THINKSMART LIMITED

ANNUAL REPORT

2017

ABN 24 092 319 698

ThinkSmart is a financial technology company and leader in digital, paperless, retail point of sale finance in the UK, since 2003.

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Highlights for the Financial Period Ended 30 June 2017

- Successful migration of the Company's listing from the Australian Securities Exchange ("ASX") to AIM of the London Stock Exchange
- Completion of £5m placement with cornerstone investor Lombard Odier (formerly Henderson Global Investors)
- Appointment of Gerald Grimes as Chief Executive Officer on 1 July 2017 who brings significant industry expertise to the senior leadership team
- Revenues for the relevant period were down to £10.1m, driven by lower volume performance
- Ongoing investment in proprietary SmartCheck platform underpins growth strategy
- Group Operating NPAT[1] loss of £-0.7m, reflecting lower revenues and ongoing investment in SmartCheck platform.
- Total funding facilities increased to £90m, after a further £20m financing facility agreed with Secure Trust Bank in the year, £70m of which undrawn
- The executive team supported by high calibre non-executive Directors: Keith Jones, David Adams, Roger McDowell and Peter Gammell
- Further progress in execution of strategic product and customer diversification plan, enabled by investment in market-leading SmartCheck platform

1 Group operating NPAT excludes non-operating strategic review and advisory expenses.

Commenting on the results Ned Montarello, Executive Chairman, said:

"The last twelve months has been a period of investment in the business, building out a strong platform for growth. We've continued to invest in our proprietary SmartCheck credit decision platform, deepened our relationship with Dixons Carphone and appointed an experienced consumer finance CEO to oversee our expansion plans. We are now well placed to accrue value as a result of our focused investment.

"Despite performance for the period being impacted by a number of factors, including the timing of product launches and partner activity, the strength of market demand drivers underpin our confidence going forward. The ongoing digitalisation of purchasing habits and the trend towards "lease" rather than "buy" support our growth strategy.

"Looking forward we are focused on leveraging our investment in our proprietary SmartCheck technology to broaden our product and customer portfolio. Our new smartphone leasing product with Carphone Warehouse is primed for a full launch in the second half of this calendar year, whilst we expect to launch new to market consumer finance propositions later in the year."

Executive Chairman Report

This is ThinkSmart's first set of full year results since its successful admission to trading on AIM in December 2016. This has been a transformative year for the business with the move to a London listing a strategic one, aligning our listing venue with our place of operations and business. We welcomed Lombard Odier (formerly Henderson Global Investors) as our cornerstone UK investor through this process and the listing will provide ThinkSmart with a deeper capital pool as we address opportunities going forward.

ThinkSmart is now well positioned to capitalise on a number of significant consumer and business finance trends, including the impact of digitalisation on purchasing habits and the trend toward "rent" rather than "buy". We have developed our strategy around these structural drivers and over the course of the year have focused on building out our capability set in order to leverage our positioning.

From a product perspective we have continued to invest in our leading proprietary credit-decision and finance origination engine, SmartCheck. This platform enables the full functionality of our products, with the capacity to process up to 12,000 transactions per hour. SmartCheck has been designed to easily integrate into customers' POS systems and the accuracy of its underwriting is supported by the Group's in excess of 350,000 records. Crucially, the platform enables the broader roll-out of the Group's mobile and app-based solutions, reflecting shifting finance management trends.

During the year we also made significant progress with key customer relationships. The Group has a 14 year relationship with Dixons Carphone, and signed an exclusive agreement with Carphone Warehouse earlier this year through to 2021 in relation to an innovative smartphone consumer finance proposition. This proposition demonstrates significant growth potential and is in the process of being prepared for full launch in the second half of this calendar year.

From a funding perspective we signed a new £20m funding facility with Secure Trust Bank (STB), an existing funding partner. At period end we held £70m of unused facilities and given our strong relationships with existing funders, we remain well placed to execute on our new business plan from a position of balance sheet robustness.

On 1 July 2017 we welcomed Gerald Grimes as our new Chief Executive Officer and he is already making a valuable mark on the business and its operations. Gerald is an important hire for ThinkSmart as a proven consumer finance operator with a track record of transforming retail point of finance businesses into market leaders. I expect the business to benefit significantly from Gerald's experience and I look forward to working with him to develop our growth and diversification plan and deliver on the strength of our proposition.

Performance

Overall volumes for the relevant period were lower by 29% against the previous year, mainly as a result of the Upgrade Anytime product and also impacted by a number of other factors including the timing of product launches and partner activity.

Total revenues were lower at £10.1m driven mainly by volume performance. Whilst disappointing, a number of one-off factors contributed to this result. Importantly, we can clearly see the tangible growth opportunities afforded to us given the strength of our relationship with Dixons Carphone and our committed drive to diversify our offering into different distribution channels and sectors.

The expected full launch of the Group's innovative new smartphone leasing proposition with Carphone Warehouse, in the second half of the calendar year, is expected to contribute to the significant growth of its new active customer base.

The Group recognises the impact of changing macro environmental factors both on the market, distribution channels and partners, particularly in respect to regulation, the frequency of hardware innovation and end customer refresh cycles. As such, the Group continues to review existing and new propositions for current and potential partners, to ensure their relevance and best fit with end customer needs and distribution channels.

Group Operating NPAT[1] fell to a loss of £-0.7m, largely reflecting the drop in revenues. The cost base reflects the recent significant investment in the SmartCheck platform, as well as in the Group's operational base and broadened Executive talent pool.

Statutory earnings per share fell to -1.77 pence, down from 0.31 pence during the equivalent prior year period. Statutory EPS reflects the impact of £1.1m of non-recurring non-operating strategic review and advisory expenses relating to, inter alia, the Company's admission to AIM.

Position

Lease receivables under management at the end of the relevant period stood at around £20m, with approximately 45,400 active customer contracts. During the year we built on our existing relationship with STB by agreeing a £20 million approved financing facility (under the Secure Trust Bank Invoice Discounting Agreement) for use with the smartphone financing proposition, due to be fully launched with Carphone Warehouse in the second half of this calendar year. At the end of the period, approximately £20 million was drawn from a funding pool of up to £90 million available to support our new business activities. Relationships with our funding providers remain strong.

At 30 June 2017 the business had cash and cash equivalents of c£4.5m.

Partners

Our longstanding partner of 14 years, Dixons Carphone, continues to be Europe's leading specialist electrical and telecommunications retailer and services company. The depth and longevity of our relationship, and the extent to which we are embedded into their operating system and procedures, is a testament to the quality of our offering and our ability to deliver commercial benefit.

Our new business plans with Dixons Carphone revolve around the launch of the new innovative mobile phone consumer leasing proposition, envisaged for a full rollout in the second half of 2017. It is designed for smartphone users who wish to upgrade their phones in line with the technology cycles, typically of 12 months duration. ThinkSmart's solution will allow Carphone Warehouse's customers to acquire the latest smartphone, either with or without SIM, via a convenient financing agreement with practically instant credit decisions given at the point of sale. This product is current and relevant to the current mobile phone landscape and meets both the requirements of the consumer and our partner.

The Group is well positioned to make progress on further diversifying its customer and distribution base, supported by the quality of our platform and product offering and financed by our strong funding relationships.

Regulatory Update

ThinkSmart maintains good, open relations with its UK regulator, the FCA. In addition to its leasing activities, ThinkSmart is also able to enter into regulated credit agreements as a lender. Broadening our consumer finance offering remains a strategic imperative for the business.

Investment in the business

The Company has invested approximately £4m over the past two years in developing its digital solutions, including its SmartCheck platform. As a result, the business benefits from a proprietary, market-leading digital consumer finance platform that facilitates leasing, as well as credit finance at the point of sale.

The platform has been engineered to manage the multi-channel manner in which consumers and businesses acquire goods online, via mobile or in store.

The Group's online basket technology has been further developed during the year, enabling solution penetration, in addition to higher volume and value purchases.

The Group has also continued its investment in its customer account facility. This app-based solution allows customers to make a single credit application to obtain a pre-approved credit limit which they can use to lease multiple pieces of equipment without the need to make additional credit applications.

The Group is also investing significantly in diversification through the development of our SmartCheck IP to offer new to market consumer finance propositions which we expect to be launched in the coming financial year.

Growth Strategy

In the current term, ThinkSmart has identified mobile phone leasing as a key target for growth. In the UK, 91.5 million live mobile subscriptions were in existence by the end of 2015 and 93% of adults owned or used a mobile phone.

In recent months some manufacturers (such as Apple and Samsung) have launched their own upgrade programmes which allow customers to get the latest phone every year, thus shortening replacement cycles. We expect our exclusive contractual arrangement with Carphone Warehouse to provide a leasing solution and contribute to the emergence of this new trend.

Central to the Groups diversification strategy is the significant growth of its active customer base through the development of a portfolio of new financial propositions, diversified channels of distribution and new partners and where it can leverage its investment in its leading digital technology, people and systems.

In the coming financial year the Group expects to launch new to market consumer finance propositions, driving a broader diversified revenue base.

We are confident that our plan will enable the company to capitalise on its scalable and innovative technology, thus driving up new customer acquisitions, additional repeat customer business and increased orders.

Board Appointments

During the period the Company announced that the Board had accepted the resignation of Fernando de Vicente, CEO of ThinkSmart. Fernando left the business on 30 April 2017.

Gerald Grimes became Chief Executive Officer on 1 July 2017. He joined from Hitachi Capital where he was Managing Director of Hitachi Capital Consumer Finance and sat on the board of Hitachi Capital (UK) PLC. After joining the business in 2007, he successfully built a market leading UK point-of-sale finance business founded on deep relationships with some of the UK's foremost retailers. Gerald was instrumental in diversifying the consumer finance product offering, including launching Hitachi Capital's direct to consumer personal finance proposition and growing this into a £1bn portfolio within three years.

