

33% of Tranche 1 options vested on 1 January 2012. None of these vested options were converted by the options holders to shares by the expiry date of 31 December 2013. No options vested from Tranche 2 on 31 December 2012 due to not meeting the performance criteria and thus have been cancelled. Tranche 3 options also did not meet the performance criteria at vesting date of 31 December 2013 and have been cancelled.

During 2012, the Board implemented a new loan-funded share plan for Executives located in Australia, following shareholder approval in May 2012. The limited recourse loans to acquire shares are issued to Executives and the ability to exercise the shares is conditional on the Group achieving the pre-determined performance criteria. The table below sets out the details of the loan-funded shares issued to Executives in 2012 and 2013:

Instrument	Each loan-funded share represents an entitlement to one ordinary share.
Limited recourse loan	The company is providing interest-free, limited recourse loans to Executives to acquire shares. The limited recourse loan means that if the shares do not vest for any reason or the value of the shares is less than the outstanding loan value when it is required to be repaid, the participant's liability is limited to the value of the shares.
Exercise price	2012 loan-funded share issue: $0.1923 2013 loan-funded share issue: $0.2652

Vesting conditions	Shares will vest at the end of the three years from the issue date if at any time during this period the volume-weighted average price of the Company's shares on ASX over any consecutive 30 trading days is, or is in excess of, the following performance conditions. Loan-funded share issue | VWAP target | Percentage of shares vesting 2012 Tranche 1 | $0.35 | 25% Tranche 2 | $0.55 | 25% Tranche 3 | $0.75 | 50% 2013 Tranche 1 | $0.3802 | 25% Tranche 2 | $0.4889 | 25% Tranche 3 | $0.5975 | 50% Vesting is subject to the Executive remaining an employee of the Group.
Why vesting conditions are chosen	The vesting conditions were chosen to align the financial interests of participants with those of shareholders.
Vesting date	2012 loan-funded share issue: 10 August 2015 2013 loan-funded share issue: 04 July 2016
Performance period	2012 loan-funded share issue: 10 August 2012 to 10 August 2015 2013 loan-funded share issue: 04 July 2013 to 04 July 2016
Exercise period	From vesting date until expiry date
Expiry date	2012 loan-funded share issue: 09 August 2017 2013 loan-funded share issue: 04 July 2018

For Executives located in the UK, the Group issued share options under a similar structure to the loan-funded share plan outlined on pages 23 and 24. The table below sets out the details of the performance options issued to Executives in 2012 and 2013:

<table>
<tr><td>Instrument</td><td>Each option represents an entitlement to one ordinary share.</td></tr>
<tr><td>Exercise price</td><td>2012 performance option issue: $0.1923
2013 performance option issue: $0.2652</td></tr>
<tr><td>Vesting conditions</td><td>Options will vest at the end of the three years from the issue date if at any time during this period the volume-weighted average price of the Company's shares on ASX over any consecutive 30 trading days is, or is in excess of, the following performance conditions.
<table>
<tr><th>Performance option issue</th><th>VWAP target</th><th>Percentage of shares vesting</th></tr>
<tr><td>2012</td><td></td><td></td></tr>
<tr><td>Tranche 1</td><td>$0.35</td><td>25%</td></tr>
<tr><td>Tranche 2</td><td>$0.55</td><td>25%</td></tr>
<tr><td>Tranche 3</td><td>$0.75</td><td>50%</td></tr>
<tr><td>2013</td><td></td><td></td></tr>
<tr><td>Tranche 1</td><td>$0.3802</td><td>25%</td></tr>
<tr><td>Tranche 2</td><td>$0.4889</td><td>25%</td></tr>
<tr><td>Tranche 3</td><td>$0.5975</td><td>50%</td></tr>
</table>
Vesting is subject to the Executive remaining an employee of the Group.</td></tr>
<tr><td>Why vesting conditions are chosen</td><td>The vesting conditions were chosen to align the financial interests of participants with those of shareholders.</td></tr>
<tr><td>Vesting date</td><td>2012 performance option issue: 10 August 2015
2013 performance option issue: 04 July 2016</td></tr>
<tr><td>Performance period</td><td>2012 performance option issue: 10 August 2012 to 10 August 2015
2013 performance option issue: 04 July 2013 to 04 July 2016</td></tr>
<tr><td>Exercise period</td><td>From vesting date until expiry date</td></tr>
<tr><td>Expiry date</td><td>2012 performance option issue: 09 August 2017
2013 performance option issue: 04 July 2018</td></tr>
</table>

B. Key Management Personnel Remuneration

Services from Remuneration Consultants

No remuneration consultants were used in 2013.

Amount of Remuneration

Details of the remuneration of the Directors and the Key Management Personnel (as defined in AASB 124 Related Party Disclosures) of the Group are set out in the following tables.

		Short Term				Post employment		Other long term	Share-based payments		Total	Proportion of remuneration performance related	Value of options as proportion of remuneration
		Salary & fees	STI cash bonus	Non-monetary benefits	Total	Superannuation benefits	Termination benefits	Long service entitlement	Options & rights #	Shares			
		$	$	$	$	$	$	$	$	$	$	%	%
Directors													
Non-Executive Directors													
D Griffiths	2013	64,125	-	-	64,125	5,856	-	-	-	-	69,981	-	-
	2012	66,375	-	-	66,375	5,974	-	-	-	-	72,349	-	-
S Penglis	2013	60,325	-	-	60,325	5,509	-	-	-	-	65,834	-	-
	2012	62,442	-	-	62,442	5,620	-	-	-	-	68,062	-	-
F de Vicente	2013	62,205	-	-	62,205	-	-	-	-	-	62,205	-	-
	2012	65,400	-	-	65,400	-	-	-	-	-	65,400	-	-
N Fox*	2013	13,500	-	-	13,500	1,215	-	-	-	-	14,715	-	-
	2012	59,000	-	-	59,000	5,310	-	-	-	-	64,310	-	-
K Jones*	2013	39,674	-	-	39,674	-	-	-	-	-	39,674	-	-
	2012	-	-	-	-	-	-	-	-	-	-	-	-
Executive Director													
N Montarello	2013	622,305	-	1,368	623,673	25,000	-	10,062	(27,037)	-	631,698	(4%)	(4%)
	2012	675,264	-	1,368	676,632	37,500	-	56,460	254,895	-	1,025,487	25%	25%
Executives													
A Baum	2013	413,479	-	1,368	414,847	25,000	-	-	(8,170)	99,319	530,996	(2%)	(2%)
	2012	412,157	-	1,368	413,525	25,000	-	-	5,556	96,333	540,414	1%	1%
G Halton	2013	210,381	-	1,627	212,008	9,909	-	-	193	-	222,110	-	-
	2012	176,355	-	382	176,737	4,447	-	-	26,878	-	208,062	13%	13%
A Stevens*	2013	343,924	-	1,311	345,235	25,000	-	-	(8,333)	-	361,902	(2%)	(2%)
	2012	240,766	-	1,026	241,792	18,351	-	-	8,333	-	268,476	3%	3%
G Varma	2013	236,152	-	1,368	237,520	20,597	-	3,732	478	-	262,327	-	-
	2012	276,601	-	1,368	277,969	24,750	-	12,604	28,545	-	343,868	8%	8%
A Deller†	2013	-	-	-	-	-	-	-	-	-	-	-	-
	2012	230,773	-	1,039	231,812	4,160	93,388	-	-	-	329,360	-	-
J Ferreira†	2013	-	-	-	-	-	-	-	-	-	-	-	-
	2012	124,439	-	456	124,895	6,750	-	-	(39,595)	-	92,050	(43%)	(43%)
S McDonagh†	2013	-	-	-	-	-	-	-	-	-	-	-	-
	2012	221,257	25,000	1,254	247,511	20,971	-	-	(19,253)	-	249,229	2%	8%
G Parry†	2013	-	-	-	-	-	-	-	-	-	-	-	-
	2012	90,412	-	616	91,028	-	60,435	-	(73,749)	-	77,714	(95%)	(95%)
Total	**2013**	**2,066,070**	**-**	**7,042**	**2,073,112**	**118,086**	**-**	**13,794**	**(42,869)**	**99,319**	**2,261,442**	**(2%)**	**(2%)**
Total	2012	2,701,241	25,000	8,877	2,735,118	158,833	153,823	69,064	191,610	96,333	3,404,781	6%	6%

The fair value of the options and loan-funded shares is calculated at the date of grant using the Binomial Tree and Monte-Carlo Simulation option and pricing models and allocated to each reporting period evenly over the period from grant date to vesting date. The value disclosed is the portion of the fair value of the options recognised in this reporting period.

* - During the year, the Key Management Personnel has either resigned or been appointed.

† - This information is provided for comparative purposes.

\# - Includes loan-funded share rights.

C. Service Agreements

A service agreement can be used for the provision of short-term performance incentives, eligibility for the ThinkSmart LTI and other benefits, including the use of a Company motor vehicle, tax advisory fees, payment of benefits forgone at a previous employer and relocation expenses.

As announced to the market on 12 November 2013, Keith Jones was appointed Chief Executive Officer, effective 1 February 2014. Ned Montarello will remain Executive Chairman.

Remuneration and other terms of employment for the Chief Executive Officer are formalised in a service agreement. Keith Jones' employment agreement, signed on 11 November 2013, is a rolling agreement which is unlimited in term but capable of termination with six months notice by either party. All other employment agreements are unlimited in term but capable of termination with one to three months notice by either the Company or the Executive. The Company can make a payment in lieu of notice.

In the event of retrenchment, the Executives listed in the table on page 26 are entitled to the payment provided for in the service agreement, where applicable. The employment of the Executives may be terminated by the Company without notice by payment in lieu of notice. The service agreements also contain confidentiality and restraint of trade clauses.

D. Share-Based Compensation (loan-funded shares and options)

Loan-Funded Shares and Options

Details of ordinary shares in the Company that were granted as part of the loan-funded share plan to Key Management Personnel in July 2013, and the options over ordinary shares in the Company that were granted to Key Management Personnel in July 2013 and details on options that vested during the reporting period are as follows:

	Number of options/ shares granted during 2013	Grant date	Fair value per share at grant date $	Exercise price per share $	Expiry date	Number of options/ shares vested during 2013
Directors						
N Montarello	1,000,000	04/07/2013	$0.098-$0.118	0.2652	04/07/2018	-
Executives						
A Baum	333,333	04/07/2013	$0.098-$0.118	0.2652	04/07/2018	-
A Stevens	500,000	04/07/2013	$0.098-$0.118	0.2652	04/07/2018	-
G Halton	250,000	04/07/2013	$0.098-$0.118	0.2652	04/07/2018	-
G Varma	200,000	04/07/2013	$0.098-$0.118	0.2652	04/07/2018	-

All shares and options were granted during the financial year. The shares and options are subject to Performance Conditions as set out on pages 22 to 25. The options are provided at no cost to the recipients. No shares have been granted since the end of the financial year.

During the financial year, no shares were issued as a result of the exercise of options.

Details of vesting profiles of the options and loan-funded shares granted as remuneration to each Director of the Company and other Key Management Personnel are detailed below:

	Options and loan-funded shares granted				
	Number granted	Grant Date	% vested in year	% forfeited, lapsed or expired in year (a)	Financial year in which grant vests
Director					
N Montarello	1,000,000	30/06/2009	-%	100%	2012
	1,000,000	05/05/2010	-%	100%	2012
	1,000,000	11/04/2011	-%	100%	2013
	1,000,000	10/08/2012	-%	-%	2015
	1,000,000	04/07/2013	-%	-%	2016
Executives					
A Baum	333,333	01/09/2010	-%	100%	2012
	333,333	11/04/2011	-%	100%	2013
	333,333	10/08/2012	-%	-%	2015
	333,333	04/07/2013	-%	-%	2016
G Halton	150,000	30/06/2009	-%	100%	2012
	100,000	05/05/2010	-%	100%	2012
	100,000	11/04/2011	-%	100%	2013
	100,000	10/08/2012	-%	-%	2015
	250,000	04/07/2013	-%	-%	2016
A Stevens	500,000	10/08/2012	-%	100%	2015
	500,000	04/07/2013	-%	100%	2016
G Varma	150,000	30/06/2009	-%	100%	2012
	100,000	05/05/2010	-%	100%	2012
	100,000	11/04/2011	-%	100%	2013
	200,000	10/08/2012	-%	-%	2015
	200,000	04/07/2013	-%	-%	2016

(a) The % forfeited, lapsed or expired in the year represents the reduction from the maximum number of loan-funded shares or options available to vest due to either the performance conditions attached to the loan-funded shares or options not being met or the departure of the Executive from the Group.

Analysis of Movement of Options and Loan-Funded Shares

The movement during the reporting period, by value, of options and loan-funded shares over ordinary shares in the Company held by Directors and Key Management Personnel is detailed below:

	Granted in year (a) $	Exercised in year (b) $	Lapsed in year (c) $
Directors			
N Montarello	105,750	-	448,271
Executives			
A Baum	35,250	-	134,667
G Halton	26,438	-	44,191
A Stevens	52,875	-	70,375
G Varma	21,150	-	44,191
	241,463	**-**	**741,695**

(a) The value of loan-funded shares granted in the year is the fair value of the loan-funded shares calculated at grant date using a monte-carlo option-pricing model. This total amount is allocated to remuneration over the vesting period.

(b) The value of options exercised during the year is calculated as the market price of shares of the Company on the Australian Securities Exchange as at close of trading on the date the options were exercised after deducting the price paid to exercise the option.

(c) The value of the options/loan-funded shares that lapsed during the year represents the benefit forgone and is calculated at the date the option/loan-funded share lapsed or was forfeited using original fair value.

E. Share-Based Compensation (shares)

There were no shares granted to Key Management Personnel during the reporting period.

No shares were granted since the end of the financial year.

Analysis of Shares Granted as Remuneration

Details of vesting profiles of the shares granted as remuneration to the Director and Key Management Personnel of the Company are detailed below:

	Shares granted				
	Number of shares	Grant Date	% vested in year	% forfeited in year (a)	Financial year in which grant vest
Executives					
A Baum	350,000	01/09/2010	100%	-%	2013
A Baum	125,000	01/09/2011	-%	-%	2014
A Baum	125,000	03/10/2012	-%	-%	2015

(a) The % forfeited in the year represents the reduction from the maximum number of shares available to vest due to the highest level service criteria not being achieved.

Analysis of Movement of Shares

The movement during the reporting period, by value of shares in the Company held by the Directors and Key Management Personnel is detailed below:

	Granted in year (a) $	Vested in year (b) $	Lapsed in year (c) $
Executives			
A Baum	-	124,250	-

(a) The value of shares granted in the year is the fair value of the shares as determined in reference to the prevailing market price of the Company's shares on the ASX.

(b) The value of shares vested during the year is calculated as the market price of shares of the Company on the ASX as at close of trading on the date the shares vested.

(c) The value of the shares that lapsed during the year represents the benefit forgone and is determined in reference to the prevailing market price of the Company's shares on the ASX at the date the shares lapsed, with no adjustments for whether the service criteria had been achieved.

F. Bonus Remuneration

Details of the vesting profile of the short-term incentive cash bonuses awarded as remuneration to the Director and Key Management Personnel of the Company are detailed below:

	Short term incentive bonus			
	Included in remuneration (a) $	Maximum entitlement $	% vested in year	% forfeited in year (b)
Directors				
N Montarello	-	241,492	-%	100%
Executives				
A Baum	-	153,000	-%	100%
G Halton	-	44,207	-%	100%
A Stevens	-	117,000	-%	100%
G Varma	-	55,000	-%	100%

(a) Amounts included in remuneration for the financial year represent the amount that vested in the financial year based on achievement of personal goals and satisfaction of specified performance criteria pertaining to the 2012 financial year. No amounts vest in future financial years.

(b) The amounts forfeited are due to the performance or service criteria not being met in relation to the current financial year.

No bonuses were awarded to Key Management Personnel with respect to the 2013 financial year.

CORPORATE GOVERNANCE STATEMENT

The Board of Directors of ThinkSmart Limited is responsible for and committed to ensuring that the Company complies with the ASX Corporate Governance Council's Guide "Corporate Governance Principles and Recommendations".

Board of Directors

Composition of the Board

At the date of this statement, the Board comprises three Non-Executive Directors, all of whom are independent, an Executive Chairman and a Chief Executive Officer. The names of the Directors, including details of their qualifications and experience, at the date of this report are set out on page 12 and 13 of this report. The composition of the Board is determined using the following principles:

- The Board should comprise a majority of independent Non-Executive Directors and comprise Directors with a broad range of skills, expertise and experience from a diverse range of backgrounds.
- The Board considers the diversity of existing and potential Directors. The Board's policy is to seek a diverse range of Directors who have a range of ages, genders and ethnicity which mirrors the environment in which ThinkSmart operates.
- The Board does not believe that it should establish a limit on the tenure of the Director. While tenure limits can help to ensure that fresh ideas and viewpoints are available to the Board, they hold the disadvantage of losing the contribution of Directors who have been able to develop, over a period of time, increasing insight in the Company and its operation.
- The Board regularly reviews the independence of each Director in light of the interests disclosed to the Board.
- A minimum of three Directors and a maximum of twelve.