The executive team benefit from the input and wisdom of a high calibre Board of Non-executives, namely Keith Jones, David Adams, Roger McDowell and Peter Gammell.

Current Trading Update

In the first eight weeks of the new financial year, volumes from the Group's higher margin SmartPlan product are up 14% year on year, offset by the continued year on year decline in Upgrade Anytime volumes. This resulted in overall volumes for the first eight weeks of the current financial year broadly maintaining a similar trajectory as the previous financial year.

Upgrade Anytime volume and margin contributions have been decreasing over recent years and the Group therefore expects this decline in volume to have a minimal impact on profit in this current financial year.

The Group recognises the impact of changing macro environmental factors both on the market, distribution and partners. As such the Group continues to review its propositions, and the design of new propositions for existing and new partners, to ensure their relevance and best fit with end customer need and distribution channels.

The expected full launch of the new mobile phone proposition with Carphone Warehouse is scheduled for the second half of this calendar year. The Group expects this to be followed later in the year by the launch of new to market consumer finance propositions.

Ned Montarello
Executive Chairman

Directors' Report

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 year ended 30 June 2017, and the auditor's report there on.

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, via IPO, the business in Australia. In 2010 he led the development of 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.

Fernando de Vicente *B. Econ, MBA Bus (resigned 30th April 2017), Chief Executive Officer*

Fernando joined the Board on 7 April 2010 and the Audit and Risk Committee on 18 August 2013. Fernando was then subsequently appointed group Chief Executive Officer from 1 January 2015. 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 Dixons Retail, one of Europe's largest electrical retailers. His latest role in Dixons was International Managing Director, with responsibility for Dixons Central & Southern European operations, a A$3 billion business with 350 stores across six countries. Fernando started his career with Dixons in 2001 as Finance Director for the Spanish subsidiary, and became the MD of the subsidiary 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 Dixons 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 leading multinational company dealing with natural stone products.

Gerald Grimes *– appointed 1st July 2017, Chief Executive Officer*

Gerald joins from Hitachi Capital where he was Managing Director of Hitachi Capital Consumer Finance and sat on the board of Hitachi Capital (UK) plc. As at March 2016, he was responsible for annual sales of £1.7bn, net earning assets of £2.1bn and approximately 400 employees. Gerald joined Hitachi Capital in 2007, with responsibility for re-launching and developing its UK consumer finance proposition. Over approximately 10 years, he successfully built a market leading UK point-of-sale finance business founded on deep relationships with some of the UK's foremost retailers. Gerald was instrumental in diversifying the consumer finance product offering, including launching Hitachi Capital's personal finance proposition, growing this into a £1bn portfolio within 3 years.

Prior to joining Hitachi Capital, Gerald spent six years as Sales Director at The Funding Corporation, where he launched a new consumer finance business in the UK and, prior to that, six years at GE Capital where he was Sales Director.

Gerald plays an active role in shaping industry debate. He is a Director of the Finance & Leasing Association (for which he has also acted as Chairman), in addition to being a member of the FCA Small Practitioner Board.

Keith Jones *MBA Bus, Non-Executive Director, Deputy Chairman*

Keith joined the Board on 24 May 2013 and was appointed Chief Executive Officer on 1 February 2014 through to 31 December 2014. Keith subsequently moved to the role of Group Strategy and Development Director from 1 January

2015 before becoming a Non-Executive Director with effect from 2 December 2016. 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, one of Europe's largest electrical retailers. At Dixons, Keith was a member of the Group Executive Committee with responsibility for all UK and Ireland fasciae 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 the Manchester Business School.

Peter Gammell, *Non-Executive Director*

Peter is a non-executive Director of Seven West Media, was Managing Director and CEO of Seven Group Holdings (2010-2013) and was previously Managing Director of Australian Capital Equity Pty Ltd (1989-2010). Peter is also Chairman of Octet Finance and former Chairman of Scottish Pacific Business Finance. Between 1984 and 1989 Peter was a director of Castle Cairn (Financial Services) Ltd, an investment management company based in Edinburgh, Scotland and a member of IMRO. Also during this time he was a director of Cairn Energy Management Limited and Cairn Energy plc. Peter is Chair of the Remuneration and Nomination Committee of ThinkSmart.

Gary Halton *(appointed 2 December 2016), Chief Financial Officer*

Gary was appointed to the Board on Admission to London AIM and has been Chief Financial Officer of the Group since 2008 when he joined the Group. Between October 2012 and January 2014, Gary acted as interim Managing Director of the Group. Prior to joining the Group, Gary held several senior positions, including Head of Finance Services and Head of Group Taxation, with De Vere Group plc. Gary is a qualified chartered accountant and a chartered tax advisor, with over 20 years post-qualification experience, having qualified with Ernst & Young, and then a subsequent senior manager role with PricewaterhouseCoopers.

David Adams *(appointed 2 December 2016), Non-Executive Director, Chair of the Audit Committee*

David was appointed to the Board on Admission to London AIM and has over 30 years of experience. He has previously held executive roles including Chief Financial Officer and Deputy Chief Executive Officer of House of Fraser plc and non-executive roles including Jessops plc and Moss Bros plc. David's current appointments include serving as a Non-Executive Director and Chair of Audit Committee of Halfords plc, Chairman of Conviviality plc, a drinks wholesale and distribution franchised business, and Senior Independent Director, Non-Executive Director and Chair of Audit Committee of Hornby plc, a model railway manufacturer.

Roger McDowell *(appointed 2 December 2016), Non-Executive Director*

Roger was appointed to the Board on Admission to London AIM and has 18 years of experience in the public company environment, having led the Oliver Ashworth Group through a main market initial public offering and a subsequent sale. Roger's current roles include serving as Chairman of Avingtrans plc, Senior Independent Director & Audit Chair at Servelec plc, Senior Independent Director & Remuneration Chair at Tribal plc, Non-Executive Director of D4t4 Solutions plc; Swallowfield plc; and Proteome Sciences plc. Roger is a member of the Audit and Risk and Remuneration and Nomination Committees.

COMPANY SECRETARIES

Kerin Williams (UK resident)
Jill Dorrington (Australian resident)

PRINCIPAL ACTIVITIES

The Group's principal activity during the period was the provision of lease and rental financing services in the UK.

GOING CONCERN

The consolidated financial statements are prepared on a going concern basis, as the Directors are satisfied that the Group has the resources to continue in business for the foreseeable future (which has been taken as 12 months from the date of approval of these consolidated interim financial statements). In making this assessment, the Directors have considered a wide range of information relating to present and future conditions, including the current state of the balance sheet, future projections of profitability, cash flows and resources and the longer term strategy of the business.

OPERATING AND FINANCIAL REVIEW

The Board presents its Operating and Financial Review for the year ended 30 June 2017 and this information should be read in conjunction with the financial statements and accompanying notes.

Business model

ThinkSmart is a financial services company, creating differentiation and competitive advantage in 'point of sale' finance. It has an exclusive distribution agreement and partnership with Dixons Carphone Group, 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 profitable value proposition for retail partners, customers and funders.

Since the sale of the Australian and New Zealand operations settled on 31 January 2014 the Group has focused on the UK market. The company continues to innovate within this growing market of 65.6 million consumers through new product and system development and new distribution channels whilst further building on the strong relationship it has with Dixons Carphone Group.

Key financial data

	12 Months to June 2017 £,000	12 Months to June 2016 £,000	Variance £,000	Variance %
Revenue	**8,951**	**11,813**	(2,862)	–24%
Other revenue	**1,185**	**1,459**	(274)	–19%
Total revenue	**10,136**	**13,272**	(3,136)	–24%
Customer acquisition costs	**(1,349)**	**(1,561)**	212	+14%
Cost of inertia asset realised	**(1,925)**	**(2,099)**	174	+8%
Other operating expenses	**(6,123)**	**(5,826)**	(297)	–5%
Depreciation and amortisation	**(1,159)**	**(704)**	(455)	–65%
Impairment losses	**(474)**	**(390)**	(84)	–22%
Non-operating strategic review and advisory expenses	**(1,106)**	**(1,846)**	740	+40%
(Loss)/profit before tax and non-operating costs	**(2,000)**	**846**	(2,846)	–336%
Income tax benefit/(expense)	**158**	**(545)**	703	+129%
(Loss)/profit after tax	**(1,842)**	**301**	(2,143)	–712%

Summary of results

- Net loss after tax of £(1.8) million was down 712% on prior financial year. This was largely due to new business volumes being down -29% on prior year together with the continued investment in people, processes and systems.
- Basic EPS of (1.77) pence at 30 June 2017 reduced down 671% from 0.31 pence per share at 30 June 2016.
- Available cash assets of £4.5m at 30 June 2017, down 7% on prior financial year end position.
- ThinkSmart and its longstanding commercial partner, Dixons Carphone, have developed a new innovative mobile phone consumer proposition. This proposition targets the premium smartphone market and was launched in August 2017.
- Up to £20m invoice finance facility entered into with Secure Trust Bank to fund business volumes originated through the Carphone Warehouse contract.
- Successful completion of £5m Henderson placement, buyback of 10m shares and migration of listing to the AIM of the London Stock Exchange, resulting in a change in presentation currency from Australian Dollars to British Pounds.

Review of operations

Continuing operations – UK

The UK business delivered a profit contribution (before intercompany charges) of £0.6m (2016: £4.2m).

Overall UK volumes at £11.7m for the year were down 29% on prior year with the higher margin SmartPlan product (at £5.4m) being down 19% and Upgrade Anytime (at £5.8m) being down 38% both of which were impacted by our retail partner activity.

The reduction in volumes resulted in total revenue decreasing by 24% to £10.1m (2016: £13.3m).

As a result, assets under management (including off balance sheet leases of £16.8m) have reduced to £20.2m down 19% against the same period last year, with active customer contracts reducing by 21% to 45,400.

The business has continued to invest in its people, processes and systems, especially its proprietary SmartCheck system, and this is reflected in its other operating expenses increasing by 7% to £4.7m and its depreciation and amortisation expense increasing by 69% to £1.1m. The benefit of this investment is expected to deliver future growth, including, inter alia, the launch of the new innovative smartphone consumer lease finance proposition with Carphone Warehouse.

During the year a new retailer agreement was entered into with Carphone Warehouse to provide a new innovative retail point of sale smartphone consumer lease finance product, and a new up to £20m funding facility was entered into with Secure Trust Bank to finance these lease receivables. It is expected that that this new product will be fully launched in the second half of the 2017 calendar year.

Continuing operations – Corporate

Corporate costs, excluding non-operating strategic review and advisory expenses, continue to fall being £1.47m for the 12 months to 30 June 2017 (down 3% on prior year).

Financial position

Summary financial position

As at	30 June 2017 £,000	30 June 2016 £,000	Variance £,000	Variance %
Cash and cash equivalents	**4,527**	4,854	(327)	–7%
Other assets	**9,238**	11,376	(2,138)	–19%
Goodwill and intangibles	**9,791**	9,545	246	+3%
Total assets	**23,556**	**25,775**	**(2,219)**	**–9%**
Other liabilities	**5,248**	7,923	2,675	+34%
Total liabilities	**5,248**	**7,923**	**2,675**	**+34%**
Equity	**18,308**	**17,852**	**456**	**+3%**

GROUP STRATEGY

The Directors believe its shorter term and medium term plan will position the Group to capitalise on its scalable and innovative technology to drive new customer acquisitions, additional repeat customer business and increased multiple orders.

The Group intends to execute its growth strategy across the following terms:

- Current – Organic growth through existing retail partners, including Dixons Retail and Carphone Warehouse;
- Shorter term – Expansion into markets and sectors beyond the coverage of Dixons Retail; and
- Medium term – Strategically aligned opportunities.

Current – Organic growth through existing retail partners

The Group expects to drive additional incremental sales through its existing exclusive partnership with Dixons Retail, one of Europe's largest electrical and telecommunications retailers.

Incremental sales through greater awareness of the Products and provision of Products on a wider range of electronic goods

The Directors expect new customers through greater customer awareness of the Group's Products, achieved through additional in-store and online marketing promotions. The Directors also expect to achieve additional sales penetration through the recent launch of the Group's new customer account with Dixons Retail and the upcoming launch of the mobile app, which will allow customers to transact multiple times from just a single application. The Directors believe that this will provide the Group with additional cross-selling opportunities and may encourage customers to make multiple purchases.

Dixons Retail sells ranges of equipment that cannot currently be acquired through the use of the Group's Products, such as white goods, photographic equipment and small domestic appliances. The Group's long-standing relationship with Dixons Retail provides it with a good opportunity to increase the amount of equipment offered by Dixons Retail which can be acquired using a finance Product.

Integrated online basket

The Group's integrated online basket tool (which went live on the PC World Business website in July 2016 and has been live on the Wex Photographic website since 2012) allows the Group's retail partners' customers to apply for a lease without the need to leave the retailers' existing web portal, providing a seamless and efficient application process. This is a capability which increases the attractiveness of the Group Products as the Group engages new retailers.

Expansion into mobile phones

The Group has identified mobile phone leasing as a key target for growth. In the UK, 91.5 million live mobile subscriptions were in existence by the end of 2015 and 93% of adults owned or used a mobile phone. The mobile phone market is transforming, with SIM only tariffs becoming increasingly popular, and some major operators in the US adopting leasing as a means to support long-term customer relationships. Some manufacturers (such as Apple and Samsung) have launched their own upgrade programmes, which allows customers to get the latest phone every year and shortens replacement cycles. The Directors foresee a similar trend emerging in the UK (Apple and Samsung have already launched upgrade programmes in the UK) and expect the exclusive contractual arrangement with Carphone Warehouse to contribute to the emergence of this new trend. Leasing aligns well with new devices coming to market every year, enabling customers to obtain the latest model without incurring significant upfront cost. A handset lease and "SIM only" tariff decouples the customer from an extended mobile network contract and gives customers the flexibility to change network or operator at any time.

Shorter term – Expansion into new markets and sectors

The Directors believe that the appetite of customers to lease extends to markets beyond the coverage of the arrangement with Dixons Retail. The Directors have identified specific opportunities by which to extend the Group's offering into some of these markets. The Directors' focus is on identifying sectors and markets that offer similar customer replacement cycles, average transaction values (ATVs) and residual values and the ability for the Group to rapidly gain market share. The Directors believe that examples of such target sectors include high-end photographic equipment and catering equipment. The Group's customers typically only spend approximately 28% of the total credit available to them on a single purchase. The Directors estimate that this results in approximately £120 million worth of credit being initially pre-approved but not accessed by customers. The Directors expect to achieve additional sales through the launch of the mobile app which the Directors expect will launch in late 2017, which will allow customers to transact multiple times from just one single application. The Directors believe that this will provide the Group with additional cross-selling opportunities and may encourage customers to make multiple purchases, to further utilise their pre-approved but not accessed credit limit.

Medium term – Strategically aligned opportunities

Expansion of the Group's consumer finance proposition

The Group intends to broaden its consumer finance proposition to consumer credit, so that it can offer restricted use, fixed sum loans to customers to finance the purchase of assets from retail partners. As part of the Group's growth strategy, the Group is considering offering a flexible financing option to certain B2B customers. RentSmart submitted an application to vary its FCA permissions in August 2015 to enable it to enter into regulated credit agreements as a lender and received approval from the FCA on 28 June 2016.

Potential to licence the Group's intellectual property

In order to further leverage the significant investment that the Group has made in SmartCheck, the Group is currently evaluating opportunities to offer the licencing of the platform or 'white label' solution to non-competitive market segments.

Additional expansion opportunities

In addition to the Group's core strategy, the Group has identified several additional longer term, prospective growth markets within the wider consumer credit market. These include areas such as insurance premium and professional fee finance. Furthermore, the Group's growth strategy is primarily focused on UK-only growth, with any international expansion representing an additional opportunity.

Strategic Review

In August 2015 the Group appointed Canaccord Genuity as strategic advisor to the Board as part of a Strategic Review process to unlock value in the UK business for Shareholders. As disclosed in note 8, the culmination of this review was as follows:

- a placement of 20m shares at 25 pence per share to the Alphagen Volantis Catalyst Fund II Limited, a fund managed by Alphagen Capital Limited (part of Henderson Global Investors);
- the Company buying back up to 10m shares from existing shareholders by way of an off-market tender buy back at price range of $0.38 to $0.55 per share; and
- the migration of its listing from the ASX to the AIM market of London Stock Exchange plc.

RISKS

The Directors of ThinkSmart accept that risk is an inherent part of doing business and actively identify, monitor and manage material risks. Key material risks faced by the group are:

The Group is exposed to the risk of default or fraud by its customers

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 costs. Robust credit checking and collections processes combined with continual development of our IP capability in this area assist in managing and mitigating this risk.

The Group is subject to inherent risks from general macro-economic conditions in the UK, the Eurozone and globally

The Group's business is subject to general macro-economic conditions in the UK and volatility in the global economic and financial markets, both generally and as they specifically affect finance providers. The outlook for the UK economy remains somewhat uncertain (especially so in light of the result of the decision taken at the UK European Union membership referendum which took place on 23 June 2016). Adverse economic conditions in the UK, such as unemployment, could also have a negative impact on the financial circumstances of the customers to whom the Group provides a Product.

The Group faces risks associated with interest rate levels and volatility

Interest rates affect the cost and availability of the principal sources of the Group's funding, which is provided by Santander (under the terms of the Santander Facility Agreement) and STB (through the STB Operating Agreement and through the STB Invoice Discounting Agreement). The interest rate risk is carried by STB under the STB Operating Agreement, but by the Group under the Santander Facility Agreement and the STB Invoice Discounting Agreement. A sustained low interest rate environment keeps the Group's costs of funding low by reducing the amount of interest the Group pays to Santander and STB and also, the cost for STB to finance the leases which it funds.

In August 2016, the Bank of England base rate was reduced to 0.25%. If interest rates are increased, the ability of the Group to pass, and the speed in which it passes, the increased cost of funding to its customers will impact the Group's results and profitability. Additionally, if the Group passes the increased cost of funding to its customers, there is a risk that, in doing so, the Group's Products will become more expensive and the Group will experience decreased demand for its Products. A significant increase in the base rate could have a material adverse impact on the Group's results, profitability and consequently the return on capital.

The Group's business is dependent on its access to 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.

The Group is reliant on its relationships with Dixons Retail and Carphone Warehouse

The vast majority of the Group's new business volumes are from its retail partner, Dixons Carphone, Europe's leading specialist electrical and telecommunications retailer. The Group has a long term exclusive contract with Dixons which has recently been extended to 2019 which is conditional on the group continuing to perform and develop the financial products it provides to Dixons just as it has done since 2003.

The Group is exposed to changes in Government policies

Government policies (of both the UK and Australia) are subject to review and change on a periodic basis. Such changes are likely to be beyond the control of the Group and may adversely affect its operating and financial performance. At present, the Group is not aware of any reviews or changes that would materially affect its business.

The consumer credit industry is subject to extensive regulation, and companies operating in this sector are generally required to obtain authorisation from the FCA

The industry in which the Group operates is subject to a range of legislation and regulations. As of April 2014, the FCA is the regulatory body responsible for the consumer credit industry. The Group's activities are regulated by a regulatory framework based on a combination of FSMA and its secondary legislation, the provisions of the CCAs, and the FCA Rules. The volume and demands of regulation, and the regulatory scrutiny have increased since the transfer of regulatory powers from the OFT to the FCA.