Role of the Board

The Board's primary role is the protection and enhancement of long-term shareholder value.

To fulfil this role, the Board has adopted a charter which establishes the relationship between the Board and management and describes their functions and responsibilities. The Board's charter can be viewed on the Company's website (www.thinksmartworld.com). The Board's responsibilities, as set out in the Board Charter, include:

- working with management to establish ThinkSmart's strategic direction;
- monitoring management and financial performance;
- monitoring compliance and risk management;
- reviewing procedures in place for appointment of senior management and monitoring of its performance and for succession planning; and
- ensuring effective disclosure policies and procedures.

Matters which are specifically reserved for the Board or its Committees under the Board Charter include:

- appointment of the Chairman and Directors;
- appointment and removal of the Chief Executive Officer;
- development and review of corporate governance principles and policies; and
- approval of strategic plan operational budgets, major capital expenditure, acquisitions and divestitures in excess of authority levels delegated to management.

The Board has delegated responsibility for operations and administration of the Company to the Chief Executive Officer and executive management. Responsibilities are delineated by formal authority delegations.

Board Committees

To assist in the execution of its responsibilities, the Board may delegate responsibility to committees to consider certain issues in further detail and then report back to and advise the Board. Committees established by the Board have adopted charters setting out the authority, responsibilities, membership and operation of the committee. There are currently two committees the Audit and Risk Committee and the Nomination and Remuneration Committee. Each committee has a charter which can be viewed on the Company's website.

Audit and Risk Committee

The Committee's primary role is to assist the Board in carrying out its accounting, auditing and financial reporting responsibilities, including oversight of:

- the integrity of the Company's external financial reporting and financial statements;
- the Company's ongoing risk management program which is designed to effectively identify all areas of potential risk;
- policies and procedures designed and implemented to manage identified risks;
- the effectiveness of the internal control framework within the Company; and
- the appointment, independence and remuneration of the external auditor.

The Audit and Risk Committee has a documented charter, approved by the Board, which is available on the website (www. thinksmartworld.com). The Committee must comprise at least three Directors, all of whom must be Non-Executive Directors. The Chairman of the Committee may not be the Chairman of the Board. The members of the Audit and Risk Committee during the year were Non-Executive Directors, and are D Griffiths (Chairman), F de Vicente and S Penglis.

The Company maintains a risk management policy which can be found on the Company's website.

The Committee meets as often as the Committee members deem necessary in order to fulfil their role. The external auditors, Chief Executive Officer and Chief Financial Officer, are invited to the Audit Committee meetings at the discretion of the Committee. The external auditor met with the Audit Committee and the Board of Directors twice during the year without management being present.

Nomination and Remuneration Committee

The Nomination and Remuneration Committee assists and advises the Board on the effective composition, size and capabilities to ensure the Board is prepared to discharge its responsibilities and duties expediently and in the best interests of the Company as a whole. The current members of the Committee are S Penglis (Chairman), D Griffiths and F de Vicente.

The Nomination and Remuneration Committee reviews and makes recommendations to the Board on remuneration packages and policies applicable to the Directors and Executives of the Company.

The Committee meets as often as the Committee members deem necessary in order to fulfil their role. The Committee consists of a minimum of three members, with the majority being Non-Executive Directors and with an independent Director as Chairman. The Nomination and Remuneration Committee has a documented charter, approved by the Board, which is available on the website.

Diversity

The Board is committed to having an appropriate blend of diversity on the Board and in the Group's senior executive positions. The Board is developing a policy on diversity, to complement and enhance its Anti-Discrimination and Equal Employment Opportunity Policy. The following represents the gender diversity in the Group as at 31 December 2013:

	Male	Female	Total	Male	Female	Total
Board Directors	4	0	4	100%	0%	100%
Executives	9	1	10	90%	10%	100%
Other	68	68	136	50%	50%	100%
	81	**69**	**150**	**54%**	**46%**	**100%**

Environmental Regulation

The Group's operations are not subject to any significant environmental regulation under both Commonwealth and State legislation in relation to its activities.

Ethical Standards

All Directors, managers and employees are expected to act with the utmost integrity and objectivity, striving at all times to enhance the reputation and performance of the Group. Every employee has a nominated supervisor to whom they may refer any issues arising from their employment.

Conflict of Interest

Directors are required to keep the Board advised, on an ongoing basis, of any interest that could potentially conflict with those of the Company. Where the Board believes that a significant conflict exists, the Director concerned does not receive the relevant Board papers and is not present at the meeting whilst the item is considered. Details of Director related entity transactions with the Company and the Group are set out in Note 31 to the financial statements.

Code of Conduct

The Company has developed a Code of Conduct which applies to all Directors, employees, contractors, consultants and associates of the Company and sets out the ethical standards expected when conducting business with employees, customers, funders, retailers and other external parties.

The Code is directed at maintaining high ethical standards and integrity. Employees are expected to adhere to ThinkSmart's policies, perform their duties diligently, properly use company resources, protect confidential information and avoid conflicts of interest. The Code is acknowledged by all employees.

Share Trading Policy

ThinkSmart's Guidelines for Dealing in Securities explain and reinforce the Corporations Act 2001 requirements relating to insider trading. The Guidelines apply to all Directors and employees of the Group and their associates ("Relevant Persons").

The Guidelines expressly prohibit Relevant Persons buying or selling ThinkSmart securities where the Relevant Person or ThinkSmart is in possession of price sensitive or 'inside' information. The Guidelines establish windows where Relevant Persons (provided they are not in possession of inside information) may buy or sell the Company's shares in the period from 31 days following:

- the announcement of half-year results;
- the announcement of annual results; or
- the holding of the annual general meeting.

Outside the window period, Relevant Persons must receive clearance for any proposed dealing in ThinkSmart's securities on ASX as follows:

- a Director must receive approval from the Chairman;
- the Chairman must receive approval from the Board or the Deputy Chairman;
- executives and senior management must receive approval from the Chief Executive Officer; and
- all other Relevant Persons must receive approval from the Company Secretary.

The Guidelines for Dealing in Securities are available to view on the Company's website.

Continuous Disclosure

The Company Secretary has been nominated as the person responsible for communication with the Australian Securities Exchange ("ASX"). This role includes responsibility for ensuring compliance with the continuous disclosure requirements in the ASX Listing Rules and overseeing and co-ordinating information disclosure to the ASX, analysts, brokers, shareholders, the media and the public. When analysts are briefed following half-year and full-year results announcements, the material used in the presentations is released to the ASX prior to the commencement of the briefing. The Company ensures that if any price sensitive information is inadvertently disclosed, this information is also immediately released to the market. The Company is committed to ensuring that all stakeholders and the market are provided with relevant and accurate information regarding its activities in a timely manner.

Communication with Shareholders

The Board provides shareholders with information following the Company's Disclosure Policy which ensures compliance with the continuous disclosure requirements of the ASX Listing Rules and overseeing and co-ordinating information disclosure to shareholders, the market, media and the public.

The Disclosure Policy includes the following guidelines:

- Information is communicated to shareholders through ASX announcements, the annual report, annual general meeting and half-year and full-year results announcements.
- Shareholders are able to access information, including media releases, key policies and the terms of reference of the Board Committees through the Company's website. All relevant ASX announcements will be posted on the website as soon as they have been released to ASX.
- The Company encourages participation of shareholders at its annual general meeting. The external auditor will attend the annual general meeting and be available to answer shareholder questions about the conduct of the audit and the preparation and content of the auditor's report.

Financial Reporting

The Chief Executive Officer and Group Financial Controller have certified to the Board that the Company's financial statements are complete and present a true and fair view, in all material respects, of the financial condition and operational results of the Company and are in accordance with relevant accounting standards. The Board receives monthly reports from management on the financial and operational performance of the Group.

Performance Assessment

The Board undertakes an annual self assessment of its collective performance, the performance of the Chairman, the Directors and of its Committees.

Independent Professional Advice

Following consultation with the Deputy Chairman, Directors may seek independent professional advice at the Company's expense. Generally, this advice will be available to all Directors.

Indemnification and Insurance

During the year ended 31 December 2013, the Company paid insurance premiums in respect of a Directors' and Officers' Liability insurance contract. Disclosure of the total amount of the premium and the nature of the liabilities in respect of such insurance is prohibited by the policy.

The Company has not otherwise, during or since the financial year, indemnified or agreed to indemnify an officer or auditor of the Company or of any related body corporate against a liability incurred by such an officer or Director.

NON-AUDIT SERVICES

During the year KPMG, the Company auditor, has performed certain other services in addition to their statutory duties.

The Board has considered the non-audit services provided during the year by the auditor and in accordance with written advice provided by resolution of the Audit and Risk Committee, is satisfied that the provision of those non-audit services during the year is compatible with, and did not compromise, the auditor independence requirements of the Corporations Act 2001 for the following reasons:

- All non-audit services are subject to the corporate governance procedures adopted by the Company and have been reviewed by the Audit Committee to ensure they do not impact the integrity and objectivity of the auditor; and
- The non-audit services provided do not undermine the general principles relating to auditor independence as set out in APES 110 *Code of Ethics for Professional Accountants*, as they did not involve reviewing or auditing the auditor’s own work, acting in a management or decision making capacity for the Company, acting as an advocate for the Company or jointly sharing risks and rewards.

Details of the amounts paid to the auditor of the Group, KPMG, and its related practices for audit and non-audit services provided during the year are set out in Note 27.

AUDITOR’S INDEPENDENCE DECLARATION

The auditor’s independence declaration which forms part of this report is included in page 37 of the financial report.

ROUNDING

ThinkSmart is a Group of the kind referred to in ASIC Class Order 98/100 dated 10 July 1998, as varied by Class Order 05/641 dated 28 July 2005 and Class Order 06/51 dated 31 January 2006. In accordance with those class orders, amounts in the financial statements and the directors’ report have been rounded off to the nearest thousand dollars, unless otherwise indicated.

Signed in accordance with a resolution of the Directors made pursuant to s.298 (2) of the Corporations Act 2001.

On behalf of the Directors

N Montarello
Chairman
Perth, 18 February 2014

KPMG

Lead Auditor's Independence Declaration under Section 307C of the Corporations Act 2001

To: The Directors of ThinkSmart Limited

I declare that, to the best of my knowledge and belief, in relation to the audit for the financial year ended 31 December 2013 there have been:

(i) no contraventions of the auditor independence requirements as set out in the Corporations Act 2001 in relation to the audit; and

(ii) no contraventions of any applicable code of professional conduct in relation to the audit.

KPMG

KPMG

Matthew Beevers
Partner

Perth

18 February 2014

DIRECTORS' DECLARATION

1. In the opinion of the Directors of ThinkSmart Limited:

   (a) The consolidated financial statements, notes and disclosures in the Remuneration Report in the Directors' report, are in accordance with the Corporations Act 2001, including:

      i. Giving a true and fair view of the Group's financial position as at 31 December 2013 and of its performance for the financial year ended on that date; and

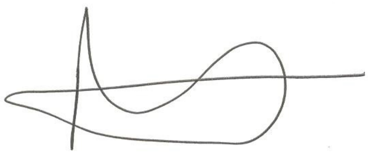
      ii. Complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001;

   (b) The financial report also complies with International Financial Reporting Standards as disclosed in Note 2(a); and

   (c) There are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

2. The Directors have been given the declarations required by Section 295A of the Corporations Act 2001 from the Chief Executive Officer and Chief Financial Officer for the financial year ended 31 December 2013.

Signed in accordance with a resolution of the Directors:



N Montarello
Chairman
Perth, 18 February 2014

CONSOLIDATED STATEMENT OF PROFIT AND LOSS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2013

	Notes	2013 $000	2012 Restated* $000
Continuing operations			
Revenue	6(a)	16,737	16,999
Other revenue	6(b)	2,196	2,044
Total revenue		**18,933**	**19,043**
Indirect customer acquisition cost		(4,943)	(4,992)
Other operating expenses	6(d)	(9,923)	(10,765)
Depreciation and amortisation	6(e)	(463)	(450)
Impairment losses	6(f)	(255)	(182)
Interest expense	6(c)	-	(240)
Profit before tax		**3,349**	**2,414**
Income tax expense	7	(752)	(569)
Profit after tax from continuing operations		**2,597**	**1,845**
Loss from discontinued operation, net of tax	8	(288)	(3,286)
Profit/(loss) after tax		**2,309**	**(1,441)**
Earnings/(loss) per share			
Basic (cents per share)	33	1.45	(0.95)
Diluted (cents per share)	33	1.44	(0.95)
Earnings per share – continuing operations			
Basic (cents per share)	33	1.63	1.22
Diluted (cents per share)	33	1.62	1.22

The attached notes form an integral part of these consolidated financial statements

* Refer to Notes 8 and 12

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2013

	Notes	2013 $000	2012 Restated* $000
Profit/(loss) for the year		**2,309**	**(1,441)**
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss, net of income tax:			
Foreign currency translation differences for foreign operations		3,158	366
Effective portion of changes in fair value of cash flow hedges, net of tax	8	45	118
Total items that may be reclassified subsequently to profit or loss net of income tax		3,203	484
Other comprehensive income for the period, net of income tax		**3,203**	**484**
Total comprehensive income for the period attributable to owners of the Company		**5,512**	**(957)**

The attached notes form an integral part of these consolidated financial statements

* Refer to Notes 8 and 12

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2013

	Notes	2013 $000	2012 $000
Current assets			
Cash and cash equivalents	24(a)	7,569	18,568
Trade receivables		1,154	2,803
Loan and lease receivables	10	-	39,164
Other current assets	9	3,802	3,571
Assets held for sale	12	66,617	-
Total current assets		**79,142**	**64,106**
Non-current assets			
Loan and lease receivables	10	-	23,250
Plant and equipment	13	155	886
Intangible assets	14	12,318	14,080
Goodwill	16	4,295	3,627
Deferred tax assets	7	4,810	2,352
Other non-current assets	11	6,684	6,644
Total non-current assets		**28,262**	**50,839**
Total assets		**107,404**	**114,945**
Current liabilities			
Trade and other payables	18	2,264	6,641
Deferred service income	19	3,843	2,977
Other interest bearing liabilities	21	-	34,300
Tax payable	7	4,520	516
Provisions	18	360	606
Liabilities held for sale	12	41,108	-
Total current liabilities		**52,095**	**45,040**
Non-current liabilities			
Deferred service income	19	1,690	1,821
Other interest bearing liabilities	21	-	20,063
Total non-current liabilities		**1,690**	**21,884**
Total liabilities		**53,785**	**66,924**
Net assets		**53,619**	**48,021**
Equity			
Issued capital	22(a)	48,091	48,073
Reserves	23	188	(3,083)
Accumulated profits		5,340	3,031
Total equity		**53,619**	**48,021**

The attached notes form an integral part of these consolidated financial statements

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2013

Consolidated	Fully paid ordinary shares $000	Equity settled employee benefits reserve $000	Foreign currency translation reserve $000	Hedging reserve $000	Accumulated Profit $000	Attributable to equity holders of the parent $000
Balance at 1 January 2012	39,664	770	(4,432)	(208)	4,472	40,266
Loss for the period	-	-	-	-	(1,441)	(1,441)
Exchange differences arising on translation of foreign operations, net of tax	-	-	366	-	-	366
Effective portion of changes in fair value of cash flow hedges, net of tax	-	-	-	118	-	118
Total other comprehensive income	**-**	**-**	**366**	**118**	**-**	**484**
Total comprehensive income for the period	**-**	**-**	**366**	**118**	**(1,441)**	**(957)**
Transactions with owners of the Company, recognised directly in equity						
Contributions by and distributions to owners of the Company						
Issue of ordinary shares, net of after tax capital raising costs	9,100	-	-	-	-	9,100
Capital raising costs	(714)	-	-	-	-	(714)
Share-based payments held in escrow	23	(23)	-	-	-	-
Recognition of share-based payments	-	326	-	-	-	326
Balance at 31 December 2012	**48,073**	**1,073**	**(4,066)**	**(90)**	**3,031**	**48,021**
Balance at 1 January 2013	48,073	1,073	(4,066)	(90)	3,031	48,021
Profit for the period	-	-	-	-	2,309	2,309
Exchange differences arising on translation of foreign operations, net of tax	-	-	3,158	-	-	3,158
Effective portion of changes in fair value of cash flow hedges, net of tax	-	-	-	45	-	45
Total other comprehensive income	**-**	**-**	**3,158**	**45**	**-**	**3,203**
Total comprehensive income for the period	**-**	**-**	**3,158**	**45**	**2,309**	**5,512**
Transactions with owners of the Company, recognised directly in equity						
Contributions by and distributions to owners of the Company						
Recognition of share-based payments	18	68	-	-	-	86
Balance at 31 December 2013	**48,091**	**1,141**	**(908)**	**(45)**	**5,340**	**53,619**

The attached notes form an integral part of these consolidated financial statements

CONSOLIDATED STATEMENT OF CASH FLOW

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2013

	Notes	2013 $000	2012 $000
Cash Flows from Operating Activities			
Receipts from customers		58,988	54,026
Payments to suppliers and employees		(53,759)	(44,127)
Interest received		619	1,271
Interest and finance charges		(3,483)	(4,735)
Payments for security guarantee		27	(2,542)
Income tax paid		(854)	(3,203)
Net cash from operating activities	**24(b)**	**1,538**	**690**
Cash Flows from Investing Activities			
Payments for plant and equipment		(215)	(418)
Payment for intangible assets – Software		(603)	(919)
Payment for intangible assets – Contract rights		(588)	(965)
Net cash used in investing activities		**(1,406)**	**(2,302)**
Cash Flows from Financing Activities			
Proceeds from share issue		-	9,100
Payment of capital raising costs		-	(1,020)
Proceeds from other interest bearing liabilities		23,940	25,570
Repayment of other interest bearing liabilities		(24,020)	(15,596)
Proceeds of borrowings		-	2,500
Repayment of borrowings		-	(5,004)
Net cash from financing activities		**(80)**	**15,550**
Net increase in cash and cash equivalents		52	13,938
Effect of exchange rate fluctuations on cash held		932	20
Cash and cash equivalents at beginning of the financial year		18,568	4,610
Cash and cash equivalents from discontinued operations	12	(11,983)	-
Total cash and cash equivalents at the end of the financial year	**24(a)**	**7,569**	**18,568**
Restricted cash and cash equivalents at the end of the financial year	**24(a)**	**(194)**	**(12,560)**
Net available cash and cash equivalents at the end of the financial year		**7,375**	**6,008**

The attached notes form an integral part of these consolidated financial statements

1. GENERAL INFORMATION

ThinkSmart Limited (the "Company" or "ThinkSmart") is a publicly listed company, incorporated and domiciled in Australia. The consolidated financial statements of the Company as at and for the year ended 31 December 2013 comprise of the Company and its subsidiaries (the "Group"). The Group is a for profit entity and its principal activity during the year was the provision of lease and rental financing services in Australia and the UK and the supply of interest free payment plan products in Australia. The address of the Company's registered office is 45 Ventnor Avenue, West Perth, WA 6005.