The Group operates in a competitive landscape

The industry in which the Group operates is competitive. Due to the price point of equipment at which the Group's Products are sold, there is a risk that "competition" could arise for the Group from customers using their own cash, or use of their credit cards to fund an outright purchase. The Group's competitors include traditional finance providers, such as banks, and other commercial finance companies (including 'disruptive' innovative finance companies) that provide, or may seek to provide, retail point-of-sale finance. The price at which the Group's competitors make finance available (whether or not such competitors' business models are sustainable) could result in a reduction in the number of lease contracts the Group enters as well as reducing its margins.

The Group is dependent on information technology

The Group relies on information technology to process new lease contracts and the Group benefits from software developed for this purpose. The successful operation of the Group's business depends upon maintaining the integrity of its computer, communication and information technology systems. These systems and operations are vulnerable to damage, breakdown or interruption from events which are beyond the Group's control, such as fire, flood and other natural disasters; power loss or telecommunications or data network failures; improper or negligent operation of the Group's systems by employees, or unauthorised physical or electronic access; and interruptions to internet system integrity. Any such damage or interruption could cause significant disruption to the operations of the Group, its ability to trade and its reputation.

The Group's growth strategy is reliant on third parties

A key aspect of the Group's growth strategy is the expansion of its existing products into new equipment ranges and partnerships with new retailers. While the Group will investigate the areas into which it intends to expand, there can be no guarantee that it will be possible to successfully launch products in respect of new equipment ranges. Additionally, if the Group forms relationships with new retail partners, there is a risk that any adverse change in the Group's relationships with these retail partners, or its inability to establish alternatives to these relationships in a timely and effective manner, could adversely affect the Group's business and results.

The Group is dependent on key personnel and an effective Board

The Group's continued success depends on its ability to retain current key members of the senior management team, with their experience and knowledge of the business. While the Group endeavours to retain key management personnel, there can be no guarantee that its key management personnel will continue in their employment with the Group. Any loss of key members of the senior management team would disrupt the Group's operations and may also have a material adverse effect on the Group's operating and financial performance and prospects.

DIVIDENDS

Dividends paid or declared by the Company to members since the end of the previous financial year were:

	Pence per share	Total amount	Franked/ unfranked	Date paid
Special dividend	5.36 Pence	£535,546	Unfranked	7 November 2016

This dividend relates only to the 9,999,178 shares participating in the off-market buy-back completed on 7 November 2016.

SIGNIFICANT EVENTS AFTER THE BALANCE DATE

There has not arisen, in the interval between the end of the financial period and the date of this report, any item, transaction or event of a material and unusual nature likely, in the opinion of the directors of the Company, to affect significantly the operations of the Group, the results of those operations, or the state of affairs of the Group, in future financial years.

PRINCIPLES OF CORPORATE GOVERNANCE

The Board acknowledges the importance of the principles set out in the QCA Corporate Governance Code for small and mid-size quoted companies 2013 (the "QCA Code"). Although the QCA Corporate Governance Code is not compulsory for AIM quoted companies, the Directors apply the principles as far as they consider appropriate, given the size and nature of the ThinkSmart Group, in accordance with the QCA Corporate Governance Code. This statement sets out how the principles of the QCA Code have been applied having regard to the size and nature of the Group.

BOARD STRUCTURE AND OPERATION

The Board comprises three Executive Directors being Ned Montarello (Chairman), Gerald Grimes and Gary Halton and four Non-Executive Directors, being David Adams, Peter Gammell, Roger McDowell and Keith Jones, three of which are independent. It is considered that this gives the necessary mix of industry specific and broad business experience necessary for the effective governance of the Group.

There are certain matters specifically reserved to the Board for its decision which includes approvals of major expenditure and investments and key policies. Board meetings are held on a regular basis and effectively no decision of any consequence is made other than by the Board. Directors also have ongoing contact on a variety of issues between formal meetings. All Directors participate in the key areas of decision making, including the appointment of new Directors. A schedule of regular matters to be addressed by the Board and its Committees is agreed on an annual basis. The agenda for the board meetings is prepared by the Company Secretary in consultation with the Chairman and the Board.

The Board is responsible to shareholders for the proper management of the Group. The Non-Executive Directors have a particular responsibility to ensure that the strategies proposed by the Executive Directors are fully considered. To enable the Board to discharge its duties, all Directors have full and timely access to all relevant information. All Directors have access to the Company Secretary. The Directors who served during the year, and a brief biography of each, is set out on pages 5 and 6. The Board is supported in its work by Board Committees which are responsible for a variety of tasks delegated by the Board.

BOARD MEETING ATTENDANCE

Directors' attendance at Board meetings is shown below

Director	Board Meetings	Audit and Risk Committee Meetings	Nomination and Remuneration Committee Meetings
N Montarello	3/3	–	–
G Grimes(1)	–	–	–
P Gammell	3/3	2/2	1/1
F de Vicente(2)	3/3	–	–
K Jones	3/3	–	–
G Halton(3)	2/3	–	–
D Adams(4)	2/3	1/2	1/1
R McDowell(5)	2/3	1/2	0/1

(1) Appointed 1 July 2017

(2) Resigned 30 April 2017

(3) Appointed 2 December 2016

(4) Appointed 2 December 2016

(5) Appointed 2 December 2016

During the financial period, in addition to the official board meetings, the board has held a number of operational meetings with executives to progress the admission to AIM. Further the board has implemented a number of corporate decisions by virtue of Circular Resolutions as required.

The Board has established the following committees, which each have written terms of reference, to deal with specific aspects of the Group's affairs.

AUDIT COMMITTEE

The Audit Committee comprises of David Adams (Chairman of the committee), Peter Gammell and Roger McDowell. The Audit Committee meetings are also generally attended by the Group's Executive Chairman, CFO, and the external auditors.

The remit of the committee is to monitor and control:

- the appointment and performance of the external auditors;
- remuneration for both audit and non-audit work and nature and scope of the audit with the external auditors;
- the interim and final financial report and accounts;
- the external auditors' management letter and management's responses;
- the systems of risk management and internal controls;
- operating, financial and accounting practices; and
- related recommendations to the Board.

Role of the external auditor

The Audit Committee monitors the relationship with the external auditor, KPMG, to ensure that auditor independence and objectivity are maintained. As part of its review the Committee monitors the provision of non-audit services by the external auditor. The breakdown of fees between audit and non-audit services is provided on page 26. The Audit Committee also assess the auditor's performance. Having reviewed the auditor's independence and performance the Audit Committee is recommending that KPMG be re-appointed as the Company's auditors at the next annual general meeting.

Internal audit

At present the Company does not have an internal audit function. Given the current size of the Company and control systems that are in place the Committee believes that there is sufficient management oversight to highlight any areas of weaknesses in the financial reporting systems. The Committee will review the need for an internal function at least annually.

Audit process

The auditors prepare an Audit Plan for their review of the full year and half year financial statements. The Audit Plan sets out the scope of the audit, areas to be targeted and audit timetable. Following their review the auditors presented their findings to the Audit Committee for discussion. No major areas of concern were highlighted by the auditors during the year.

NOMINATION AND REMUNERATION COMMITTEE

The Nomination and Remuneration Committee is comprised of Keith Jones (Chairman of the committee with effect from 14 August 2017) Peter Gammell, David Adams and Roger McDowell. On 14 August 2017 Keith Jones joined the Committee and became Chairman of the Committee as it was felt that his experience would prove valuable to the Committee. The Committee is responsible for making recommendations to the Board on the Group's framework of Executive remuneration and its cost, and recommendations on Board recruitment and succession planning. The Committee determines the contract terms, remuneration and other benefits for each of the Executive Directors. The Board itself determines the remuneration of the Non-Executive Directors. The report on Directors' remuneration is set out on page 20.

The main duties of the Remuneration Committee are set out in its Terms of Reference and include:

- Have responsibility for setting the remuneration policy for the Executive Directors and the Company's Chairman;
- Recommend and monitor the level and structure of remuneration for senior management;
- The authority to appoint remuneration consultants and commission any reports or surveys required to fulfil its remit;

- Approve the design of and determine the targets for any schemes of performance-related remuneration;
- Oversee any major changes in employee benefit structures throughout the Company or Group;
- Agree the policy for authorising claims for expenses from the Executive Directors and Chairman;
- Ensure that contractual terms on termination, and any payments made, are fair to the individual, and the Company and that failure is not rewarded and that the duty to mitigate loss is fully recognised.
- Review the structure, size and composition (including the skills, knowledge, experience and diversity);
- Consider succession planning for directors and other senior executives in the course of its work, taking into account the challenges and opportunities facing the Company, and what skills and expertise are therefore needed on the Board in the future;
- Be responsible for identifying and nominating for the approval of the Board, candidates to fill board vacancies as and when they arise.

INTERNAL FINANCIAL CONTROL

The Board acknowledges its responsibility for establishing and monitoring the Group's systems of internal control. Although no system of internal control can provide absolute assurance against material misstatement or loss, the Group's systems are designed to provide the Directors with reasonable assurance that problems are identified on a timely basis and dealt with appropriately. The Group maintains a comprehensive process of financial reporting. The annual budget is reviewed and approved before being formally adopted. Other key procedures that have been established and which are designed to provide effective control are as follows:

Management structure – The Board meets regularly to discuss all issues affecting the Group.

Investment appraisal – The Group has a clearly defined framework for investment appraisal and approval is required by the Board where appropriate.

The Board regularly reviews the effectiveness of the systems of internal control and considers the major business risks and the control environment. No significant deficiencies have come to light during the period and no weakness in internal financial control have resulted in any material losses, contingencies which would require disclosure as recommended by the guidance for Directors on reporting on internal financial control. The Board considers that in light of the control environment described above, there is no current requirement for a separate internal audit function.

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	30,311,036	2,823,863
G Grimes	–	–
P Gammell	10,082,572	–
K Jones	341,000	–
G Halton	–	533,159
D Adams	–	–
R McDowell	1,600,000	–

Unissued Shares under Options

At the date of this report there were 3,251,026 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
125,000	£0.156	04 July 2018
3,126,026	£0.22	21 December 2026

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. These options do not entitle the holder to participate in any share issue of the Company or any other body corporate.