2. BASIS OF PREPARATION

(a) Statement of compliance

The consolidated financial statements are general purpose financial statements which have been prepared in accordance with the Australian Accounting Standards (AASBs) adopted by the Australian Accounting Standards Board (AASB) and the Corporations Act 2001. The consolidated financial statements comply with International Financial Reporting Standards (IFRSs) and interpretations adopted by the International Accounting Standards Board (IASB).

The consolidated financial statements were authorised for issue by the Board of Directors on 18 February 2014.

(b) Basis of measurement

The financial report has been prepared on the basis of historical cost, except for the derivative financial instruments measured at fair value. Cost is based on the fair values of the consideration given in exchange for assets. All amounts are presented in Australian Dollars unless otherwise noted.

(c) Assets held for sale and discontinued operations

(i) Assets held for sale

Non-current assets or disposal groups comprising assets and liabilities are classified as held for sale if it is highly probable that they will be recovered primarily through sale rather than continued use.

Immediately before classification as held for sale, the assets, or components of a disposal group are remeasured in accordance with the Group's other accounting policies.

Once classified as held for sale, intangible assets and property, plant and equipment are no longer amortised or depreciated.

(ii) Discontinued operations

Discontinued operations is a component of the Group's business, the operations and cash flows of which can be clearly distinguished from the rest of the Group and which:

- represent a separate major line of business or geographical area of operations;
- is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations; or
- is a subsidiary acquired exclusively with a view to re-sale.

Classification as a discontinued operation occurs at the earlier of disposal or when the operation meets the criteria to be classified as held for sale.

When an operation is classified as a discontinued operation, the comparative statement of profit or loss and OCI is re-presented as if the operation had been discontinued from the start of the comparative year.

(d) Functional and presentation currency

These consolidated financial statements are presented in Australian dollars, which is the Company's functional currency. ThinkSmart is a Group of the kind referred to in ASIC Class Order 98/100 dated 10 July 1998, as varied by Class Order 05/641 dated 28 July 2005 and Class Order 06/51 dated 31 January 2006. In accordance with those class orders, amounts in the financial statements and the directors' report have been rounded off to the nearest thousand dollars, unless otherwise indicated.

(e) Changes in accounting policies

Except for the changes below, the Group has consistently applied the accounting policies set out in Note 3 to all periods presented in these consolidation financial statements.

The Group has adopted the following new standards and amendments to standards, including any consequential amendments to other standards, with a date of initial application of 1 January 2013:

1. AASB 10 *Consolidated Financial Statements*
2. AASB 13 *Fair Value Measurement*
3. AASB 119 *Employee Benefits*
4. Changes to other standards and pronouncements

1. Subsidiaries

As a result of AASB 10 (2011), the Group has changed its accounting policy for determining whether it has control over and consequently whether it consolidates its investees. AASB 10 (2011) introduces a new control model that focuses on whether the Group has power over an investee, exposure or rights to variable returns from its involvement with the investee and ability to use its power to affect those returns. This change in accounting policy had no impact on the current treatment of the consolidation of subsidiaries.

2. Fair value measurement

AASB 13 establishes a single framework for measuring fair value and making disclosures about fair value measurements when such measurements are required or permitted by other IFRSs. It unifies the definition of fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. It replaces and expands the disclosure requirements about fair value measurements in other IFRSs, including IFRS 7. As a result the Group has included additional disclosures in this regard (see Note 30(b)). This change in accounting policy has had no material impact on the current or comparative periods.

3. Employee benefits

The changes to AASB 119 seek to clarify the definition of short-term employee benefits. Short-term employee benefits are now defined as those benefits expected to be settled wholly within one year after the end of the annual reporting period.

This has implications for the measurement of accrued annual leave liabilities. As accrued annual leave is generally not required (or "expected") to be wholly used (settled) within 12 months after the end of the period, annual leave benefits are no longer classified as short-term employee benefits, rather as "other long-term employee benefits".

"Other long-term employee benefit" measurement techniques specify an actuarial calculation per long service leave liability measurement, with allowances for expected future salary levels, applicable on-costs and actuarial assumptions related to staff turnover rates and leave drawdown rates.

The adoption of this standard has had no material impact on the Group's consolidated financial statements.

4. Changes to other standards and pronouncements

The impact of these has been assessed and is not considered material.

(f) Accounting policies available for early adoption not yet adopted

A number of new standards and interpretations are effective for annual periods beginning after 1 January 2014 and have not been applied in preparing this financial report. Where an assessment has been completed, none of these are expected to have a significant effect on the consolidated financial statements of the Group, except for IFRS 9 *Financial Instruments*, which becomes mandatory for the Group's 2015 consolidated financial statements and could change the classification and measurement of financial assets. The Group does not plan to adopt this standard early and the extent of the impact has not been determined.

Reference	Title	Summary	Application date of standard	Impact on Group financial report	Application date for Group
AASB 9	Financial Instruments	AASB 9 includes requirements for the classification and measurement of financial assets resulting from the first part of Phase 1 of the IASB's project to replace IAS 39 *Financial Instruments: Recognition and Measurement* (AASB 139 *Financial Instruments: Recognition and Measurement)*. These requirements improve and simplify the approach for classification, measurement and de-recognition of financial assets compared with the requirements of AASB 139.	1-Jan-2015	The Group has not yet determined the extent of the impacts of the amendments, if any.	1-Jan-2015
AASB 2009-11	Amendments to Australian Accounting Standards arising from AASB 9	(a) These amendments arise from the issuance of AASB 9 *Financial Instruments* that set out requirements for the classification and measurement of financial assets. (b) This Standard shall be applied when AASB 9 is applied.			
AASB 2010-7	Amendments to Australian Accounting Standards arising from changes to AASB 9	The requirements for classifying and measuring financial liabilities were added to AASB 9. The existing requirements for the classification of financial liabilities and the ability to use the fair value option have been retained. However, where the fair value option is used for financial liabilities the change in fair value is accounted for as follows: (a) The change attributable to changes in credit risk are presented in other comprehensive income (OCI). (b) The remaining change is presented in profit or loss if this approach creates or enlarges an accounting mismatch in the profit or loss, the effect of the changes in credit risk are also presented in profit or loss.			

Reference	Title	Summary	Application date of standard	Impact on Group financial report	Application date for Group
AASB 1053 AASB 2010-2	Application of Tiers of Australian Accounting Standards Amendments to Australian Accounting Standards arising from reduced disclosure requirements	This Standard establishes a differential financial reporting framework consisting of two Tiers of reporting requirements for preparing general purpose financial statements. This Standard makes amendments to many Australian Accounting Standards, reducing the disclosure requirements for Tier 2 entities, identified in accordance with AASB 1053, preparing general purpose financial statements.	1-Jul-2013	The Group has determined there is no material impact on the Group Financial Statements.	1-Jan-2014
AASB 2011-4	Amendments to Australian Accounting Standards to remove individual key management personnel disclosure requirements	The amendment removes the requirement to include individual key management personnel disclosures in the notes to the financial statement. These disclosures will still need to be provided in the Remuneration Report under s.300A of the Corporations Act 2001. Early adoption is not permitted.	1-Jul-2013	The Group's financial statements will exclude these disclosures in the notes to the financial statements but still disclose these in the Directors Report – remuneration report.	1-Jan-2014
AASB 2012-3	Amendments to Australian Accounting Standards arising from changes to AASB 132	The amendments to AASB 132 clarify when an entity has a legally enforceable right to set-off financial assets and financial liabilities permitting entities to present balances net on the balance sheet.	1-Jan-2014	The Group has not yet determined the extent of the impacts of the amendments, if any.	1-Jan 2014
AASB 2013-3	Amendments to Australian Accounting Standards arising from changes to AASB 136	The amendments to AASB 136 include the requirement to disclose additional information about the fair value measurement when the recoverable amount of impaired assets is based on fair value less costs of disposal. In addition, a further requirement has been included to disclose the discount rates that have been used in the current and previous measurements if the recoverable amount of impaired assets based on fair value less costs of disposal was measured using a present value technique.	1-Jan-2014	The Group has not yet determined the extent of the impacts of the amendments, if any.	1-Jan 2014

Reference	Title	Summary	Application date of standard	Impact on Group financial report	Application date for Group
AASB 2013-4	Amendments to Australian Accounting Standards arising from changes to AASB 139	This Standard makes amendments to AASB 139 to permit the continuation of hedge accounting in circumstances where a derivative, which has been designated as a hedging instrument, is novated from one counterparty to a central counterparty as a consequence of laws or regulations.	1-Jan-2014	The Group has not yet determined the extent of the impacts of the amendments, if any.	1-Jan 2014

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements, and have been applied consistently by Group entities.

(a) Basis of consolidation

(i) Subsidiaries

The consolidated financial statements incorporate the financial statements of the company and entities controlled by the company (its subsidiaries). The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The results of subsidiaries acquired or disposed of during the year are included in the consolidated statement of profit and loss from the effective date of acquisition or up to the effective date of disposal, as appropriate. The accounting policies of subsidiaries have been changed when necessary to align them with the policies adopted by the Group.

(ii) Transactions eliminated on consolidation

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with those by other members of the Group. All intra-group balances, transactions, income and expenses are eliminated in full on consolidation.

(b) Business combinations

For every business combination, the Group identifies the acquirer, which is the combining entity that obtains control of the other combining entities or businesses. Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, the Group takes into consideration potential voting rights that currently are exercisable. The acquisition date is the date on which control is transferred to the acquirer. Judgement is applied in determining the acquisition date and determining whether control is transferred from one party to another.

Measuring goodwill

The Group measures goodwill as the fair value of consideration transferred including the recognised amount of any non-controlling interest in the acquiree, less the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed, all measured as of the acquisition date.

Consideration transferred includes the fair values of the asset transferred, liabilities incurred by the Group to the previous owners of the acquiree, and equity interests issued by the Group. Consideration transferred also includes the fair value of any contingent consideration and share-based payment awards of the acquiree that are replaced mandatorily in the business combination.

(c) Cash and cash equivalents

Cash comprises cash on hand and demand deposits. Cash equivalents are short-term, highly liquid investments that are readily converted to known amounts of cash and which are subject to an insignificant risk of change in value.

Bank overdrafts are shown within borrowings in current liabilities in the balance sheet.

(d) Plant and equipment

Recognition and measurement

Items of property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the asset. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

When parts of an item of property, plant and equipment have different useful lives they are accounted for as separate items (major components) of property, plant and equipment.

The gain or loss on disposal of an item of property, plant and equipment is determined by comparing the proceeds from disposal with the carrying amount of the property, plant and equipment, and is recognised net within other income/other expenses in profit or loss.

Depreciation

Depreciation is based on the cost of an asset less its residual value. Significant components of individual assets are assessed and if a component has a useful life that is different from the remainder of the asset, that component is depreciated separately.

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each component of an item of property, plant and equipment.

The following estimated useful lives are used in the calculation of depreciation:

• Office furniture, fittings, equipment and computers	2.5 to 5 years
• Leasehold improvements	the lease term
• Self-funded rental assets	2.5 to 5 years
• Motor vehicles	5 years
• Leased computer equipment and software	2.5 to 5 years

Depreciation methods, useful lives and residual values are reviewed at each reporting date.

(e) Trade and other payables

Trade payables are recognised when the consolidated entity becomes obliged to make future payments resulting from the purchase of goods and services.

(f) Financial instruments

(i) Non-derivative financial assets

The Group initially recognises loans and receivables and deposits on the date that they are originated. All other financial assets (including assets designated at fair value through profit or loss) are recognised initially on the trade date at which the Group becomes a party to the contractual provisions of the instrument.

The Group derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the right to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Group is recognised as a separate asset or liability.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

Investments

Investments are recognised and derecognised on trade date where purchase or sale of an investment is under a contract whose terms require delivery of the investment within the timeframe established by the market concerned, and are initially measured at fair value net of transaction costs. Subsequent to initial recognition, investments in subsidiaries are measured at cost in the company financial statements, net of accumulated impairment losses. Other financial assets are classified into the following specified categories: financial assets at 'fair value through profit and loss', 'held-to-maturity' investments, 'available-for-sale' financial assets and 'loans and receivables'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

Lease receivables

The Group has entered into 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 Group 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 Group at the end of the lease term. This asset represents the Group's net investment in the lease. Finance leases acquired from other parties are recognised at fair value including direct and incremental costs and subsequently remeasured at amortised cost using the effective interest rate method and are presented net of provisions for impairment.

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 costs

Initial direct costs or directly attributable, incremental transaction 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 ongoing basis. A provision is made for losses based on historical rates of arrears and the current delinquency position of the portfolio.

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.

Loan receivables

Loan receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition loans and receivables are measured at amortised cost using the effective interest method, less any impairment losses.

Insurance prepayment

In respect to the UK operations, when an equipment insurance policy is issued by Allianz to RentSmart Limited's customers, RentSmart Limited pays the customer's insurance premium to Allianz. RentSmart Limited subsequently collects the insurance premium from the customer on a monthly basis over the life of the rental agreement. Where a policy is cancelled, the unexpired premiums are refunded to RentSmart Limited.

(ii) Non-derivative financial liabilities

The Group initially recognises debt securities issued and subordinated liabilities on the date that they are originated. The Group derecognises a financial liability when its contractual obligations are discharged or cancelled or expire.

Financial liabilities are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are measured at amortised cost using the effective interest rate method.

Capitalised borrowing costs consist of legal and other costs that are incurred in connection with the borrowing of funds. These costs are capitalised and then amortised over the life of the loan.

Financial guarantee contracts

Financial guarantees issued by the Group are recognised as financial liabilities at the date the guarantee is issued. Liabilities arising from financial guarantee contracts, including where applicable, guarantees of subsidiaries through deeds of cross guarantee, are initially recognised at fair value and subsequently at the higher of the amount of projected future losses and the amount initially recognised less cumulative amortisation.

The fair value of the financial guarantee is determined by way of calculating the present value of the difference in net cash flows between the contractual payments under the debt instrument and the payments that would be required without the guarantee, or the estimated amount that would be payable to a third party for assuming the obligation.

Any increase in the liability relating to financial guarantees is recognised in profit and loss. Any liability remaining is derecognised in profit and loss when the guarantee is discharged, cancelled or expires.

(iii) Impairment of assets

Financial assets, including finance lease receivables and loan receivables

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.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at the 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.

An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognised. For financial assets measured at amortised cost, the reversal is recognised in profit and loss.

Non-financial assets
The carrying amounts of the Group's non-financial assets, other than inventories and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists then the asset's recoverable amount is estimated. For goodwill and intangible assets that have indefinite lives or that are not yet available for use, the recoverable amount is estimated at each reporting date.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit"). The goodwill acquired in a business combination, for the purpose of impairment testing, is allocated to cash-generating units that are expected to benefit from the synergies of the combination.

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of the other assets in the unit (groups of units) on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in the prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

(g) Intangible assets
Intellectual property
Intellectual property is recorded at the cost of acquisition over the fair value of the identifiable net assets acquired, and is amortised on a straight line basis over 20 years.

Inertia Contracts
The Group recognises an intangible asset arising if it has an unconditional contractual right to receive income arising from equipment and rights to the hiring agreement at the end of term. This inertia contract is measured at fair value at the inception of the hiring agreement, and is based on discounted cash flows expected to be derived from the sale or hire of the assets at the end of the term. Subsequent to initial recognition the intangible asset is measured at cost. Amortisation

is based on cost less estimated residual value. Individual intangible assets are assessed at each reporting period for impairment. Impaired contracts are offset against any unamortised deferred service income with the remainder recognised in profit and loss.

At the end of the hiring term the intangible asset is derecognised and the Group recognises the equipment as inventory at the corresponding value.

Contract Rights

The contractual rights obtained by the Group 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 initially at cost and amortised over their expected useful lives. In relation to funder contact rights, the expected useful life is the earlier of the initial contract term or expected period until facility limit is reached. At each reporting date a review for indicators of impairment is conducted.

Software development

Software development predominantly relates to the development of the Group's proprietary SmartCheck credit application processing software system. Software development costs are capitalised only up to the point when the software has been tested and is ready for use in the manner intended by management.

Software development expenditure is capitalised only if the development costs can be measured reliably, the product process is technically and commercially feasible, future economic benefits are probable, and the Group intends to and has sufficient resources to complete development and to use or sell the asset. The expenditure capitalised includes the cost of direct labour and overhead costs that are directly attributable to preparing the asset for its intended use.

The intangible asset is amortised on a straight line basis over its estimated useful life, which is 4 years. Capitalised software development expenditure is measured at cost less accumulated amortisation and accumulated impairment losses.

(h) Goodwill

Goodwill acquired in a business combination is initially measured at its cost, being the excess of the cost of the business combination over the acquirer's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised. Goodwill is subsequently measured at its cost less any impairment losses.

For the purpose of impairment testing, goodwill is allocated to each of the Group's cash generating units (CGUs) or groups of CGUs, expected to benefit from the synergies of the business combination. CGUs (or groups of CGUs) to which goodwill has been allocated are tested for impairment annually, or more frequently if events or changes in circumstances indicate that goodwill might be impaired.

If the recoverable amount of the CGU (or group of CGUs) is less than the carrying amount of the CGU (or group of CGUs), the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the CGU (or group of CGUs) and then to the other assets of the CGU (or group of CGUs) pro-rata on the basis of the carrying amount of each asset in the CGU (or CGUs). The impairment loss recognised for goodwill is recognised immediately in the profit or loss and is not reversed in the subsequent period.

On disposal of an operation within a CGU, the attributable goodwill is included in the determination of the profit or loss of disposal on the operation.

(i) Employee benefits

A liability is recognised for benefits accruing to employees in respect of wages and salaries and annual leave when it is probable that settlement will be required and they are capable of being measured reliably.

The Group's net obligation in respect of long service leave is the amount of future benefit that employees earned in return for their service in the current and prior periods plus related on-costs; that benefit is discounted to determine its present value, and the fair value of any related assets is deducted. The obligations are presented as current liabilities in the balance sheet as the Group does not have an unconditional right to defer settlement for at least 12 months after the reporting date, regardless of when the actual settlement occurs.

Liabilities recognised in respect of employee benefits, which are expected to be settled within 12 months, are measured at their nominal values, using the remuneration rate expected to apply at the time of settlement.

Liabilities recognised in respect of employee benefits, which are not expected to be settled within 12 months, are measured at their present value of the estimated future cash flows to be made by the Group.

The Group pays defined contributions for post-employment benefit into a separate entity. Obligations for contributions to defined contribution pension plans are recognised as an employee benefit expense in profit or loss in the period during which services are rendered by employees.

Termination benefits are recognised as an expense when the Group is committed, it is probable that settlement will be required, and they are capable of being reliably measured. If benefits are payable more than 12 months after the reporting date, then they are discounted to their present value.

Share-based payments

The grant date fair value of share-based payment awards granted to employees is recognised as an employee expense, with a corresponding increase in equity, over the period that the employees unconditionally become entitled to the awards. The amount recognised as an expense is adjusted to reflect the number of awards for which the related service and non-market vesting conditions are expected to be met, such that the amount ultimately recognised as an expense is based on the number of awards that do not meet the related service and non-market performance conditions at the vesting date. For share-based payment awards with non-vesting conditions, the grant date fair value of the share-based payment is measured to reflect such conditions and there is no true-up for differences between expected and actual outcomes.

(j) Inventories

Inventories are valued at the lower of cost and net realisable value. Net realisable value represents the estimated selling price less all estimated costs of completion and costs necessary to make use for sale.

(k) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and is recognised to the extent that it is probable that the economic benefits will flow to the entity and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

Finance lease income

Finance lease income is recognised on those leases originated or acquired by the Group where the Group, 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 Group at the end of the lease.

Commission income

Commission receivable from funders is recognised at the time finance approval is given to the customer, adjusted for an allowance for loans not expected to proceed to a contract by the funder.

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.

Insurance income

Insurance income includes commissions received on insurance policies issued by third party insurers to cover theft and damage of rental equipment. In the UK, insurance income is recognised at fair value of the future payments receivable as substantially all of the services to earn that revenue are completed upfront. The revenue recognition policy for the Australian insurance income is consistent with the treatment of commission income from funders.

Interest income and expense

Interest income and expense for all interest bearing financial instruments is recognised in the profit and loss account using the effective interest rates of the financial assets or liabilities to which they relate.

The effective interest rate is the rate that exactly discounts the estimated future cash payments or receipts through the expected life of the financial asset or financial liability. When calculating the effective interest rate the Group includes all amounts paid or received by the Group which are considered to be an integral part of the effective interest rate, including merchant fees received and rebates paid.

Deferred service income

Income arising on recognition of any intangible inertia asset at the commencement of the lease is deferred and recognised over the lease term on a straight line basis as the services are rendered.

(l) Derivative financial instruments, including hedge accounting

The Group holds derivative financial instruments to hedge its interest rate risk exposures, predominately in the ThinkSmart Trust.

On initial designation of the derivative as the hedging instrument, the Group formally documents the relationship between the hedging instrument and the hedged item, including the risk management objectives and strategy in undertaking the hedge transaction and the hedged risk, together with the methods that will be used to assess the effectiveness of the hedging relationship.

The Group makes an assessment, both at the inception of the hedge relationship as well as on an ongoing basis, whether the hedging instruments are expected to be "highly effective" in offsetting the changes in cash flows of the respective hedged items attributable to hedged risk, and whether the actual results of each hedge are within a range of 80 – 125 percent. For a cash flow hedge of a forecast transaction, the transaction should be highly probable to occur and should present an exposure to variations in cash flows that could ultimately affect reported profit or loss.

Derivatives are recognised initially at fair value; attributable transaction costs are recognised in profit or loss as incurred. Subsequent to initial recognition, derivatives are measured at fair value and changes therein are accounted for as described below. The fair values of derivates used for hedging purposes are disclosed in Note 30(b). Movements in the hedging reserve in shareholder equity are shown in the Statement of Changes in Equity.

Cash flow hedges
When a derivative is designated as the hedging instrument in a hedge of the variability in cash flows attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction that could affect profit or loss, the effective portion of changes in the fair value of the derivative is recognised in other comprehensive income and presented in the hedging reserve in equity. Any ineffective portion of changes in the fair value of the derivative is recognised immediately in profit or loss.

When the hedged item is a non-financial asset, the amount recognised in equity is included in the carrying amount of the asset when the asset is recognised. In other cases the amount accumulated in equity is reclassified to profit or loss in the same period that the hedged item affects profit or loss. If the hedging instrument no longer meets the criteria for hedge accounting, expires or is sold, terminated or exercised, or the designation is revoked, then hedge accounting is discontinued prospectively. If the forecast transaction is no longer expected to occur, then the balance in equity is reclassified in profit or loss.

Share capital
Ordinary shares are classified as equity. Incremental costs directly attributable to issue of ordinary shares and share options are recognised as a deduction from equity, net of any tax effects.

(m) Income tax
Current tax
Current tax is calculated by reference to the amount of income taxes payable or recoverable in respect of the taxable profit or tax loss for the period. It is calculated using tax rates and tax laws that have been enacted or substantively enacted by reporting date. Current tax payable for current and prior periods is recognised as a liability to the extent that it is unpaid. Carried forward tax recoverable on tax losses is recognised as a deferred tax asset where it is probably that future taxable profit will be available to offset in future periods.

Deferred tax
Deferred tax is accounted for using the comprehensive balance sheet liability method in respect of temporary differences arising from differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax base of those items.

In principle, deferred tax liabilities are recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that sufficient taxable amounts will be available against which deductible temporary differences or unused tax losses and tax offsets can be utilised. However, deferred tax assets and liabilities are not recognised if the temporary differences giving rise to them arise from the initial recognition of assets and liabilities (other than as a result of a business combination) which affects neither taxable income nor accounting profit. Furthermore, a deferred tax liability is not recognised in relation to taxable temporary differences arising from goodwill.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and joint ventures except where the Group is able to control the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets arising from deductible temporary differences associated with these investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period(s) when the asset and liability giving rise to them are realised or settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by reporting date. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Consolidated Entity expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when they relate to income taxes levied by the same taxation authority and the Company/Group intends to settle its current tax assets and liabilities on a net basis.

Current and deferred tax for the period
Current and deferred tax is recognised as an expense or income in the statement of profit and loss, except when it relates to items credited or debited directly to equity, in which case the deferred tax is also recognised directly in equity, or where it arises from the initial accounting for a business combination, in which case it is taken into account in the determination of goodwill or excess purchase consideration.

Tax consolidation
The Company and its wholly owned Australian resident entities formed a tax-consolidated group during 2009. As a consequence, all members of the tax-consolidated group are taxed as a single entity from 1 January 2009. The head entity within the tax-consolidated group is ThinkSmart Limited.

(n) Goods and services tax
Revenues, expenses and assets are recognised net of the amount of goods and services tax (GST) except:
(i) where the amount of GST incurred is not recoverable from the taxation authority, it is recognised as part of the cost of acquisition of an asset or as part of an item of expense; and
(ii) receivables and payables which are recognised inclusive of GST.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables.

Cash flows are included in the statement of cash flows on a gross basis. The GST component of cash flows arising from investing and financing activities which is recoverable from, or payable to, the taxation authority is classified as operating cash flows.

(o) Foreign currency transactions
Functional and presentation currency
Foreign currency gains and losses are reported on a net basis.

Foreign currency transactions
Transactions in foreign currencies are translated to the respective functional currencies of Group entities at exchange rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortised cost in the functional currency at the beginning of the period, adjusted for effective interest and payments during the period, and the amortised cost in foreign currency translated at the exchange rate at the end of the year.

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Non-monetary items in a foreign currency that are measured in terms of historical cost are translated using the exchange rate at the date of the transaction. Foreign currency differences arising on retranslation are presented in profit or loss on a net basis, except for differences arising on the retranslation of a financial liability designated as a hedge of the net investment in a foreign operation that is effective, which are recognised in other comprehensive income.

Foreign operations
The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated to the functional currency at exchange rates at the reporting date. The income and expenses of foreign operations, excluding foreign operations in hyperinflationary economies, are translated to Australian dollars at exchange rates at the dates of the transactions.

The income and expenses of foreign operations in hyperinflationary economies are translated to the functional currency at the reporting date. Prior to translating the financial statements of foreign operations in hyperinflationary economies, their financial statements for the current period are restated to account for changes in the general purchasing power of the local currency. The restatement is based on relevant price indices at the reporting date.

Foreign currency differences are recognised in other comprehensive income, and presented in the foreign currency translation reserve in equity. However, if the operation is not a wholly-owned subsidiary, then the relevant proportionate share of the translation difference is allocated to the non-controlling interests. When a foreign operation is disposed of such that control, significant influence or joint control is lost, the cumulative amount in the translation reserve related to that foreign operation is reclassified to the profit or loss as part of the gain or loss on disposal. When the Group disposes of only part of its interest in a subsidiary that includes a foreign operation while retaining control, the relevant proportion of the cumulative amount is reattributed to non-controlling interests. When the Group disposes of only part of its investment in an associate or joint venture that includes a foreign operation while retaining significant influence or joint control, the relevant proportion of the cumulative amount is classified to profit or loss.

(p) Earnings per share
Basic earnings per share
Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Company, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the year, adjusted for bonus elements in ordinary shares issued during the year.

Diluted earnings per share
Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

(q) Provisions
A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligations. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

(r) Lease payments
Payments made under operating leases are recognised in profit or loss on a straight line basis over the term of the lease. Lease incentives received are recognised as an integral part of the total lease expense, over the term of the lease.

Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant period rate of interest on the remaining balance of the liability.

Contingent lease payments are accounted for by revising the minimum lease payments over the remaining term of the lease when the contingency no longer exists and the lease adjustments are known.

(s) Segment reporting
An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. All operating segments' operating results are regularly reviewed by the Group's Chief Executive Officer to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

Segment results, assets and liabilities include items attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly loans and borrowings and related expenses, and head office expenses, and income tax assets and liabilities.

Segment capital expenditure is the total cost incurred during the period to acquire property, plant and equipment, and intangible assets other than goodwill.

(t) Determination of fair value
A number of the Group's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and/or disclosure purposes based on the following methods. When applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset and liability.

Intangible assets

The fair value of intangible assets is based on the discounted cash flows expected to be derived from the use and eventual sale of the assets (refer to Note 3(g)).

Intangible inertia asset

The fair value of inertia asset is measured at inception of the hiring agreement and is based on discounted cash flows expected to be derived from the sale or hire of the assets at the end of the hire term.

Trade and other and loan receivables

The fair value of trade and other and loan receivables is estimated as the present value of future cash flows, discounted at the market rate of interest at the reporting date.

Non-derivative financial liabilities

Fair value, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date. For finance leases, the market rate of interest is determined by reference to similar lease agreements.

Share-based payment transactions

The fair value of employee share options is measured using a binomial model and loan-funded shares are measured using a monte-carlo simulation model. Measurement inputs include share price on measurement date, exercise price of the instrument, expected volatility (based on weighted average historic volatility adjusted for changes expected due to publicly available information), weighted average expected life of the instruments (based on historical experience and general option holder behaviour), expected dividends, and the risk-free interest rate (based on government bonds). Service and non-market performance conditions attached to the transactions are not taken into account in determining fair value.

The fair value of employee shares provided as remuneration is measured using the closing share price on the date the shares are granted.

Cash flow hedges

The fair value of the interest rate swap is based on broker quotes. Those quotes are tested for reasonableness by discounting estimated future cash flows based on the terms and maturity of the contract and using market interest rates for a similar instrument at the measurement date. Fair values reflect the credit risk of the instrument and included adjustments to take account of the credit risk of the Group entity and counterparty when appropriate.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of the consolidated financial statements in conforming with IFRS requires management to make judgements, estimates and assumptions that effect the application of accounting policies and the reported amount of assets, liabilities, income and expenses.

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that may have a financial impact on the entity and that are believed to be reasonable under the circumstances.

Critical accounting estimates and assumptions

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities within the next financial year are discussed below:

- Note 7 - measurement and recognition of tax losses
- Note 10 - loans and lease receivables, including estimation of unguaranteed residual value and credit losses
- Note 14 - fair value at inception of inertia intangible assets and recoverable amount
- Note 16 - measurement of the recoverable amount of cash generating units containing goodwill
- Note 19 - measurement of deferred services income
- Note 22 - measurement of share-based payments

5. FINANCIAL RISK MANAGEMENT

Overview

The Group has exposure to the following risks from the use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk
- Operational risk

This note presents information about the Group's exposure to each of the above risks, the objectives, policies and processes for measuring and managing financial risks, and the management of capital. Further quantitative disclosures are included throughout this financial report.

The Board of Directors has overall responsibility for the establishment and oversight of the risk management framework. The Board has established the Audit and Risk Management Committee, which is responsible for developing and monitoring risk management policies. The Committee reports to the Board of Directors on its activities.

Risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect the changes in market conditions and the Group's activities. The Audit and Risk Committee oversees how management monitors compliance with the Group's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Group.

Credit Risk

Credit risk refers to the risk that a counterparty or customer will default on its contractual obligations resulting in financial loss to the Group. The Group has adopted a policy of only dealing with credit worthy counterparties as a means of mitigating the risk of financial loss from defaults. The Head of Treasury and Risk has day to day responsibility for managing credit risk within the risk appetite of the Board. Appropriate oversight occurs via monthly credit performance reporting to management and the Board.