REMUNERATION REPORT

ThinkSmart Limited is not required to prepare a remuneration report that complies with the *Corporations Act 2001* (the Act). However, in the interests of maintaining the high standards of corporate governance to which the directors of ThinkSmart have committed, the following remuneration report has been prepared voluntarily, in accordance with the requirements of the Act and its regulations. The information in this report has not been audited with the exception of the 'Key Management Personnel Remuneration' set out on page 20 of this report.

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. This Report contains the following sections:

A: Principles of remuneration

B: Key Management Personnel remuneration

C: Service agreements

D: Share Plans

E. Share-Based Compensation

F: Bonus remuneration

G: Key Management Personnel transactions

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 12 months ended 30 June 2017:

Executive Chairman

N Montarello

Executive Director and Chief Executive Officer

F de Vicente (resigned 30th April 2017)
G Grimes (appointed 1st July 2017)

Non-Executive Directors

P Gammell (appointed 23 May 2016)
K Jones (Deputy Chairman)
D Adams (appointed 2 December 2016)
R McDowell (appointed 2 December 2016)

Executive Director and Chief Financial Officer

G Halton (appointed 2 December 2016)

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 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 per annum and were approved by shareholders at a previous general meeting. The total fees paid in the financial period were £139,901. 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 (LTIPs); and
- other remuneration such as superannuation.

		At risk	
	Fixed remuneration	**Short-term incentive**	**Long-term incentive**
CEO	100%	–	–
Other executives	77%	15%	8%

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 periodically 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. 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. This Long Term Incentive Plan was then updated in December 2016 following admission to AIM to be measured against Group EPS. The details of these schemes are set out in the Remuneration Report.

Consequences of Performance on Shareholder Wealth

In considering the Group's performance and benefits for shareholder wealth, the Nomination and Remuneration committee have regard to the following indices in respect of the current financial period and the previous three financial years.

	12 Months to June 2017	**12 Months to June 2016**	**12 Months to June 2015**	**6 Months to June 2014**
Profit/(loss) attributable to owners of the company (£,000)	(£1,842)	£301	£1,852	£6,215
Basic EPS (pence per share)	(1.77) pence	0.31 pence	1.45 pence	3.87 pence
Dividends paid (£,000)	£536	£2,094	£3,184	£3,113
Dividend paid per share (pence)	5.36 pence	2.23 pence	3.19 pence	1.97 pence
Share price at year end	£0.145	£0.211	£0.151	£0.205
Change in share price	(£0.066)	£0.06	(£0.054)	£0.01

B. Audited Key Management Personnel Remuneration

Amount of Remuneration – Details of the remuneration of the Directors and the Key Management Personnel of the Group are set out below.

		Short Term					Post-employment		Other long term	Share-based payments		
		Salary & fees £	STI cash bonus £	Other £	Non-monetary benefits £	Total £	Superannuation benefits £	Termination benefits £	Long service entitlement £	Options & rights £	Shares £	Total £
Non-Executive Directors												
D Griffiths[i]	YE Jun-17	6,006	–	–	–	6,006	571	–	–	–	–	6,577
	YE Jun-16	43,844	–	–	–	43,844	4,165	–	–	–	–	48,009
K Jones[ii]	YE Jun-17	79,183	–	–	–	79,183	–	–	–	45,684	–	124,867
	YE Jun-16	173,400	–	153,717*	–	327,117	–	–	–	41,811	–	368,928
P Gammell	YE Jun-17	45,664	–	–	–	45,664	4,338	–	–	–	–	50,002
	YE Jun-16	4,857	–	–	–	4,857	–	–	–	–	–	4,857
D Adams[ii]	YE Jun-17	29,167	–	–	–	29,167	–	–	–	–	–	29,167
	YE Jun-16	–	–	–	–	–	–	–	–	–	–	–
R McDowell[ii]	YE Jun-17	23,231	–	–	–	23,231	–	–	–	–	–	23,231
	YE Jun-16	–	–	–	–	–	–	–	–	–	–	–
Executive Directors												
N Montarello	YE Jun-17	175,925	–	–	–	175,925	15,921	–	3,361	14,885	–	210,092
	YE Jun-16	161,008	–	–	–	161,008	14,571	–	4,523	29,021	–	209,123
F de Vicente[iii]	YE Jun-17	229,167	–	–	1,145	230,312	5,606	60,833	–	21,361	–	318,112
	YE Jun-16	391,661	40,000	–	962	432,623	–	–	–	26,066	–	458,689
G Halton[iv]	YE Jun-17	125,500	–	–	1,257	126,757	–	–	–	1,775	–	128,532
	YE Jun-16	134,950	–	–	1,185	136,135	4,208	–	–	4,280	–	144,623
Executives												
D Twigg[v]	YE Jun-17	94,448	–	–	94	94,542	4,590	–	–	2,477	–	101,609
	YE Jun-16	145,200	30,000	–	138	175,338	6,885	–	–	3,400	–	185,623
D Fletcher[vi]	YE Jun-17	92,769	–	–	–	92,769	2,783	–	–	–	–	95,552
	YE Jun-16	72,519	–	–	–	72,519	3,000	–	–	–	–	75,519
Total	**YE Jun-17**	**901,060**	**–**	**–**	**2,496**	**903,556**	**33,809**	**60,833**	**3,361**	**86,182**	**–**	**1,087,741**
Total	YE Jun-16	1,127,439	70,000	153,717	2,285	1,353,441	32,829	–	4,523	104,578	–	1,495,371

* Monies paid to 'Arlanza Advisory Limited', a UK company owned by K Jones, for services in relation to the strategic review.

(i) David Griffiths resigned 18 August 2016

(ii) David Adams, Roger McDowell and Keith Jones (previously Executive Director for Group Strategy and Development) were all appointed as Non-Executive Directors from 2 December 2016.

(iii) Fernando de Vicente resigned 30 April 2017

(iv) Gary Halton (CFO) was appointed as Executive Director on 2 December 2016.

(v) David Twigg resigned on 7 March 2017.

(vi) David Fletcher resigned on 10 April 2017.

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.

Remuneration and other terms of employment for the Chief Executive Officer are formalised in a service agreement. Gerald Grimes employment agreement, signed on 22 May 2017, 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 six months' notice by either the Company or the Executive. The Company can make a payment in lieu of notice of an amount equal to the monthly instalment of basic salary for any unexpired period of notice.

In the event of retrenchment, the Executives listed on page 17 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 Plans

Long Term Incentive Plan

In May 2012 the Company adopted a Long Term Incentive Plan ("LTIP") for executives and key staff. The LTIP is a loan-funded share plan under which, broadly, the Board can invite participants to take up the opportunity to be issued Ordinary Shares ("Plan Shares").

No consideration is payable by participants in the LTIP at the time Plan Shares are issued. Instead, the purchase price for the Plan Shares is 100% funded by a loan provided by the Company. The Plan Shares are issued to and held by a trustee on trust for the participants until the Plan Shares vest and the loan is repaid, or beyond that point at the election of the participants.

Loans under the LTIP are limited recourse, in that participants' liability is limited to the lesser of the outstanding loan value and the value of the Ordinary Shares. The loans are interest free. They are repayable in full on the earlier of 5 years after the date of issue, or the date on which the participant disposes of their Plan Shares.

The Plan Shares vest subject to the continued employment of participants for 3 years from the date of issue and subject to the satisfaction of any performance conditions attached to the Plan Shares by the Board at the time of issue. Under the rules of the LTIP, the Board also has the discretion to determine that unvested Plan Shares vest where a participant's employment ceases in certain circumstances before the expiry of the 3 year period.

The LTIP was intended for participation by Australian-based executives only. Accordingly, the only Plan Shares currently on issue are held by Ned Montarello, as set out in the table below and it is not currently intended that further Plan Shares will be issued given that, from Admission, all of the Company's executives (except for Ned Montarello) will be UK-based. The vesting of the Plan Shares held by Ned Montarello is conditional on the performance of the Ordinary Shares during the relevant performance period. If at any time during the relevant performance period the 30 day volume-weighted average price of the Company's shares exceeds the relevant target price, a percentage of the Plan Shares as set out below will vest at the end of the relevant performance period.

Loan funded shares held by Ned Montarello

Number of shares	Performance period	Target price for vesting 25%	25%	50%	Exercise price	Last date for exercise
1,000,000	04/07/13 – 04/03/17	£0.2235	£0.2874	£0.3513	£0.1559	03/07/18
500,000	18/09/14 – 18/09/17	£0.3255	£0.4185	£0.5115	£0.2128	18/09/19
250,000	Vested	–	–	–	£0.1131	09/08/17

Executive Option Plan

The Company has had in place since 2007 an Employee Share Option Plan ("ESO Plan") under which it may issue options ("Plan Options") to eligible participants. Eligible participants in the ESO Plan are employees or executive directors of the Group.

Plan Options may be issued with a corresponding exercise price and/or a fee for grant of the Plan Options. The Board determines the expiry date, conditions of exercise of the Plan Options and other terms and conditions at the time the Plan Options are granted. Plan Options may carry any conditions precedent to their exercise as may be determined by the Board, and, unless any such conditions are satisfied, the Company is not obliged to issue any shares in respect of the Plan Options to their holder. Plan Options expire on the earliest of:

- their expiry date;
- their holder purporting to transfer them in a manner not in accordance with the ESO Plan;
- the Board determining that the participant has acted fraudulently, dishonestly or in breach of their obligations to the Company;
- the participant ceasing to be an eligible participant, except in the case of:
  - the death of the participant, in which case their legal personal representatives may exercise the Plan Options at any time until they otherwise lapse (where no conditions were placed on the exercise of the Plan Options or the conditions had been met) or within one month of the date of death (where any condition placed on the exercise of the Plan Options had not been met); or
  - the cessation of employment of the participant, in which case the Plan Options may be exercised within one month;
- the Company becoming the target of a successful takeover bid of a kind specified in the ESO Plan, in which case the Plan Options will lapse after 30 days from the date of a notice given for this purpose by the Board;
- any failure to meet a condition placed by the Board on the exercise of the Plan Options in the prescribed period; or
- the date 10 years after the Plan Options were granted.