The Group has minimal concentrations of credit risk in relation to debtors and lease receivables with the portfolio comprising a large number of relatively low value receivables. In the case of the special purpose entity funded operations in Australia, ThinkSmart's exposure to credit risk is limited to the value of its notes in the relevant series of the special purpose entity plus $1.0m. Losses in excess of that are borne by the senior financier's notes. The notes in the various series of the special purpose entity are structured such that on a probability weighted outcomes basis, ThinkSmart bears the credit risk (refer to Note 30(c) for further information).

In the UK, the Group has an obligation to meet the cost of future bad debts incurred by its funders. The funder deposits discussed below represent security for that credit exposure and are recorded net of the Group's estimate of this credit risk. Further information is provided in Note 28.

To manage credit risk in relation to its customers, the Group employs a sophisticated credit assessment and fraud minimisation process delivered through its patented QuickSmart system. The credit underwriting system uses a combination of credit scoring and credit bureau reports as well as electronic identity verification and a review of an applicant's details against a fraud database. The credit policy is developed and applied by the Group's Head of Treasury and Risk who monitors ongoing credit performance on different cohorts of customer contracts. The Group has a specialist collections function which manages all delinquent accounts.

The Group's credit risk exposure to funder deposits are more concentrated, however the counterparties are regulated banking institutions and the credit risk exposure is assessed as low. The Group closely monitors the credit risk associated with each funder deposit counterparty.

Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

The consolidated entity manages liquidity risk by maintaining adequate reserve facilities by continuously reviewing its facilities and cash flows.

The Group ensures that it has sufficient cash on demand to meet expected operational expenses and financing subordination requirements. In addition, the Group maintains the operational facilities which are shown in Notes 20 and 21.

Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising return.

Currency risk

The Group is exposed to currency risk on sales, purchases and borrowings that are denominated in a currency other than the respective functional currencies of the Group entities, primarily the Australian dollar, Sterling and Euro.

Interest on borrowings is denominated in currencies that match the cash flows generated by the underlying operations of the Group. This provides an economic hedge and no derivatives are entered into.

Liabilities incurred in each respective geographical territory are paid for by the cash flows of the functional currency of that territory. Exposures for singular transactions greater than $50,000 are considered for hedging by management, with forward exchange contracts to mitigate exchange rate risk and are considered separately as they arise. The consolidated entity has no forward exchange contracts as at reporting date (2012: nil).

In respect of other monetary assets and liabilities denominated in foreign currencies, the management ensures that the Group's net exposure is kept to an acceptable level by buying or selling foreign currencies at spot rates when necessary to address the short term imbalances (refer to Note 30 for further information).

Interest rate risk
The Group has no current or non-current corporate borrowings as at 31 December 2013. Exposure to interest rate risk on any future corporate borrowings will be assessed by the Board and where appropriate, the exposure to movement in interest rates may be hedged by entering into interest rate swaps, when considered appropriate by the management and the Board.

The Group has interest rate risk exposure to the notes in ThinkSmart Trust that it has issued to the financiers of its lease receivables. These notes are floating rate notes with the rate based on a fixed margin above a benchmark interest rate. Interest rate risk results principally from changes in the benchmark interest rate and accordingly the Group mitigates some of this risk by entering into an interest rate swap to hedge against the variability in the cash flows due to changes in the interest rate (refer to Note 30(a) for further information).

Operational risk
Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the Group's processes, personnel, technology and infrastructure, and from external factors other than credit, market and liquidity risks such as those arising from legal and regulatory requirements and generally accepted standards of corporate behaviour. Operational risks arise from all of the Group's operations.

The primary responsibility for the development and implementation of controls to address operational risk is assigned to senior management within each business unit. This responsibility is supported by the development of overall group standards for the management of operational risk in the following areas:

- Requirements for appropriate segregation of duties, including the independent authorisation of transactions
- Requirements for the reconciliation and monitoring of transactions
- Compliance with regulatory and other legal requirements
- Documentation of controls and procedures
- Requirements for the periodic assessment of operational risks faced, and the adequacy of controls and procedures to address the risks identified
- Ethical and business standards
- Risk mitigation, including insurance where this is effective

Capital management
The Board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. Management aims to maintain a capital structure that ensures the lowest cost of capital available to the Group. Management constantly reviews the capital structure to ensure an increasing return on assets.

Under the terms of its financing arrangements in ThinkSmart Trust, the Group is required to subscribe to and hold a minimum value of notes based on the value of receivables outstanding to ensure ongoing financing. ThinkSmart Trust is bankruptcy remote in that ThinkSmart's risk exposure is limited to the amount of capital that it holds within the relevant series of ThinkSmart Trust plus $1.0m.

ThinkSmart Finance Limited holds an Australian Financial Services Licence (AFSL) in relation to its role as Trust Manager of ThinkSmart Trust. Under the terms of its AFSL it must have assets that exceed its liabilities and there are also liquidity conditions (measured on a Group basis).

The Group's debt-to-adjusted capital ratio at the end of the reporting period was as follows:

	2013 $000	2012 $000
Total liabilities	53,785	66,924
Less cash and cash equivalents	(7,569)	(18,568)
Net debt	**46,216**	**48,356**
Total equity	53,619	48,021
Debt-to-adjusted capital ratio at 31 December	**0.9**	**1.0**

Other than as described above in relation to ThinkSmart Trust, the Group is not subject to externally imposed capital requirements. For the purposes of capital management, capital consists of share capital, reserves and retained earnings.

The Board assesses the Group's ability to pay dividends from time to time. During 2013 no dividend was paid or declared. Subsequent to year end, the Board has declared a special dividend of $5.843m equating to 3.6 cents per share (refer to Note 32).

6. CONSOLIDATED STATEMENT OF PROFIT AND LOSS

	Notes	2013 $000	2012 Restated $000
Profit/(loss) is arrived at after crediting/(charging) the following items:			
(a) Revenue			
Interest revenue – other entities		410	321
Surplus unguaranteed residual income		2,381	1,820
Extended rental income		3,845	2,918
Other inertia income	19	4,060	2,438
Fee revenue – customers		364	308
Commission income		5,677	9,194
		16,737	16,999
(b) Other revenue			
Services revenue – insurance		2,085	1,983
Other revenue		111	61
		2,196	2,044
(c) Interest expense			
Interest expense – corporate banking facilities		-	240
(d) Other operating expenses			
Employees benefits expense:			
- Payments to employees		6,270	6,456
- Employee superannuation costs		329	296
- Share-based payment expense		82	294
- Provision for employee entitlements		77	-
		6,758	7,046
Occupancy costs		390	407
Professional services		1,434	1,787
Finance charges		184	129
Other costs		1,157	1,396
		9,923	10,765
(e) Depreciation and amortisation			
Depreciation		188	214
Amortisation		275	236
		463	450
(f) Impairment losses			
Impairment losses on intangible assets (net)		255	182

7. INCOME TAX

	Notes	2013 $000	2012 Restated $000
The major components of income tax expense/(benefit) for the year ended 31 December are:			
Current income tax expense			
Current income tax charge		775	617
Adjustment for prior period		(8)	(120)
Deferred income tax expense			
Origination and reversal of temporary differences		(15)	69
Adjustment for prior period		-	3
Income tax expense from continuing operations		752	569
Income tax benefit from discontinued operations	8	(91)	(1,034)
Total income tax expense/(benefit)		**661**	**(465)**
A reconciliation between tax expense and the product of accounting (loss)/profit before income tax multiplied by the applicable income tax rate is as follows:			
Accounting profit before tax		3,349	2,414
At the statutory income tax rate of 30%		1,005	724
Effect of tax rates in foreign jurisdictions		(372)	(277)
Non deductible expenses:			
- corporate development		10	17
- other		81	245
Overseas tax losses not recognised/(recognised)		3	(84)
Adjustments in respect of prior periods		25	(56)
Income tax expense from continuing operations		**752**	**569**
Income tax recognised directly in equity			
Equity raising costs		-	306
Income tax recognised in other comprehensive income and equity			
Cash flow hedges		(24)	(51)

7. INCOME TAX (CONTINUED)

	2013 $000	2012 $000
Deferred tax asset – continuing operations		
Loan and lease receivables	-	1,192
Accrued expenses	33	67
Employee entitlements	108	181
Equity raising costs	260	433
Borrowing costs	23	18
Plant & equipment	64	330
Intangible assets	738	-
Tax losses	-	723
Investment in subsidiaries	4,437	-
Other	-	82
Total	**5,663**	**3,026**
Deferred tax liability – continuing operations		
Derivatives	-	51
Intangible assets	853	380
Plant and equipment	-	241
Other	-	2
Total	**853**	**674**
Net deferred tax asset (i)	**4,810**	**2,352**
(i) Deferred tax assets and deferred tax liabilities that relate to the same taxable entity have been netted off.		

The deductible temporary differences and tax losses do not expire under current tax legislation.

Tax Payable		
Current	4,520	516
	4,520	**516**

The current tax liability is recognised for income tax payable in respect of all periods to date. The current tax liability for 31 December 2013 includes the estimated capital gains tax liability of $4.4m arising on the sale of the Australian business for which a corresponding deferred tax asset has been recognised.

8. DISCONTINUED OPERATIONS

On 12 December 2013, the Group announced that it had entered into an agreement to sell its Australian and New Zealand business to FlexiGroup. As set out in Note 12, settlement for the sale occurred on 31 January 2014.

The Australian and New Zealand business has not previously been classified as held for sale or as a discontinued operation. The comparative consolidated statement of profit and loss has been restated to show the discontinued operation separately from continuing operations. The balance sheet of the disposal group held for sale as at 31 December 2013 is presented in Note 12.

	Notes	2013 $000	2012 $000
(a) Results of discontinued operations			
Total revenue		18,758	20,680
Expenses		(19,137)	(25,000)
Loss from operating activities		(379)	(4,320)
Income tax benefit		91	1,034
Loss from operating activities, net of tax		**(288)**	**(3,286)**
(b) Cash flows from/(used in) discontinued operations			
Net cash used in operating activities		325	738
Net cash from investing activities		(899)	(2,076)
Net cash from financing activities		(80)	9,974
Net cash flow for the year		**(654)**	**8,636**
Earnings per share – discontinued operations			
Basic (cents per share)	33	(0.18)	(2.17)
Diluted (cents per share)	33	(0.18)	(2.17)
Cumulative income or expense included in other comprehensive income			
The cumulative income or expense included in other comprehensive income relating to the disposal group is as follows:			
Effective portion of changes in fair value of cash flow hedges, net of tax		45	118

9. OTHER CURRENT ASSETS

	2013 $000	2012 $000
Prepayments	2,614	2,427
Inventories	848	185
Sundry debtors	340	959
	3,802	**3,571**

10. LOAN AND LEASE RECEIVABLES

Current		
Rental receivables (net of GST)	-	23,142
Unguaranteed residuals	-	4,925
Unearned finance income	-	(5,561)
Net lease receivables	-	22,506
Other lease receivable	-	18,452
Loan receivables	-	2,020
Allowance for losses	-	(3,814)
	-	**39,164**
Non-current		
Rental receivables (net of GST)	-	15,166
Unguaranteed residuals	-	1,248
Unearned finance income	-	(5,961)
Net lease receivables	-	10,453
Other lease receivable	-	12,178
Loan receivables	-	619
	-	**23,250**
Gross investment in leases		
Less than one year	-	28,067
One year to five years	-	16,414
Less: unearned income	-	(11,522)
Net investment in lease receivables	-	32,959
Less than one year	-	22,506
One year to five years	-	10,453
	-	**32,959**

10. LOAN AND LEASE RECEIVABLES (CONTINUED)

'Other lease receivables' represents the rights to lease receivables assigned by Bendigo and Adelaide Bank (BEN) on 1 October 2011 and 28 June 2012 which were accounted for as a "pass through" arrangement under AASB 139 *Financial Instruments*: *Recognition and Measurement* whereby the risks and rewards of the underlying finance lease receivables were transferred to the Group. The liabilities relating to the acquired rights are set out in Note 21. On 31 January 2013, $5.9m of finance lease receivables were acquired from the group of assets held under the "pass through" arrangement by the ThinkSmart Trust.

The net carrying value of lease receivables includes the earned portion of any unguaranteed residual value expected to accrue to the Group at the end of the lease, which by its nature introduces estimation uncertainty into the amortised cost calculation. The Group continually assesses current unguaranteed residual value proceeds and includes these as the Group's best estimate of future unguaranteed residual value.

The calculation of the allowance for losses contains a number of elements of judgement. The Group makes judgements as to how the current level of arrears of a loan or lease receivable relate to its probability of future default. The Group also makes judgements as to the recoverable amount in circumstances of default. These estimates are based on historical loss experience and objective experience of historical recoveries for assets with similar characteristics. The methodology and assumptions used for estimating losses are reviewed regularly to reduce the difference between loss estimates and actual loss experience. Further information about the allowance for losses is set out in Note 30(c).

Further information about the Group's exposure to credit risk and interest rate risk in relation to the loan and lease receivables are set out in Note 30.

All loan and lease receivables were part of the held for sale assets as at 31 December 2013 (refer to Note 12).

11. OTHER NON-CURRENT ASSETS

	2013 $000	2012 $000
Insurance prepayments	1,747	1,564
Deposits held by funders (i)	4,937	5,080
	6,684	**6,644**

(i) Deposits held by funders for the servicing and management of their portfolios in the event of default. The deposits earn interest at market rates of return for similar instruments.

12. DISPOSAL GROUP HELD FOR SALE

On 12 December 2013, the Group announced that it had entered into an agreement to sell its Australian and New Zealand business to FlexiGroup as mentioned in Note 8. Accordingly, these are classified as held for sale. The sale was completed on 31 January 2014 for consideration of $43.0m.

Assets and liabilities of disposal group held for sale

At 31 December 2013, the disposal group was stated at its carrying value and comprised the following assets and liabilities:

	$000
Cash and cash equivalents	11,983
Trade and other receivables	1,353
Loan and lease receivables	47,370
Plant and equipment	448
Intangible assets	4,311
Deferred tax assets	1,151
Tax receivable	1
Assets held for sale	**66,617**
Trade and other payables	4,025
Other interest bearing liabilities	37,083
Liabilities held for sale	**41,108**

13. PLANT AND EQUIPMENT

	Notes	Plant & Equipment $000	Lease equipment & software $000	Total $000
Gross Carrying Amount				
Cost or deemed cost				
Balance at 1 January 2012		1,898	982	2,880
Effect of movement in exchange rate		74	-	74
Additions		199	239	438
Disposals		(2)	-	(2)
Balance at 31 December 2012		**2,169**	**1,221**	**3,390**
Effect of movement in exchange rate		25	-	25
Additions		176	54	230
Disposals		(37)	(10)	(47)
Transfer to held for sale	12	(465)	(1,192)	(1,657)
Balance at 31 December 2013		**1,868**	**73**	**1,941**
Accumulated Depreciation				
Balance at 1 January 2012		(1,453)	(553)	(2,006)
Effect of movement in exchange rate		(70)	-	(70)
Depreciation expense		(326)	(102)	(428)
Balance at 31 December 2012		**(1,849)**	**(655)**	**(2,504)**
Effect of movement in exchange rate		-	-	-
Disposals		35	8	43
Depreciation expense		(246)	(288)	(534)
Transfer to held for sale	12	347	862	1,209
Balance at 31 December 2013		**(1,713)**	**(73)**	**(1,786)**
Net Book Value				
At 31 December 2012		320	566	886
At 31 December 2013		155	-	155

14. INTANGIBLE ASSETS

	Contract rights $000	Software $000	Distribution network $000	Intellectual Property $000	Inertia Contracts $000	Total $000
Gross carrying amount						
At cost						
Balance at 1 January 2012	5,531	5,784	411	642	3,608	15,976
Additions	1,000	894	-	-	4,800	6,694
Disposals/transfer to inventory	-	(17)	-	-	(225)	(242)
Effect of movement in exchange rate	(10)	-	10	-	90	90
Transfers	(7)	7	-	-	-	-
Balance at 31 December 2012	**6,514**	**6,668**	**421**	**642**	**8,273**	**22,518**
Additions	659	747	-	-	5,293	6,699
Disposals/transfer to inventory	(6)	-	-	-	(2,007)	(2,013)
Effect of movement in exchange rate	158	-	77	-	1,101	1,336
Transfers	(52)	54	-	-	-	2
Transfer to assets held for sale	(5,694)	(7,421)	-	-	-	(13,115)
Balance at 31 December 2013	**1,579**	**48**	**498**	**642**	**12,660**	**15,427**
Accumulated amortisation and impairment						
Balance at 1 January 2012	(2,254)	(2,253)	(410)	(369)	(1)	(5,287)
Amortisation expense	(1,489)	(1,287)	-	(32)	-	(2,808)
Effect of movement in exchange rate	14	-	(10)	-	(6)	(2)
Impairment loss	-	-	-	-	(341)	(341)
Balance at 31 December 2012	**(3,729)**	**(3,540)**	**(420)**	**(401)**	**(348)**	**(8,438)**
Amortisation expense	(1,243)	(1,208)	-	(32)	-	(2,483)
Effect of movement in exchange rate	(148)	-	(77)	-	(138)	(363)
Impairment loss (i)	-	-	-	-	(629)	(629)
Transfers	27	(27)	-	-	-	-
Transfer to assets held for sale	4,077	4,727	-	-	-	8,804
Balance at 31 December 2013	**(1,016)**	**(48)**	**(497)**	**(433)**	**(1,115)**	**(3,109)**
Net book value						
At 31 December 2012	2,785	3,128	1	241	7,925	14,080
At 31 December 2013	563	-	1	209	11,545	12,318

(i) Impairment loss relates to the write off where the related contract has early terminated principally due to contract default.

Inertia contract assets acquired are measured at fair value based on the discounted cash flows expected to be derived from the sale or hire of the assets at the end of the term. This measurement inherently introduces estimation uncertainty. The Group continually assesses current inertia proceeds and includes these in the estimation of inertia assets acquired. As such the fair value measurement for inertia contract assets has been categorised as Level 3 fair value.

The following table shows a reconciliation from the opening balances to the closing balances for Level 3 fair values.

Valuation technique	Significant unobservable inputs	Inter-relationship between key unobservable inputs and fair value measurement
The Group recognises an intangible asset arising if it has the unconditional contractual right to receive income arising from equipment and rights to the hiring agreement at the end of term. This inertia asset is measured at fair value at the inception of the hiring agreement, and is based on discounted cash flows expected to be derived from the sale or hire of the asset at the end of the minimum term. Subsequent to initial recognition the intangible asset is measured at cost. During the hiring term the valuation is impaired for any assets that have been written off. At the end of the hiring term the intangible asset is derecognised and the group recognises the equipment as inventory at the corresponding value.	The fair value is based on current levels of return (25%-30%) less an allowance for cancellations (10%-30%) and expected costs (5%-10%) of realization. The discount rate applied to the fair value is 13.21%.	The estimated fair value would increase (decrease) if: • Expected sale value was higher (lower) • Expected secondary hire term was longer (shorter) • Expected cancellations/bad debts were lower (higher) • Expected realization costs were lower (higher) • Discount rate derived from group cost of capital was lower (higher)

15. INTEREST IN SUBSIDIARIES

Interest in Subsidiaries	Country of Incorporation	% of Equity 2013	% of Equity 2012
RentSmart Limited	UK	100	100
RentSmart Pty Ltd*	Australia	100	100
RentSmart (NZ) Pty Ltd*	New Zealand	100	100
RentSmart Servicing Pty Ltd*	Australia	100	100
RentSmart Unit Trust*	Australia	100	100
SmartCheck Finance Spain SL	Spain	100	100
SmartCheck Ltd	UK	100	100
SmartCheck Pty Ltd*	Australia	100	100
SmartPlan Spain SL	Spain	100	100
ThinkSmart Employee Share Trust	Australia	100	100
ThinkSmart Europe Ltd	UK	100	100
ThinkSmart Finance Ltd*	Australia	100	100
ThinkSmart Financial Services Ltd	UK	100	100
ThinkSmart Inc	USA	100	100
ThinkSmart Insurance Services Administration Ltd	UK	100	100
ThinkSmart Italy Srl	Italy	100	100
ThinkSmart LTI Pty Limited	Australia	100	100
ThinkSmart Trust*	Australia	100	100
ThinkSmart UK Ltd	UK	100	100

* The Group has subsequent to 31 December 2013 disposed of these entities as disclosed in Note 32.

16. GOODWILL

	2013 $000	2012 $000
Balance at beginning of financial year	3,627	3,539
Effect of movement in exchange rate	668	88
Balance at end of financial year	**4,295**	**3,627**

Impairment testing for cash-generating units containing goodwill
For the purpose of impairment testing, goodwill is allocated to the UK segment as disclosed in Note 26, which represents the lowest level within the Group at which goodwill is monitored for internal management purposes. The goodwill arose on the acquisition of RentSmart Limited.

The recoverable amount of the UK cash-generating unit was based on its value in use using business plan assumptions and a discount rate approximating the weighted average cost of capital of the group and hence includes inherent estimation uncertainty. The recoverable amount of the unit was determined to be significantly higher than the carrying amount, therefore no impairment of goodwill is required, and no further sensitivity analysis is considered necessary.

Value in use is determined by discounting the future cash flows generated from the continuing use of the unit and was based on the following key assumptions:

- Cash flows were projected based on the forecast operating results for 2014 to 2016 and 2.5% year on year growth for 2017 and 2018, and estimated terminal growth of 2.0%.
- A post tax discount rate of 8.5% (11.1% pre tax) was applied in determining the recoverable amount of the unit.

17. ASSETS PLEDGED AS SECURITY

As at 31 December 2013, within liabilities held for sale $1.0m of interest bearing liabilities were secured by pledges of the present and future assets of ThinkSmart Limited and ThinkSmart Finance Limited to Westpac.

ThinkSmart Europe provide an equitable mortgage over the shares it holds in the main UK operating entity, RentSmart Limited to provide security for ThinkSmart Limited's Corporate facilities, all of which were un-drawn at 31 December 2013.

Both of the above pledges were released on 31 January 2014 in connection with the sale of the Australian and New Zealand operations as set out in Note 32.

18. TRADE AND OTHER PAYABLES, AND PROVISIONS

	2013 $000	2012 $000
Trade and other payables	475	3,476
Hedging derivative	-	128
Product plan	-	20
GST Payable	548	1,010
Other accrued expenses	1,241	2,007
	2,264	**6,641**
Provisions		
Annual leave	137	386
Long service leave (i)	222	219
Other	1	1
	360	**606**

(i) The pro rata entitlement of long service leave is provided for after 7 years of service.

The Group's exposure to currency and liquidity risk related to trade and other payables is disclosed in Note 30.

19. DEFERRED SERVICE INCOME

	Notes	2013 $000	2012 $000
Balance at 1 January		4,798	2,572
Effect of movement in exchange rate		(124)	22
Intangible inertia assets acquired	14	5,293	4,800
Reversal due to intangible asset impairment		(374)	(158)
Recognised in Consolidated Statement of Profit and Loss	6(a)	(4,060)	(2,438)
		5,533	**4,798**
Deferred service income to be recognised within 12 months		3,843	2,977
Deferred service income to be recognised in greater than 12 months		1,690	1,821
		5,533	**4,798**

20. FINANCING FACILITIES

	2013 $000	2012 $000
Corporate financing facilities		
Secured bank overdraft facility reviewed annually and payable at call:		
- amount used	-	-
- amount unused	921	778
	921	**778**
Committed cash advance facility/Secured bill acceptance facility:		
- amount used	-	-
- amount unused	5,000	5,000
	5,000	**5,000**
Other finance facilities (business credit card, payroll facility, term loan, multi-option facility):		
- amount used	21	14
- amount unused	25	25
	46	**39**
Total corporate financing facility	**5,967**	**5,817**

The total corporate facilities of $5.967m (2012: $5.817m) identified above are reviewed annually and secured over the assets of the Group. The committed cash advance facility was terminated on 31 January 2014 in connection with the sale of the Australian and New Zealand operations as set out in Note 32. New corporate facilities for business credit cards, payment processing and foreign exchange derivatives were put into place simultaneously, secured by cash on deposit.

21. OTHER INTEREST BEARING LIABILITIES

	2013 $000	2012 $000
Current		
Loan advances – secured	-	18,830
Financial liability – secured	-	15,470
	-	**34,300**
Non-current		
Loan advances – secured	-	8,373
Financial liability – secured	-	11,690
	-	**20,063**
Customer financing facilities		
Secured financing facilities		
- amount used – lease financing arrangement – series 2	-	18,377
- amount used – lease financing arrangement – series 3	-	8,827
- amount used – brokerage arrangement	-	27,159
- amount unused	-	113,137
Total facility	**-**	**167,500**

All interest bearing liabilities were part of the held for sale liabilities as at 31 December 2013 (refer to Note 12).

22. ISSUED CAPITAL

	2013 $000	2012 $000
(a) Issued and paid up capital		
162,307,097 Ordinary Shares fully paid (2012: 159,163,764)	48,091	48,073

	2013 Number	2013 $000	2012 Number	2012 $000
Fully Paid Ordinary Shares				
Balance at beginning of the financial year	159,163,764	48,073	130,004,390	39,664
Issue of new shares for employee loan-funded share plan	3,043,333	-	3,033,333	-
Issue of new shares for employee share-based payment	100,000	18	125,000	23
Issue of new shares	-	-	26,001,041	9,100
Capital raising costs	-	-	-	(714)
Balance at end of the financial year	**162,307,097**	**48,091**	**159,163,764**	**48,073**

During the year no employee share options or loan-funded shares were exercised (2012: nil).

Ordinary Shares entitle the holder to participate in dividends and the proceeds on winding up the Company in proportion to the number of and amount paid on the Shares held.

On a show of hands, every holder of Ordinary Shares present in the meeting in person or by proxy is entitled to one vote, and upon a poll each Share is entitled to one vote.

The Company does not have authorised capital or par value in respect to its issued shares.

(b)(i) Share options – employee options and loan-funded shares

The Company has an ownership-based remuneration scheme for Executives and senior employees. Each employee share option converts to one ordinary share of ThinkSmart Limited on exercise and payment of the exercise price. Each employee loan-funded share converts to one ordinary share of ThinkSmart Limited on exercise and repayment of the loan. The options carry neither rights or dividends nor voting rights. The loan-funded shares carry voting and rights to dividends.

Options issued in previous periods:

- 2,200,000 and 333,333 options over ordinary shares were issued 5 May 2010 and 1 September 2010 respectively. The options are exercisable at $1.11, with an exercise period between 1 January 2013 and 31 December 2014. Vesting of the options was subject to achievement of the following performance conditions:
  - 50% of options are subject to achievement of Earnings per Share (“EPS”) performance conditions; and
  - 50% of options are subject to achievement of Total Shareholder Return (“TSR”) performance conditions.

The performance conditions were not met, and no options vested on 31 December 2012.

- 2,133,333, 100,000 and 250,000 options over ordinary shares were issued 11 April 2011, 15 June 2011 and 25 July 2011 respectively. The options are exercisable at $0.84, with an exercise period between 1 January 2014 and 31 December 2015. Vesting of the options is subject to achievement of the following performance conditions:
  - 50% of options are subject to achievement of Earnings per Share (“EPS”) performance conditions; and
  - 50% of options are subject to achievement of Total Shareholder Return (“TSR”) performance conditions.

The performance conditions were not met, and no options vested on 31 December 2013.

- 400,000 options over ordinary shares were issued 10 August 2012 and exercisable at $0.1923, vesting and exercisable on 10 August 2015 until 09 August 2017. Vesting of the options is subject to achievement of the following performance conditions:
  - Tranche 1: 25% of options will vest if the share price hurdle of $0.35 is met in accordance with the performance conditions;
  - Tranche 2: 25% of options will vest if the share price hurdle of $0.55 is met in accordance with the performance conditions; and
  - Tranche 3: 50% of options will vest if the share price hurdle of $0.75 is met in accordance with the performance conditions.

- 3,033,333 loan-funded shares were issued 10 August 2012 and exercisable at $0.1923, vesting and exercisable on 10 August 2015 until 09 August 2017. Vesting of the loan-funded shares is subject to achievement of the following performance conditions:

    - Tranche 1: 25% of loan-funded shares will vest if the share price hurdle of $0.35 is met in accordance with the performance conditions;
    - Tranche 2: 25% of loan-funded shares will vest if the share price hurdle of $0.55 is met in accordance with the performance conditions; and
    - Tranche 3: 50% of loan-funded shares will vest if the share price hurdle of $0.75 is met in accordance with the performance conditions.

Options and loan-funded shares issued in the current period:

- 750,000 options over ordinary shares were issued 04 July 2013 and exercisable at $0.2652, vesting and exercisable on 04 July 2016 until 03 July 2018. Vesting of the options is subject to achievement of the following performance conditions:

    - Tranche 1: 25% of options will vest if the share price hurdle of $0.3802 is met in accordance with the performance conditions;
    - Tranche 2: 25% of options will vest if the share price hurdle of $0.4889 is met in accordance with the performance conditions; and
    - Tranche 3: 50% of options will vest if the share price hurdle of $0.5975 is met in accordance with the performance conditions.

- 3,243,333 loan-funded shares were issued 04 July 2013 and exercisable at $0.2652, vesting and exercisable on 04 July 2016 until 03 July 2018. Vesting of the loan-funded shares is subject to achievement of the following performance conditions:

    - Tranche 1: 25% of loan-funded shares will vest if the share price hurdle of $0.3802 is met in accordance with the performance conditions;
    - Tranche 2: 25% of loan-funded shares will vest if the share price hurdle of $0.4889 is met in accordance with the performance conditions; and
    - Tranche 3: 50% of loan-funded shares will vest if the share price hurdle of $0.5975 is met in accordance with the performance conditions.

The value of these options and loan-funded shares will be expensed over the vesting period in accordance with AASB 2.

Below are options and loan-funded shares issued in 2012 and 2013:

Loan-funded shares issued in 2013	Number	Grant date	Exercise period	Exercise price	Fair value at grant date
Employee loan-funded shares	3,243,333	04/07/2013	04 Jul 2016 to 03 Jul 2018	$0.2652	$0.098 - $0.118
Options series issued in 2013	**Number**	**Grant date**	**Exercise period**	**Exercise price**	**Fair value at grant date**
Employee options	750,000	04/07/2013	04 Jul 2016 to 03 Jul 2018	$0.2652	$0.098 - $0.118
Loan-funded shares issued in 2012	**Number**	**Grant date**	**Exercise period**	**Exercise price**	**Fair value at grant date**
Employee loan-funded shares	3,033,333	10/08/2012	10 Aug 2015 to 09 Aug 2017	$0.1923	$0.02 - $0.06
Options series issued in 2012	**Number**	**Grant date**	**Exercise period**	**Exercise price**	**Fair value at grant date**
Employee options	400,000	10/08/2012	10 Aug 2015 to 09 Aug 2017	$0.1923	$0.02 - $0.06

The weighted average fair value of the share options and loan-funded shares granted in 2013 is $0.106 (2012: $0.035). Options issued before 2012 were priced using a binomial option pricing model. Expected volatility is based on that observed for comparable listed companies over the time period appropriate to the option grant in question. Options and loan-funded shares issued in 2012 were priced using a monte-carlo pricing model. Expected volatility is based on the historic volatility of the market price of the Company's share and the mean reversion tendency of volatilities.

Below are the inputs used to measure the fair value of the options and loan-funded shares:

	Employee options and loan-funded shares	Employee options and loan-funded shares
	2013	2012
Grant date	04/07/2013	10/08/2012
Fair value at grant date	$0.098-$0.118	$0.02-$0.06
Grant date share price	$0.27	$0.19
Exercise price	$0.2652	$0.1923
Expected volatility	55%	50%
Option/loan share life	4 years	4 years
Dividend yield	0%	2.14%
Risk-free interest rate	2.99%	2.5%

The following reconciles the outstanding share options/loan-funded shares granted under the employee share option plan and loan-funded shares at the beginning and end of the financial year:

	2013		2012	
	Number of options/loan funded shares	Weighted average exercise price $	Number of options	Weighted average exercise price $
Balance at beginning of the financial year	9,200,000	$0.61	7,166,667	$0.84
Granted during the financial year	3,993,333	$0.27	3,433,333	$0.19
Forfeited during the financial year*	(5,265,000)	$0.76	(1,400,000)	$0.74
Exercised during the financial year	-	-	-	-
Expired during the financial year	(801,667)	$0.62	-	-
Balance at the end of financial year	7,126,666	$0.23	9,200,000	$0.61
Exercisable at end of the financial year	-	-	-	-

*The weighted average exercise price is calculated including 1,000,000 loan-funded shares on issue previously allocated and forfeited by Mr A Stevens. These remain in share capital at year end as unallocated shares.

The options and loan-funded shares outstanding at 31 December 2013 have an exercise price in the range of $0.1923 to $0.2652 (2012: $0.1923 to $1.11) and a weighted average contractual life of 4.12 years (2012: 2.83 years).

The following is the total expense recognised for the period arising from share-based payment transactions:

	2013 $000	2012 $000
Share options granted in 2006 – equity settled	-	(85)
Share options granted in 2009 – equity settled	-	(64)
Share options granted in 2010 – equity settled	-	111
Share options granted in 2011 – equity settled	(96)	212
Shares as remuneration granted in 2010, 2011 and 2012 – equity settled	99	98
Share options/loan-funded shares granted in 2012 – equity settled	21	54
Share options/loan-funded shares granted in 2013 – equity settled	62	-
Total expense recognised as employee costs	**86**	**326**
Less discontinued operations	4	32
Total expense recognised from continuing operations	**82**	**294**

(b)(ii) Share compensation – employee shares

Details on shares of the Company that were granted as remuneration to each Key Management Person and details of shares vested during the reporting period are as follows:

	Number of shares granted	Grant date	Fair value at grant date ($)	Vesting period	Number of shares vested during 2013	Number of shares vested during 2012
Executives						
A Baum	350,000	01/09/2010	0.64	3 years	100%	-
A Baum	125,000	01/09/2011	0.52	3 years	-	-
A Baum	125,000	03/10/2012	0.18	3 years	-	-

The shares are provided at no cost to the recipient as part of his employment contract and are held in escrow. No shares have been granted since the end of the financial year.