Plan Options do not give their holders any right to participate in the issue of new securities by the Company, including as part of a bonus or rights issue, subject to the Board's discretion.

There are 125,000 Plan Options currently on issue, as set out in the table below. The vesting of the Plan Options currently on issue is conditional on the performance of the Ordinary Shares during the relevant performance period. If at any time during the relevant performance period the volume-weighted average price of the Ordinary Shares exceeds the relevant target price, a percentage of the Plan Options as set out below will vest. The Plan Options may then be exercised for the relevant exercise price at any time before the date set out in the table below. Each of the Plan Options currently on issue entitles the holder to subscribe for and be issued one Ordinary Share at the relevant exercise price.

Number of plan options	Performance period	Target price for vesting 25%	Target price for vesting 25%	Target price for vesting 50%	Exercise price	Last date for exercise
125,000	04/07/13 – 04/03/17	£0.2235	£0.2874	£0.3513	£0.1559	03/07/18

Non-Executive Director Share Plan

In April 2009, the Company adopted a Non-Executive Director Share Plan ("NED Plan"). The NED Plan allows Non-Executive Directors of the Company to elect to sacrifice part of their directors' fees to acquire Ordinary Shares rather than receiving all of their fees in cash.

New Long Term Incentive Plan

The Company adopted a new long term incentive plan from December 2016 to align the interests of senior management with those of the Shareholders. The New LTIP allows the Company to either grant options over Ordinary Shares or make conditional awards over Ordinary Shares to selected employees of the Group.

The options are subject to the performance condition set out below and will normally be exercisable on or after the Vesting Date to the extent that the performance condition has been satisfied. The options will normally lapse and cease to be exercisable on the 10th anniversary of the Date of Grant.

It is a condition of exercise of the Award that the Participant agrees to pay the Company or any person nominated for this purpose an amount equal to the Tax Liability. In addition there is a condition of exercise of the Award for the Participant to enter into a NIC Agreement to pay Employers' NIC on gains in excess of 100% of the award value at the date of grant.

Vesting of 75% of the Shares over which the Award has been granted (rounded down to the nearest whole number) will be subject to the satisfaction of EPS Condition 1 (these Shares are referred to as the "Shares subject to EPS Condition 1") and Vesting of the balance of the Shares over which the Award has been granted will be subject to the satisfaction of EPS Condition 21 (these Shares are referred to as the "Shares subject to EPS Condition 2").

Earnings per share condition 1

- If the growth in EPS over the Performance Period is less than 15% the Award shall lapse in respect of all of the Shares subject to EPS Condition 1.
- If the growth in EPS over the Performance Period is equal to 15% ("Lower Target 1") the Award shall Vest in respect of 25% of the Shares subject to EPS Condition (rounded down to the nearest whole number).
- If the growth in EPS over the Performance Period is equal to or greater than 50% ("Upper Target 1") the award shall Vest in respect of 100% of the Shares subject to EPS Condition 1.
- If the growth in EPS over the Performance Period falls between Lower Target 1 and Upper Target 1 the award shall Vest on a straight line basis between 25% and 100% of the Shares subject to EPS Condition 1(rounded down to the nearest whole number).

Earnings per share condition 2

- If the growth in Non Dixons EPS over the Performance Period is less than 15% the Award shall lapse in respect of all of the Shares subject to EPS Condition 2.
- If the growth in Non Dixons EPS over the Performance Period is equal to 15% ("Lower Target 2") the Award shall Vest in respect of 25% of the Shares subject to EPS Condition 2 (rounded down to the nearest whole number).
- If the growth in Non Dixons EPS over the Performance Period is equal to or greater than 50% ("Upper Target 2") the award shall Vest in respect of 100% of the Shares subject to EPS Condition 2.
- If the growth in Non Dixons EPS over the Performance Period falls between Lower Target 2 and Upper Target 2 the award shall Vest on a straight line basis between 25% and 100% of the Shares subject to EPS Condition 2 (rounded down to the nearest whole number).

There are currently 3,126,026 of the above Plan Options currently on issue, as set out in the table below.

		Performance conditions for vesting			
Number of plan options	**Performance period**	**75%**	**25%**	**Exercise price**	**Vesting date**
3,126,026	01/07/16–30/06/19	EPS 1	EPS 2	£0.22	21/12/19

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:

	Instrument	Number granted	Grant Date	% vested in period	% forfeited, cancelled or expired in period[(a)]	Financial year in which grant vests
Directors						
N Montarello	Loan funded shares	1,000,000	04/07/2013	–%	–%	2017
	Loan funded shares	500,000	18/09/2014	–%	–%	2018
	Share options	1,073,863	22/12/2016	–%	–%	2020
F de Vicente	Share options	2,000,000	31/03/2015	–%	100%	2018
	Share options	1,534,090	22/12/2016	–%	100%	2020
K Jones	Share options	1,000,000	11/06/2014	–%	100%	2017
	Share options	1,000,000	11/06/2014	–%	100%	2017
G Halton	Share options	250,000	04/07/2013	25%	75%	2017
	Share options	470,659	22/12/2016	–%	–%	2020
Executives						
D Twigg	Share options	333,333	12/12/2014	–%	100%	2018

(a) The % forfeited, cancelled 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.

E. Share-Based Compensation (shares)

There were no shares granted to Key Management Personnel during the reporting period and no shares were granted since the end of the financial period.

Employee Options and Loan-Funded Shares

	Held at 1 July 2016	Held at of new appointment	Granted as compensation	Other movement	Cancelled, forfeited or expired	Held at 30 June 2017	Vested during the period	Vested and exercisable at 30 June 2017
Directors								
N Montarello	1,750,000	–	1,073,863	–	–	2,823,863	–	250,000
F de Vicente	2,000,000	–	1,534,090	–	(3,534,090)	–	–	–
D Griffiths	–	–	–	–	–	–	–	–
P Gammell	–	–	–	–	–	–	–	–
K Jones	2,000,000	–	–	–	(2,000,000)	–	–	–
G Halton	250,000	–	470,659	–	(187,500)	533,159	–	62,500
Executives								
D Twigg	333,333	–	–	–	(333,333)	–	–	–

	Held at 1 July 2015	Held at of new appointment	Granted as compensation	Other movement	Cancelled, forfeited or expired	Held at 30 June 2016	Vested during the year	Vested and exercisable at 30 June 2016
Directors								
N Montarello	2,500,000	–	–	–	(750,000)	1,750,000	250,000	250,000
F de Vicente	2,000,000	–	–	–	–	2,000,000	–	–
D Griffiths	–	–	–	–	–	–	–	–
Executives								
K Jones	2,000,000	–	–	–	–	2,000,000	–	–
G Halton	350,000	–	–	–	(100,000)	250,000	–	–
D Twigg	333,333	–	–	–	–	333,333	–	–

Note: the above amounts in respect of N Montarello 1,750,000 are Loan Funded Shares and are therefore also included in his shareholding on the following page.

All of the other amounts held at 30 June 2017 by other employees are Employee Share Options.

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:

	Held at 1 July 2016	Purchases	Rights issue	Held at date of appointment	Sales	Received on exercise of options	Loan-funded share issue	Loan-funded share issue cancelled, forfeited or expired	Granted as compensation	Held at 30 June 2017
Directors										
N Montarello	30,311,036	–	–	–	–	–	–	–	–	30,311,036
D Griffiths	2,592,001	–	–	–	–	–	–	–	–	n/a
P Gammell	10,082,572	–	–	–	–	–	–	–	–	10,687,572
F de Vicente	678,000	–	–	–	–	–	–	–	–	n/a
K Jones	341,000	–	–	–	–	–	–	–	–	341,000
R McDowell	n/a	1,600,000								1,600,000

	Held at 1 July 2015	Purchases	Rights issue	Held at date of appointment	Sales	Received on exercise of options	Loan-funded share issue	Loan-funded share issue cancelled, forfeited or expired	Granted as compensation	Held at 30 June 2016
Directors										
N Montarello	31,061,036	–	–	–	–	–	–	(750,000)	–	30,311,036
D Griffiths	2,592,001	–	–	–	–	–	–	–	–	2,592,001
P Gammell	n/a	–	–	10,082,572	–	–	–	–	–	10,082,572
F de Vicente	603,500	74,500	–	–	–	–	–	–	–	678,000
K Jones	341,000	–	–	–	–	–	–	–	–	341,000

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.

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 period**	**% forfeited in period[b]**
Executive Directors				
N Montarello	–	–	–%	–%
F de Vicente	–	114,584	–%	100%
G Halton	–	25,100	–%	100%
Executives				
D Twigg	–	47,224	–%	100%
D Fletcher	–	46,385	–%	100%

(a) Amounts included in remuneration for the financial period represent the amount that vested in the financial period based on achievement of personal goals and satisfaction of specified performance criteria pertaining to the financial period ending 30 June 2017. 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 period.

G. Key Management Personnel Transactions

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 30 June 2017 (30 June 2016: nil), with the exception of the limited recourse loans in relation to the loan-funded share scheme (refer to Note 19(b)(i) and page 21 of the Remuneration Report).

Other Key Management Personnel transactions

During the financial year there were no payments made to any other entities in which Key Management Personnel have significant control or influence over.

Options and rights over equity instruments

Options over ordinary shares in ThinkSmart Ltd held have been issued to Key Management Personnel during the financial year and are detailed in Note 19(b)(i) and pages 21 to 24 of the Remuneration Report.

Indemnification and Insurance

During the period ended 30 June 2017, 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 period, 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.

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.

NON-AUDIT SERVICES

During the period 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 period by the auditor and 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 and Risk 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 and expensed to the auditor of the Group, KPMG, and its related practices in respect of audit and non-audit services provided during the year are set out below.

	12 Months to June 2017 £,000
Services other than audit and review of financial statements	
Other services	
Taxation compliance and advisory services	15
Other Regulatory Services	27
Advisory services	4
Transaction advisory services	279
	325
Audit and review of financial statements	147
Total paid to KPMG	472

AUDITOR'S INDEPENDENCE DECLARATION

The auditor's independence declaration which forms part of this report is included in page 28 of the financial report.

ROUNDING

ThinkSmart is a Group of the kind referred to in ASIC Class Order 2016/191 dated 24 March 2016. In accordance with the class order, amounts in the financial statements and the directors' report have been rounded off to the nearest thousand pounds, 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, Western Australia, 5 September 2017

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 of ThinkSmart Limited for the financial year ended 30 June 2017 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

Denise McComish
Partner
Perth, Australia
5 September 2017

1. In the opinion of the Directors of ThinkSmart Limited ('the Company'):

(a) The consolidated financial statements, notes and disclosures and 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 30 June 2017 and of its performance for the financial year ended on that date; and

ii. Complying with the Australian Accounting Standards and the Corporations Regulations 2001; and

(b) 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 30 June 2017.

3. The Directors draw attention to Note 2(a) to the consolidated financial statements, which includes a statement of compliance with International Financial Reporting Standards.

Signed in accordance with a resolution of the Directors:

N Montarello
Chairman
Perth, Western Australia, 5 September 2017

Consolidated Statement of Profit & Loss and Other Comprehensive Income

for the Financial Year Ended 30 June 2017

	Notes	12 Months to June 2017 £,000	12 Months to June 2016 £,000
Continuing operations			
Revenue	6(a)	8,951	11,813
Other revenue	6(b)	1,185	1,459
Total revenue		10,136	13,272
Customer acquisition cost	6(c)	(1,349)	(1,561)
Cost of inertia assets realised	6(d)	(1,925)	(2,099)
Other operating expenses	6(e)	(6,123)	(5,826)
Depreciation and amortisation	6(f)	(1,159)	(704)
Impairment losses	6(g)	(474)	(390)
Non-operating strategic review and advisory expenses	8	(1,106)	(1,846)
Loss before tax		(2,000)	846
Income tax credit/(expense)	7	158	(545)
Loss after tax – attributable to owners of the Company		(1,842)	301
Other comprehensive (loss)/income			
Items that may be reclassified subsequently to profit or loss, net of income tax:			
Foreign currency translation differences for foreign operations		(223)	346
Total items that may be reclassified subsequently to profit or loss net of income tax		(223)	346
Other comprehensive (loss)/income for the period, net of income tax		**(223)**	**346**
Total comprehensive (loss)/income for the period attributable to owners of the Company		**(2,065)**	**647**
Earnings per share			
Basic (loss)/earnings per share (pence)	28	(1.77)	0.31
Diluted (loss)/earnings per share (pence)	28	(1.72)	0.31

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

Consolidated Statement of Financial Position

as at 30 June 2017

	Notes	June 2017 £,000	June 2016 £,000
Current assets			
Cash and cash equivalents	20(a)	4,527	4,854
Trade receivables		290	295
Finance lease receivables	9	2,107	2,796
Other current assets	10	2,177	2,623
Total current assets		9,101	10,568
Non-current assets			
Finance lease receivables	9	1,282	1,525
Plant and equipment	12	207	263
Intangible assets	13	7,459	7,213
Goodwill	15	2,332	2,332
Deferred tax assets	7	96	512
Tax receivable	7	222	53
Other non-current assets	11	2,857	3,309
Total non-current assets		14,455	15,207
Total assets		23,556	25,775
Current liabilities			
Trade and other payables	16	1,155	1,717
Deferred service income	17	1,059	1,297
Other interest bearing liabilities	18	1,158	2,182
Provisions	16	314	192
Total current liabilities		3,686	5,388
Non-current liabilities			
Deferred service income	17	746	819
Deferred tax liability	7	27	526
Other interest bearing liabilities	18	789	1,190
Total non-current liabilities		1,562	2,535
Total liabilities		5,248	7,923
Net assets		**18,308**	**17,852**
Equity			
Issued capital	19(a)	17,332	14,376
Reserves		(2,703)	(2,480)
Accumulated profits		3,679	5,956
Total equity		**18,308**	**17,852**

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

Consolidated Statement of Changes in Equity

for the Financial Year Ended 30 June 2017

Consolidated	**Fully paid ordinary shares £,000**	**Foreign currency translation reserve £,000**	**Accumulated Profit £,000**	**Attributable to equity holders of the parent £,000**
Balance at 1 July 2015	14,376	(2,826)	7,750	19,300
Profit for the period	–	–	194	194
Exchange differences arising on translation of foreign operations, net of tax	–	346	(1)	345
Total comprehensive income for the period	–	346	193	539
Transactions with owners of the Company, recognised directly in equity				
Contributions by and distributions to owners of the Company				
Dividends paid	–	–	(2,094)	(2,094)
Recognition of share-based payments	–	–	107	107
Balance at 30 June 2016	14,376	(2,480)	5,956	17,852
Balance at 1 July 2016	14,376	(2,480)	5,956	17,852
Profit for the period	–	–	(1,842)	(1,842)
Exchange differences arising on translation of foreign operations, net of tax	–	(223)	–	(223)
Total comprehensive (loss)/income for the period	–	(223)	(1,842)	(2,065)
Transactions with owners of the Company, recognised directly in equity				
Contributions by and distributions to owners of the Company				
Issue of ordinary shares	5,000	–	–	5,000
Share buyback	(1,721)	–	–	(1,721)
Costs associated to capital raising and buyback	(323)	–	–	(323)
Dividends paid (Note 19(c))	–	–	(536)	(536)
Recognition of share-based payments	–	–	101	101
Balance at 30 June 2017	17,332	(2,703)	3,679	18,308

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

Consolidated Statement of Cash Flows

for the Financial Year Ended 30 June 2017

	Notes	12 Months to June 2017 £,000	12 Months to June 2016 £,000
Cash Flows from Operating Activities			
Receipts from customers		9,722	13,557
Payments to suppliers and employees		(8,502)	(10,915)
Payments relating to strategic review and advisory expenses		(1,866)	(1,225)
Payments in respect of lease receivables		1,886	(1,963)
Proceeds from other interest bearing liabilities, inclusive of related costs		(1,274)	1,555
Interest received		97	146
Interest and finance charges		(387)	(311)
Receipts from security guarantee		15	763
Income tax paid		(95)	(622)
Net cash (used in)/from operating activities	20(b)	(404)	985
Cash Flows from Investing Activities			
Payments for plant and equipment		(103)	(147)
Payment for intangible assets – Software		(1,872)	(1,961)
Payment for intangible assets – Contract rights		(210)	(172)
Net cash used in investing activities		(2,185)	(2,280)
Cash Flows from Financing Activities			
Proceeds from share issue net of costs		4,748	–
Payment for establishing financing facilities		(150)	–
Dividends paid		(536)	(2,094)
Share buyback net of costs		(1,792)	–
Net cash used in financing activities		2,270	(2,094)
Net decrease in cash and cash equivalents		(319)	(3,389)
Effect of exchange rate fluctuations on cash held		(8)	21
Cash and cash equivalents from continuing operations at beginning of the financial year		4,854	8,222
Total cash and cash equivalents at the end of the financial period	20(a)	4,527	4,854
Restricted cash and cash equivalents at the end of the financial period	20(a)	(124)	(117)
Net available cash and cash equivalents at the end of the financial period		4,403	4,737

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

Notes to the Financial Statements

1. General Information

ThinkSmart Limited (the "Company" or "ThinkSmart") is a limited liability company incorporated in Australia. The consolidated financial statements of the Company comprise the Company and its subsidiaries (the "Group"). The Group is a for profit entity and its principal activity during the period was the provision of lease and rental financing services in the UK. The address of the Company's registered office is Suite 5, 531 Hay Street Subiaco, West Perth, WA 6008 and further information can be found at www.thinksmartworld.com.

2. Basis of Preparation

(a) ***Statement of compliance***

The Company is listed on the Alternative Investment Market ("AIM"), a sub-market of the London Stock Exchange. The financial information has been prepared in accordance with the AIM Rules for Companies and in accordance with this basis of preparation, including the significant accounting policies set out below.

The consolidated financial statements are general purpose financial statements which have been prepared and approved by the Directors in accordance with Australian Accounting Standards (AASBs) adopted by the Australian Accounting Standards Board (AASB) and the Corporation Act 2001. The consolidated financial statements comply with International Financial Reporting Standard (IFRS) adopted by the International Accounting Standards Board (IASB) as well as International Financial Reporting Standards as adopted by the EU ("Adopted IFRSs"). The consolidated financial statements were authorised for issue by the Board of Directors on 5 September 2017.

Accounting period

The financial information presented covers the audited period ended 30 June 2017 (12 months) and for comparison the period ended 30 June 2016 (12 months). The accounting policies set out below have, unless otherwise stated, been applied consistently to these consolidated financial statements.

(b) ***Basis of measurement***

The financial report has been prepared on the basis of historical cost, except for 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 Sterling unless otherwise noted.

(c) ***Functional and presentation currency***

These consolidated financial statements are presented in British Pounds, which is the Group's functional currency. The Group is of a kind referred to in ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191b and in accordance with that instrument, amounts in the consolidated financial statements and directors' report have been rounded off to the nearest thousand pounds, unless otherwise stated. Previous to the AIM listing the financial statements were presented in Australian Dollars.

(d) ***Going Concern***

The directors believe the Group is well placed to manage its business risks successfully and therefore have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the consolidated financial statements. Note 5 and note 25 to the financial statements includes the Group's objectives, policies and processes for managing its capital, its financial risk management objectives, details of its financial instruments and its exposure to credit risk and liquidity risk.