These shares were issued to A Baum. The shares are ordinary shares in the Company and ordinarily would have vested upon completion of a 3-year service period from the date of issue. As a result of Mr Baum's role being made redundant during 2014, and under the terms of the grant, he is entitled to retain these shares and they are released from escrow at that point.

The fair value of these shares is recorded in the profit and loss on a straight line basis across their vesting term, with $0.099m (2012: $0.098m) expensed during the year.

(c) Dividends

There were no dividends paid during the year (2012: nil) or since the year end.

After 31 December 2013, the following dividends were declared by the directors. The dividends have not been provided for.

	Cents per share	Total amount	Franked/ unfranked	Date to be paid
Special dividend	3.6 cents	$5,843,055	Fully franked	19 February 2014

The final effect of these dividends has not been brought to account in the financial statements for the year ended 31 December 2013 and will be recognised in subsequent financial reports.

(d) Franking credits

	2013 $000	2012 $000
Franking credit account balance as at the beginning of the financial year at a tax rate of 30% (2012: 30%)	3,063	1,190
Franking credits from the payment of income tax paid and payable as at the end of the financial year	3,900	1,873
Franking credit account balance as at the end of the financial year at a tax rate of 30% (2012: 30%)	**6,963**	**3,063**

In accordance with the tax consolidation legislation, the Company as the head entity in the tax-consolidated group is allowed to assume the relevant subsidiaries' franking credits. As at 31 December 2013, the subsidiaries have no franking credits for the benefit of the Company (2012: nil). As noted in Note 22(c), the company will pay a special dividend of 3.6 cents per share on 19 February 2014. This will result in a reduction of franking credits of $2.504m and a balance of $4.459m remaining in the franking credit account. The $4.459m franking balance relates to tax estimated to become payable during 2014 from the 2013 results and the sale of the Australian and New Zealand operations.

23. RESERVES

	2013 $000	2012 $000
Equity settled employee benefits reserve – options (i)	1,170	1,159
Equity settled employee benefits reserve – shares (i)	(29)	(86)
Foreign currency translation reserve (ii)	(908)	(4,066)
Hedge reserve (iii)	(45)	(90)
	188	**(3,083)**

(i) The share-based remuneration reserve arises on the grant of share options and shares to Executives under the employee share option plan and loan-funded share plan. Amounts are transferred out of the reserves and into issued capital when the options are exercised. For shares issued as remuneration and accounted for as a share-based payment arrangement, the full fair value of the shares are initially recognised in the reserve and share capital, and are subsequently transferred out of the reserve to the profit and loss over the vesting period. Further information about the share-based payments is provided in Note 22(b) to the financial statements.

(ii) The translation reserve comprises all foreign currency differences arising from the translation of the financial statements of foreign operations as well as from the translation of liabilities that hedge the Company's net investment in a foreign subsidiary.

(iii) The hedge reserve comprises the effective portion of the cumulative net change in fair value of the cash flow hedge relating to hedged transactions that have not yet occurred.

24. NOTES TO THE CASH FLOW STATEMENT

(a) For the purposes of the cash flow statement, cash and cash equivalents includes cash on hand and in banks and investments in money market instruments, net of outstanding bank overdrafts. Cash and cash equivalents at the end of the financial year as shown in the cash flow statement is reconciled to the related items in the balance sheet as follows:

	2013 $000	2012 $000
Reconciliation of cash and cash equivalents		
Cash balance comprises:		
- Available cash and cash equivalents	7,375	6,008
- Restricted cash	194	12,560
	7,569	**18,568**

The Group's exposure to credit risk, interest rate and sensitivity analysis of the financial assets and liabilities are provided in Note 30.

	2013 $000	2012 $000
(b) Reconciliation of the profit/(loss) for the year to net cash flows from operating activities:		
Profit/(loss) after tax	**2,309**	**(1,441)**
Add back non-cash items:		
Depreciation	380	428
Amortisation	2,482	2,808
Impairment losses on finance lease receivables	2,323	4,098
Foreign currency loss/(gain) unrealised	(49)	358
Provision for employee entitlements	244	95
Equity settled share-based payment	57	326
(Increase)/decrease in assets:		
Trade receivables, deposits held with funders and other movements in lease assets	(3,290)	1,198
Prepayments	(28)	811
Deferred tax asset	(2,653)	(1,825)
Other assets	27	444
Rental asset inventory	(81)	(124)
Increase/(decrease) in liabilities:		
Trade and other creditors	(2,533)	(4,732)
Provision for income tax	4,039	(2,151)
Deferred tax liability	(1,500)	493
Other payables	(189)	(96)
Net cash from operating activities	**1,538**	**690**

25. LEASES AND HIRE PURCHASE OBLIGATIONS

Operating leases – leasing arrangements

Operating leases relate to office facilities with lease terms of up to 6 years. All operating lease contracts contain market review clauses in the event that the consolidated entity exercises its option to renew. The consolidated entity does not have an option to purchase the leased asset at the expiry of the lease period.

	2013 $000	2012 $000
Non-cancellable operating lease payments:		
No later than 1 year	448	871
Later than 1 year and not later than 5 years	383	-
	831	**871**

No provisions have been recognised in respect of non-cancellable operating leases.

26. SEGMENT INFORMATION

The Group has three reportable segments which comprise the Group's two core business units (UK and its discontinued segment, Australia), with the "other" segment presented composing low volume territories. The head office corporate function composes the reconciliation between the two continuing reportable segments and the Group, given that there is no inter-segment revenue. The business units offer predominantly similar products and services, however have separate Executive structures and separate operational teams.

For each of the segments, the Board and the CEO review internal management reports on a monthly basis. The composition of the reportable segments is as follows:

UK:

- RentSmart Limited
- ThinkSmart Insurance Services Administration Ltd

Other:

- SmartCheck Finance Spain SL
- ThinkSmart Europe Ltd
- ThinkSmart France SARL
- ThinkSmart Inc
- ThinkSmart Inc (USA)
- ThinkSmart Italy Srl

Corporate:

- ThinkSmart Limited

Discontinued operations - Australia:

- ThinkSmart Finance Ltd
- ThinkSmart Trust
- RentSmart Servicing Pty Ltd
- RentSmart Pty Ltd
- RentSmart (NZ) Pty Ltd

26. SEGMENT INFORMATION (CONTINUED)

Operating Segments										
Information about reportable segments	UK		Other Territories		Corporate		Total		Discontinued operations*	
For the year ended 31 December	2013	2012	2013	Restated * 2012	2013	2012	2013	Restated * 2012	2013	Restated 2012
Revenue	16,574	16,812	141	148	22	39	**16,737**	16,999	18,751	19,136
Other revenue	2,196	2,044	-	-	-	-	**2,196**	2,044	7	1,544
Total revenue	18,770	18,856	141	148	22	39	**18,933**	19,043	18,758	20,680
Indirect customer acquisition costs	(4,935)	(4,962)	(2)	(8)	(6)	(22)	**(4,943)**	(4,992)	(1,361)	(3,147)
Operating expenses	(5,377)	(5,580)	(100)	(268)	(4,446)	(4,917)	**(9,923)**	(10,765)	(10,145)	(10,969)
Depreciation and amortisation	(418)	(394)	(45)	(56)	-	-	**(463)**	(450)	(2,399)	(2,786)
Impairment losses (Note 6(f))	(255)	(182)	-	-	-	-	**(255)**	(182)	(2,338)	(4,098)
Interest expense	-	-	-	(2)	-	(238)	**-**	(240)	(2,894)	(4,000)
Reportable segment profit/(loss) before income tax	**7,785**	**7,738**	**(6)**	**(186)**	**(4,430)**	**(5,138)**	**3,349**	**2,414**	**(379)**	**(4,320)**
Reportable segment current assets	9,293	7,588	2,023	295	1,209	574	12,525	8,457	66,617	55,649
Reportable segment non-current assets	16,053	14,731	7,347	2,771	4,862	500	28,262	18,002	-	32,837
Reportable segment liabilities	7,031	8,103	1,537	(1,275)	4,109	345	12,677	7,173	41,108	59,751
Capital expenditure	570	235	-	-	-	-	570	235	1,066	2,097

* See Notes 8 and 12.

Major customer

Revenues from the Group's funding partners represent $5.677m (2012: $12.038m) of the Group's total revenue.

27. REMUNERATION OF AUDITORS

	2013 $	2012 $
Audit and review services:		
Auditors of the Company:		
Audit and review of financial reports (Australia)	234,500	344,481
Audit and review of financial reports (Overseas)	100,111	77,707
Other regulatory services	9,500	9,500
	344,111	**431,688**
Services other than statutory audit:		
Tax compliance and advisory services	138,081	31,481
Accounting advice	-	16,500
Advisory services	33,000	-
	171,081	**47,981**

The Group's auditors were KPMG in 2013 and 2012.

28. COMMITMENTS AND CONTINGENT LIABILITIES

UK

Under the terms of its current UK funding agreement, the Group is obliged to purchase delinquent leases from the funder at the funded amount plus any commission previously received. At 31 December 2013, the total funded amount of all leases funded by the funder is $49.648m (31 December 2012: $42.455m). The Group has entered into a Credit Default Swap (CDS) with STB for which it has provided a deposit of $8.252m (31 December 2012: $6.995m) as collateral for the obligation under the funding agreement and CDS. The Group has provided for $3.197m (31 December 2012: $1.881m) which includes some estimation uncertainty as it requires an estimate of the future amount potentially payable for those leases that are likely to become delinquent in the future. The Group estimates this amount based on historical loss experience for assets with similar characteristics.

The total balance of deposits recognised with funders, net of associated provisions and financial guarantee contracts, is $4.937m (31 December 2012: $5.080m).

29. CONTINGENT INERTIA ASSETS

Under the Group's accounting policy, inertia revenue for those assets funded under the brokerage model in the UK, where the Group does not have an unconditional right to the asset and residual lease rights, is not recognised until the conclusion of the initial rental period. At this point, the Group is entitled to acquire the equipment from the funders at a nominal value, and the equipment can be disposed of, or continue to be rented to third parties. The Group does not have control over these future revenue streams and accordingly the revenue is not brought to account until it is received. An estimate of the realisable value of the future revenue streams of $0.112m (31 December 2012: $0.939m) has been made by estimating expected proceeds through sales channels and public auction.

Where the Group does have an unconditional right to these future revenue streams it recognises an intangible asset.

30. FINANCIAL INSTRUMENTS

Financial instruments included in the below disclosures do not include financial assets and liabilities classified as held for sale.

(a) Interest rate risk

At the reporting date, the interest rate profile of the Group's interest bearing financial instruments were:

	Carrying amount	
	2013 $000	**2012 $000**
Fixed rate instruments		
Loan and lease receivables	-	62,414
	-	**62,414**
Variable rate instruments		
Cash and cash equivalents	7,569	18,568
Deposits held by funder (non-current)	4,937	5,080
Secured note facility	-	(54,363)
Net financial assets/(liability)	**12,506**	**(30,715)**

Sensitivity analysis

A change in 1% in interest rates would have increased or decreased the Group's profit for continuing operations by the amounts shown below (2012: 1% increase $0.054m, 1% decrease $0.091m). This analysis assumes that all other factors remain constant including foreign currency rates.

	Profit or Loss	
	Increase 1%	Decrease 1%
Variable rate instruments	125	(125)
Net profit sensitivity	**125**	**(125)**

(b) Fair value of financial instruments

The carrying amounts of financial assets and financial liabilities recorded in the financial statements are not materially different to their fair values. In the case of fixed rate loan and lease receivables, changes in market interest rates and other factors influencing their fair value since inception have an immaterial impact on the effective interest rate.

Fair value hierarchy

The financial instruments carried at fair value have been classified by valuation method. The different levels have been defined as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices)
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs)

The only financial liability of the Group measured at fair value is comprised of interest rate swaps used for hedging, classified as Level 2, which is included within liabilities held for sale (see Note 12).

Key assumptions in the valuation of the instruments are limited to interpolating interest rates for certain future periods where there is no observable market data.

30. FINANCIAL INSTRUMENTS (CONTINUED)

(c) Credit risk management

The maximum credit risk exposure of the Group is the sum of the carrying amount of the Group's financial assets. The carrying amount of the Group's financial assets that is exposed to credit risk at the reporting date is:

	Note	2013 $000	2012 $000
Cash and cash equivalents	24(a)	7,569	18,568
Loan and lease receivables (current)	10	-	39,164
Loan and lease receivables (non-current)	10	-	23,250
Trade receivables		1,191	2,890
Prepayments (current)		2,107	1,858
Sundry debtors	9	340	959
Other non-current assets	11	6,684	6,644
		17,891	**93,333**

The carrying amount of the Group's financial assets that is exposed to credit risk at the reporting date by geographic region is:

	2013 $000	2012 $000
Australia	1,100	79,221
UK	16,501	13,886
Other	290	226
	17,891	**93,333**

The carrying amount of the Group's financial assets that is exposed to credit risk at the reporting date by types of counterparty is:

	2013 $000	2012 $000
Banks (i)	7,569	18,568
Funders	5,029	5,080
Insurance partners (ii)	3,855	3,421
Retail finance customers (iii)	-	62,415
Others (iii)	1,438	3,849
	17,891	**93,333**

(i) Cash and cash equivalents are held with banks with S&P ratings of A- and AA-.

(ii) In 2013, 88% (2012: 86%) of the total prepayment relates to RentSmart Limited's upfront insurance premium payments to Allianz on behalf of the rental customer. The premiums are recovered from the customer on a monthly basis. In the event the customer defaults, the policy is cancelled and Allianz refunds the unexpired premium.

30. FINANCIAL INSTRUMENTS (CONTINUED)

(c) Credit risk management (continued)

(iii) Included in Others is an amount of $nil (2012: $1.803m) relating to collections from lessee customers in relation to the portfolio of leases acquired by the Group via a "pass through" arrangement from Bendigo and Adelaide Bank. The credit risk exposure from retail customers also includes an amount of $nil (2012: $30.630m) which relates to the same portfolio of leases. The bank account to which collections are deposited is held with Bendigo and Adelaide Bank and accordingly the Group has a credit risk exposure to Bendigo and Adelaide Bank with respect to these amounts.

Loan and lease receivables

The ageing of the Group's loan and lease receivables at the reporting date was:

	Gross 2013 $000	Impairment 2013 $000	Gross 2012 $000	Impairment 2012 $000
Not past due	-	-	53,711	-
Past due 0-30 days	-	-	4,598	20
Past due 31-120 days	-	-	3,698	749
Past due 121-365 days	-	-	3,826	2,735
More than 1 year	-	-	395	310
	-	**-**	**66,228**	**3,814**

The movement in the allowance for impairment in respect of lease receivables during the year was as follows:

	2013 $000	2012 $000
Balance at 1 January	3,814	1,589
Impairment loss recognised	2,550	4,284
Bad debt written off	(1,800)	(2,059)
Transfer to assets held for sale	(4,564)	-
Balance at 31 December	**-**	**3,814**

The management of credit risk in relation to its customers is described in Note 5.

30. FINANCIAL INSTRUMENTS (CONTINUED)

(c) Credit risk management (continued)

Trade receivables

The ageing of the Group's trade receivables at the reporting date was:

	Gross 2013 $000	Impairment 2013 $000	Gross 2012 $000	Impairment 2012 $000
Not past due	-	-	1,803	-
Past due 0-30 days	1,104	-	1,000	-
Past due 31-120 days	70	28	87	87
Past due 121-365 days	17	9	-	-
	1,191	**37**	**2,890**	**87**

The movement in the allowance for impairment in respect of trade receivables during the year was as follows:

	2013 $000	2012 $000
Balance at 1 January	87	85
Impairment loss recognised	118	217
Bad debt written off	(147)	(216)
Effect of exchange rate movement	8	1
Transfer to assets held for sale	(29)	-
Balance at 31 December	**37**	**87**

Trade receivables are reviewed and considered for impairment on a periodic basis, based on the number of days outstanding and number of payments in arrears.

30. FINANCIAL INSTRUMENTS (CONTINUED)

(d) Currency risk management

Exposure to currency risk

The Group's exposure to foreign currency risk at balance date was as follows, based on notional amounts:

	31 December 2013			
	GBP	EUR	NZD	USD
	£000	€000	$000	$000
Cash and cash equivalents	3,407	120	-	7
Trade receivables	746	16	-	-
Trade and other payables	(1,107)	(37)	-	(3)
Net exposure	**3,046**	**99**	**-**	**4**

	31 December 2012			
	GBP	EUR	NZD	USD
	£000	€000	$000	$000
Cash and cash equivalents	2,301	60	14	8
Trade receivables	646	16	-	-
Trade and other payables	(1,903)	(53)	-	(3)
Net exposure	**1,044**	**23**	**14**	**5**

The following significant exchange rates applied during the year:

	Average rate		Reporting date spot rate	
AUD	2013	2012	2013	2012
EUR	0.7293	0.8061	0.6485	0.7868
GBP	0.6146	0.6536	0.5429	0.6428
USD	0.9679	1.0358	0.8948	1.0384
NZD	1.1795	1.2787	1.0879	1.2608

30. FINANCIAL INSTRUMENTS (CONTINUED)

(d) Currency risk management (continued)

Sensitivity analysis

A 10% strengthening of the Australian dollar against the following currencies at 31 December would have increased/(decreased) equity and profit and loss by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant. The analysis is performed on the same basis for 2012:

	Equity $000	Profit or loss $000
31 December 2013		
EUR	(16)	(7)
GBP	(2,570)	(626)
USD	-	(221)
NZD	(2)	4
31 December 2012		
EUR	(10)	3
GBP	(1,820)	(513)
USD	(1)	(205)
NZD	(2)	4

A 10% weakening of the Australian dollar against the above currencies at 31 December would have had an equal but opposite effect on the above currencies to the amounts shown above, on the basis that all other variables remain constant.

30. FINANCIAL INSTRUMENTS (CONTINUED)

(e) Liquidity risk management

The following are the contractual maturities of financial liabilities, including estimated interest payments and excluding the impact of netting agreements:

Non-derivatives	Carrying Amount $000	Contractual cash flow $000	Less than 1 year $000	1-2 years $000	2-5 years $000
31 December 2013					
Trade and other payables	2,264	(2,264)	(2,264)	-	-
	2,264	**(2,264)**	**(2,264)**	**-**	**-**
31 December 2012					
Trade and other payables	6,513	(6,513)	(6,513)	-	-
Secured note facility	54,363	(57,967)	(37,009)	(16,634)	(4,323)
	60,876	**(64,480)**	**(43,522)**	**(16,634)**	**(4,323)**

31. RELATED PARTY DISCLOSURES

The following were Key Management Personnel of the Group at any time during the reporting period and unless otherwise indicated were Key Management Personnel for the entire period:

Non-Executive Directors
D Griffiths (Deputy Chairman)
S Penglis
F de Vicente
N Fox – until 18 March 2013
K Jones – appointed 24 May 2013

Executive Directors
N Montarello (Executive Chairman and Chief Executive Officer)

Executives
A Baum (Group Chief Operating Officer)
G Halton (Managing Director (acting) – UK)
A Stevens (Group Chief Financial Officer) – until 12 December 2013
G Varma (Group Chief Information Officer)

The Key Management Personnel remuneration included in 'employee benefits expense' in Note 6(d) is as follows:

	2013 $	2012 $
Short-term employee benefits	2,073,112	2,735,118
Post-employment benefits	118,086	312,656
Other long-term benefits	13,794	69,064
Share-based payments	56,450	287,943
	2,261,442	**3,404,781**

The Key Management Personnel receive no remuneration in relation to management of the Company (2012: nil).

Individual Directors and Executives Remuneration Disclosures

Information regarding individual Directors and Executives remuneration and some equity instruments disclosures as permitted by Corporations Regulations 2M.3.03 is provided in the Remuneration Report section of the Directors' Report.

Apart from the details disclosed in this note, no Director has entered into a material contract with the Group since the end of the previous financial year and there were no material contracts involving Directors' interests existing at year-end.

Loans to Key Management Personnel and their related parties

There have been no loans provided to Key Management Personnel and their related parties as at 31 December 2013 (2012: nil), with the exception of the limited recourse loans in relation to the loan-funded share scheme (refer to Note 22(b)(i) and the Remuneration Report section of the Directors' Report).

Other Key Management Personnel transactions

During the year and previous year, there has been no transaction with entities in which the Key Management Personnel has significant control or influence over those entities' financial or operating policies.

Options and rights over equity instruments

The movement during the reporting period in the number of options over ordinary shares in ThinkSmart Limited held, directly, indirectly or beneficially, by each Key Management Person, including their related parties, is as follows:

31. RELATED PARTY DISCLOSURES (CONTINUED)

Employee options

2013	Held at 1 January 2013	Held at date of new appoint-ment	Granted as compen-sation	Other movement	Lapsed, forfeited or expired	Held at 31 December 2013	Vested during the year	Vested and exercisable at 31 December 2013
Directors								
N Montarello	3,000,000	-	-	-	(3,000,000)	-	-	-
D Griffiths	-	-	-	-	-	-	-	-
S Penglis	-	-	-	-	-	-	-	-
F de Vicente	-	-	-	-	-	-	-	-
N Fox	-	-	-	-	-	n/a	-	-
K Jones	-	-	-	-	-	-	-	-
Executives								
A Baum	666,666	-	-	-	(666,666)	-	-	-
G Halton	450,000	-	250,000	-	(350,000)	350,000	-	-
A Stevens	-	-	-	-	-	-	-	-
G Varma	350,000	-	-	-	(350,000)	-	-	-

2012	Held at 1 January 2012	Held at date of new appoint-ment	Granted as compen-sation	Other movement	Lapsed, forfeited or expired	Held at 31 December 2012	Vested during the year	Vested and exercisable at 31 December 2012
Directors								
N Montarello	3,000,000	-	-	-	-	3,000,000	1,000,000	1,000,000
D Griffiths	-	-	-	-	-	-	-	-
S Penglis	-	-	-	-	-	-	-	-
F de Vicente	-	-	-	-	-	-	-	-
N Fox	-	-	-	-	-	-	-	-
Executives								
A Baum	666,666	-	-	-	-	666,666	-	-
G Halton	-	350,000	100,000	-	-	450,000	150,000	150,000
A Stevens	-	-	-	-	-	-	-	-
G Varma	350,000	-	-	-	-	350,000	-	-
J Ferreira	400,000	-	-	-	(400,000)	-	-	-
S McDonagh	250,000	-	-	(250,000)	-	-	-	-
G Parry	700,000	-	-	-	(700,000)	-	-	-

Movements in loan-funded shares granted as compensation are set out in the following movements in shares table.

31. RELATED PARTY DISCLOSURES (CONTINUED)

Movement in shares

The movement during the reporting period in the number of ordinary shares in ThinkSmart Limited held, directly, indirectly or beneficially, by each Key Management Person, including their related parties, is as follows:

2013	Held at 1 January 2013	Purchases	Rights issue	Sales	Received on exercise of options	Loan-funded share issue	Loan funded share issue lapsed, forfeited or expired	Granted as compensation	Held at 31 December 2013
Directors									
N Montarello	29,559,356	-	-	-	-	1,000,000	-	-	30,559,356
D Griffiths	2,592,001	-	-	-	-	-	-	-	2,592,001
S Penglis	1,272,600	-	-	-	-	-	-	-	1,272,600
F de Vicente	356,500	69,500	-	-	-	-	-	-	426,000
N Fox	81,600	-	-	-	-	-	-	-	n/a
K Jones	-	-	-	-	-	-	-	-	-
Executives									
A Baum	1,459,465	-	-	-	-	333,333	-	-	1,792,798
A Stevens	500,000	-	-	-	-	500,000	(1,000,000)	-	n/a
G Varma	200,000	-	-	-	-	200,000	-	-	400,000

2012	Held at 1 January 2012	Purchases	Rights issue	Sales	Received on exercise of options	Loan-funded share issue	Loan funded share issue lapsed, forfeited or expired	Granted as compensation	Held at 31 December 2012
Directors									
N Montarello	22,520,297	1,535,000	4,504,059	-	-	1,000,000	-	-	29,559,356
D Griffiths	2,160,000	-	432,001	-	-	-	-	-	2,592,001
S Penglis	1,272,600	-	-	-	-	-	-	-	1,272,600
F de Vicente	-	356,500	-	-	-	-	-	-	356,500
N Fox	68,000	-	13,600	-	-	-	-	-	81,600
Executives									
A Baum	751,910	100,000	149,222	-	-	333,333	-	125,000	1,459,465
A Stevens	-	-	-	-	-	500,000	-	-	500,000
G Varma	-	-	-	-	-	200,000	-	-	200,000
S McDonagh	11,000	-	-	-	-	200,000	-	-	n/a
G Parry	25,357	-	-	-	-	-	-	-	n/a

n/a: Where personnel are no longer employed on the report date, the share movement only relates to the period up to their respective resignation dates.

31. RELATED PARTY DISCLOSURES (CONTINUED)

The following shares are subject to escrow as at 31 December 2013 (refer to Note 22(b)(ii)):

	Held at 31 December 2013	Held at 31 December 2012
Executive		
A Baum	250,000	600,000

32. SUBSEQUENT EVENTS

In December 2013 the Group entered into an agreement to sell its operations in Australia and New Zealand to FlexiGroup Limited for $43 million. The transaction was completed on 31 January 2014.

The operations in Australia and New Zealand have been presented as discontinued operations in the financial statements for the year ended 31 December 2013.

As a result of the transaction, the Group re-negotiated some of its security pledges and financing facilities. Details are set out in Note 17 and 20 respectively.

On 31 January 2014 the Group declared a special dividend as set out in Note 22(c).

33. EARNINGS PER SHARE

	2013 $000			2012 $000		
	Continuing operations	Discon-tinued operations	Total	Continuing operations Restated	Discontinued operations Restated	Total
Profit/(loss) after tax attributable to ordinary shareholders (basic and diluted)	2,597	(288)	2,309	1,845	(3,286)	(1,441)

	2013 Number	2012 Number
Weighted average number of ordinary shares (basic)	159,259,106	151,546,324
Weighted average number of ordinary shares (diluted)	159,919,271	151,546,324

	2013	2012
Earnings per share		
Basic earnings/(loss) per share (cents)	1.45	(0.95)
Diluted earnings/(loss) per share (cents)	1.44	(0.95)
Earnings per share from continuing operations:		
Basic earnings/(loss) per share (cents)	1.63	1.22
Diluted earnings/(loss) per share (cents)	1.62	1.22
Earnings per share from discontinued operations:		
Basic earnings/(loss) per share (cents)	(0.18)	(2.17)
Diluted earnings/(loss) per share (cents)	(0.18)	(2.17)

At 31 December 2013 there were no options or loan-funded shares (2012: 6,366,667) that were excluded from the diluted weighted average number of ordinary shares calculation as their effect would have been anti-dilutive.

34. PARENT ENTITY DISCLOSURES

As at, and throughout, the financial year ending 31 December 2013, the parent entity of the Group was ThinkSmart Limited.

	2013 $000	2012 $000
Result of parent entity		
(Loss)/profit for the period	1,164	(186)
Other comprehensive income	-	-
Total comprehensive income for the period	**1,164**	**(186)**
Financial position of parent entity at year end		
Current assets	1,209	574
Total assets	**53,101**	**41,878**
Current liabilities	4,109	337
Total liabilities	**4,109**	**345**
Total equity of the parent entity comprising of:		
Share capital	48,091	48,289
Share-based payment reserve	1,118	526
Retained earnings	(217)	(7,282)
Total equity	**48,992**	**41,533**

Parent entity contingencies

The parent entity has provided a commitment to continue its financial support of ThinkSmart Europe Ltd to enable the subsidiary to pay its debts as and when they fall due. The Company will not call for the repayment of its loan until ThinkSmart Europe Ltd is in a financial position to make such a payment without affecting its operational capabilities.

The parent entity has issued an unlimited parental guarantee in favour of its UK clearing bank to guarantee the obligations of RentSmart Limited with respect to its Direct Debit and corporate credit card facilities.

The Directors are of the opinion that provisions are not required in respect of these matters, as it is not probable that a future sacrifice of economic benefits will be required or the amount is not capable of reliable measurement.

KPMG

Report on the financial report

We have audited the accompanying financial report of ThinkSmart Limited (the company), which comprises the consolidated statement of financial position as at 31 December 2013, consolidated statement of profit and loss, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year ended on that date, notes 1 to 34 comprising a summary of significant accounting policies and other explanatory information and the directors' declaration of the Group comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' responsibility for the financial report

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement whether due to fraud or error. In note 2, the directors also state, in accordance with Australian Accounting Standard AASB 101 *Presentation of Financial Satements*, that the financial statements of the Group comply with International Financial Reporting Standards.

Auditor's responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We performed the procedures to assess whether in all material respects the financial report presents fairly, in accordance with the *Corporations Act 2001* and Australian Accounting Standards, a true and fair view which is consistent with our understanding of the Group's financial position and performance.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence

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

Auditor's opinion

In our opinion:

(a) the financial report of ThinkSmart Limited is in accordance with the *Corporations Act 2001*, including:
- (i) giving a true and fair view of the Group's financial position as at 31 December 2013 and performance for the year ended on that date; and
- (ii) complying with Australian Accounting Standards and the Corporations Regulations 2001.

(b) the financial report also complies with International Financial Reporting Standards as disclosed in note 2.

Report on the remuneration report

We have audited the Remuneration Report included in pages 19 to 30 of the directors' report for the year ended 31 December 2013. The directors of the company are responsible for the preparation and presentation of the remuneration report in accordance with Section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with auditing standards.

Auditor's opinion

In our opinion, the remuneration report of ThinkSmart Limited for the year ended 31 December 2013, complies with Section 300A of the *Corporations Act 2001.*

KPMG

KPMG

Matthew Beevers
Partner
Perth
18 February 2014

SHAREHOLDER INFORMATION

The shareholder information set out below was applicable as at 31 March 2014.

Distribution of Equity Security

	Number of equity security holders	
	Ordinary Shares	Options
1 – 1,000	112	-
1,001 – 5,000	686	-
5,001 – 10,000	475	-
10,001 – 100,000	1,057	-
100,001 and over	165	3

There were 172 holders of less than a marketable parcel of ordinary shares.

Equity Security Holders

Twenty largest quoted equity security holders

The names of the 20 largest holders of quoted equity securities are listed below:

	Ordinary Shares	
Name	Number held	Percentage of issued shares (%)
Mainwest Pty Ltd	11,691,278	7.20
National Nominees Limited	9,717,337	5.99
Mr Natale Ronald Montarello <Montarello Inv A/C>	9,563,606	5.89
JAWP Pty Ltd	5,800,000	3.57
Mr Natale Ronald Montarello	5,767,072	3.55
ThinkSmart LTI Pty Ltd	4,999,259	3.08
Kemast Investments Pty Ltd	4,752,000	2.93
J P Morgan Nominees Australia Limited	4,289,656	2.64
Bond Street Custodians Limited	3,658,329	2.25
Phoenix Properties International Pty Ltd	3,600,000	2.22
HSBC Custody Nominees (Australia) Limited	3,306,519	2.04
Longfellow Nominees Pty Ltd	3,303,167	2.04
Darju Pty Ltd	2,107,239	1.30
Wroxby Pty Ltd	1,838,754	1.13
Mr Noel D'Souza	1,719,170	1.06
Wulura Investments Pty Ltd <PJT Gammell Super Fund A/C>	1,636,118	1.01
Mr Michael McPherson Stewart & Mrs Judith Stewart	1,601,139	0.99
Wulura Investments Pty Ltd	1,566,948	0.97
JP Morgan Nominees Australia Limited <Cash Income A/C>	1,552,308	0.96
Mr Natale Ronald Montarello & Mrs Kimberly Montarello	1,535,000	0.95
Total	**84,004,899**	**51.76**

Unquoted Equity Securities

	Number on issue	Number of holders
Options issued under the ESOP to take up ordinary shares	1,050,000	3

The Company has no other unquoted equity securities.

Substantial Holders

Substantial holders in the Company are set out below:

Include those above 5%	Number of ordinary shares	Percentage %
Mainwest Pty Ltd	11,691,278	7.20
National Nominees Limited	9,717,337	5.99
Mr Natale Ronald Montarello <Montarello Inv A/C>	9,563,606	5.89

Voting Rights

The voting rights attaching to equity securities are set out below:

(a) Ordinary shares
On a show of hands, every holder of Ordinary Shares present in the meeting in person or by proxy is entitled to one vote, and upon a poll each Share is entitled to one vote.

(b) Loan-Funded Ordinary Shares issued under the Long-Term Incentive Plan
Shares under the plan rank equally in all respects with Ordinary Shares, including voting rights.

(c) Options
There are no voting rights attached to the options.

CORPORATE INFORMATION

ABN 24 092 319 698

Directors
N R Montarello (Executive Chairman)
D Griffiths (Deputy Chairman)
S Penglis
F de Vicente
K Jones (Chief Executive Officer)

Company Secretary
N Barker

Registered and Principal Office
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West Perth WA 6005
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Phone: +61 8 9389 4403

Share Register
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ThinkSmart Limited shares are listed on the Australian Securities Exchange (ASX code: TSM)

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Perth WA 6000
Australia

Auditors
KPMG
235 St Georges Terrace
Perth WA 6000
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Bankers
Westpac Banking Corporation
109 St Georges Terrace
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