(e) ***Accounting policies available for early adoption not yet adopted***

A number of new standards and interpretations are effective for annual periods beginning after 1 July 2017 and have not been applied in preparing this financial report. The Group does not plan to adopt these standards early and the extent of the impact has not been determined.

2. Basis of Preparation (continued)

(e) ***Accounting policies available for early adoption not yet adopted (continued)***

Ref	Title	Summary	Application date of standard	Application date for Group	Impact on Group financial report
IFRS 9	Financial Instruments	Replaces IAS39, the standard includes requirements for classification and measurement of financial assets and liabilities, hedge accounting and the impairment of financial assets	1 January 2018	1 July 2018	The main impact to the Group will be related to impairment of the lease receivable. The Group already provides an impairment provision and it is expected that this change will only slightly increase this provision. At the time of preparing this report the Group continues to assess the possible impact of the adoption of these standards in future periods and updates will be provided in a future annual report.
IFRS 15	Revenue from Contracts with Customers	The new standard creates a single model for revenue recognition from contracts with customers.	1 January 2017	1 July 2017	At the time of preparing this report the Group continues to assess the possible impact of the adoption of these standards in future periods and updates will be provided in a future annual report.
IFRS 16	Leases	Replaces IAS17, the standard introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. A lessee is required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments.	1 January 2019	1 July 2019	The Group currently only leases its office and company vehicles. The office lease is shown in note 21. At the time of preparing this report the Group continues to assess the possible impact of the adoption of these standards in future periods and updates will be provided in a future annual report.

The following new and revised Standards and Interpretations were issued during the financial year and had no material impact on the accounts:

- IAS 7 (amendments) Disclosure initiative
- IAS 12 (amendments) Recognition of deferred tax assets for unrealised losses
- IFRS 2 (amendments) Classification and measurement of share-based payment transactions
- IFRS 1- and IAS 28 (amendments) Sale or contribution of assets between an investor and its associate or joint venture

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 period 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 applied 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. 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) ***Revenue recognition***

The Group has relationships with retail partners to act as a facilitator and arranger of financing arrangements to allow those retailers to provide technological products to consumers under short/medium term finance contracts. The financing is obtained by the Group from third party funding partners.

Depending on the nature of the agreements with those funders, these contracts result in the Group acting as a lessor or as the agent of the funder (who is then the lessor).

Where the Group is acting as the lessor it follows the treatment outlined in IAS 17. In accordance with IAS 17 nearly all the contracts are considered to be finance leases and the only source of revenue is Finance Lease Income. This Finance Lease Income is recognised on the effective interest rate method at the constant rate of return. This method amortises the lease asset over its economic life down to the estimate of any unguaranteed residual value that is expected to be accrued to the Group at the end of the lease.

In the Year ended 30th June 2017 the Group piloted a Product where it acted as the lessor in a B2C operating lease. The pilot produced a small number of contracts which generated less than 0.3% of the total lease income revenue. Due to the small value of this it has been included in Other Revenue in these financial statements.

3. Significant Accounting Policies (continued)

(c) ***Revenue recognition (continued)***

Where the Group is acting as the agent it receives the following revenue streams:

Commission income

An upfront brokerage fee receivable from the funder in exchange for arranging the contract.

Deferred service income

As part of the agreement with funders the Group obtain the right to receive income arising from equipment and rights to the hiring agreement at the end of the minimum term, which is recognised upfront as an Inertia Contract Intangible Asset (see note 3h). An amount equal to this asset is then recognised as deferred service income over the life of the contract.

Extended rental income

Once the contract between the funder and the customer expires the asset becomes the property of the Group and any extended rental income is payable to Group, being recognised when receivable.

Income earned from sale of inertia assets

At the end of the extended rental period any proceeds on disposal of the asset are recognised at the point of disposal.

Services revenue – insurance

Lease customers of hire agreements originated by the Group are required to have suitable insurance in respect of the leased equipment. If these customers do not make independent insurance arrangements the Group arrange insurance and collect the premiums on their behalf, receiving a commission from the insurer for doing so.

(d) ***Cash and cash equivalents***

Cash comprises cash on hand and demand deposits with an original maturity of less than 3 months. Cash equivalents are short-term, highly liquid investments that are readily converted to known amounts of cash which are subject to an insignificant risk of change in value. Restricted cash comprises amounts held in trust in relation to dividends paid on employee loan funded shares.

(e) ***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 — 3 to 5 years
- Leasehold improvements — the lease term

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

3. Significant Accounting Policies (continued)

(f) ***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 and measured at fair value.

(g) ***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.

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.

Lease receivables

The Group has entered into financing transactions with customers and has classified nearly all of 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 minimum 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 minimum lease term. This asset represents the Group's net investment in the lease.

<u>Unearned finance lease income</u>

Unearned finance lease income 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.

<u>Initial direct transaction income and costs</u>

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

<u>Allowance for losses</u>

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 (refer note 3(g)(iii)).

3. Significant Accounting Policies (continued)

(g) ***Financial instruments (continued)***

Insurance prepayment

In relation to business customers who do not already have insurance, a policy is set up through a third party insurance provider. The Group pays for the insurance cover upfront and also recognises its income upfront which creates an insurance prepayment on the balance sheet. The Group subsequently collects the insurance premium from the customer on a monthly basis over the life of the rental agreement, which reduces the prepayment. Where a policy is cancelled, the unexpired premiums are refunded to the Group.

Other financial assets

These are classified as 'loans and receivables'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

(ii) *Non-derivative financial liabilities*

The Group initially recognises financial liabilities on the date 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.

Transaction 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, 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 asset's original effective interest rate.

Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics. All impairment losses are recognised in profit and loss when an asset is either non recoverable or has suffered arrears of at least 91 days. 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.

3. Significant Accounting Policies (continued)

(g) ***Financial instruments (continued)***

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 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.

(h) ***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

As noted in note 3(c), where the Group is acting as an agent the Group recognises an intangible asset once it has an unconditional contractual right to receive income arising from equipment and rights to the hiring agreement at the end of minimum 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 minimum 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 minimum 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 contract rights, the expected useful life is the earlier of the initial contract minimum term or expected period until facility limit is reached. At each reporting date a review for indicators of impairment is conducted.

3. Significant Accounting Policies (continued)

(h) ***Intangible assets (continued)***

Software development

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 between 3 and 5 years. Capitalised software development expenditure is measured at cost less accumulated amortisation and accumulated impairment losses.

(i) ***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.

(j) ***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 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.

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 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.

3. Significant Accounting Policies (continued)

(k) ***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 ready for sale. Refer to note 3(h) in relation to inertia contracts where, at the end of the minimum lease term, the intangible asset is derecognised and the Group recognises the equipment as inventory at the corresponding value.

(l) ***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 balance sheet 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.

3. Significant Accounting Policies (continued)

(n) *Goods and services tax*

Revenues, expenses and assets are recognised net of the amount of goods and services tax (VAT/GST) except:

(i) where the amount of VAT/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 VAT/GST.

The net amount of VAT/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 VAT/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*

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 period.

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 at 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.

(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 period.

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 rate that reflects current market assessments of the time value of money and the risks specific to the liability.

3. Significant Accounting Policies (continued)

(r) ***Lease payments***

Payments made under operating leases are recognised in profit or loss on a straight line basis over the minimum term of the lease. Lease incentives received are recognised as an integral part of the total lease expense, over the minimum 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 minimum lease term so as to produce a constant period rate of interest on the remaining balance of the liability.

(s) ***Measurement of fair values***

A number of the Group's accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities. When measuring the fair value of an asset or a liability, the Group uses market observable data as far as possible. Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

- *Level 1*: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- *Level 2*: inputs other than quoted prices included in 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).

If the inputs used to measure the fair value of an asset or a liability might be categorised in different levels of the fair value hierarchy, then the fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the highest level input that is significant to the entire measurement.

The Group recognises transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

Further information about the assumptions made in measuring fair values is included in the following notes:

- Note 13 – intangible inertia contracts;
- Note 19(b)(i) – share based payment transactions; and
- Note 25(b) – financial instruments.

4. Critical accounting estimates and judgements

The preparation of the consolidated financial statements in conforming to IFRS requires management to make judgements, estimates and assumptions that affect 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 period are discussed below:

- Note 13 – fair value at inception of inertia intangible assets and recoverable amount;
- Note 13 – measurement of deferred services income;
- Note 15 – measurement of the recoverable amount of cash generating units containing goodwill;
- Note 19(b)(i) – measurement of share-based payments; and
- Note 24 – value of financial guarantee contract net of loss provision.

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 Chief Financial Officer and Group Financial Controller have 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 trading subsidiaries have 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 24.

To manage credit risk in relation to its customers, there is a credit assessment and fraud minimisation process delivered through its patented SmartCheck 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 by the Head of Credit Risk and applied by the Credit Risk Committee with Board approval. The Head of Credit Risk monitors ongoing credit performance on different cohorts of customer contracts. In addition there exists a specialist collections function to manage any delinquent accounts.

Credit risk exposure to funder deposits is 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 note 18.

5. Financial Risk Management (continued)

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's exposure to foreign currency risk is limited to the cash balances held by the Australian parent ThinkSmart Limited denominated in Australian Dollars.

Interest rate risk

As at 30 June 2017 the Group has drawn down £2.4m on its Santander loan facility of £10m which runs until July 2018. Exposure to interest rate risk on any 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. As at 30 June 2017 there were interest rate swaps with an original notional value of £5m in place with Santander UK plc to fix the future interest rate exposure on the Santander loan facility (see note 18). The mark to market value of these interest rate swaps as at 30 June 2017 was £4,000.

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; and
- Risk mitigation, including insurance where this is effective.

Concentration risk

The Company's main retail distribution partner in the UK is Dixons Carphone plc and an exclusive contract for both business sales and consumer sales is in place until 2019. Should Dixons cease trading or terminate the exclusive contract, turnover would be reduced until alternative distribution partners were found.

5. Financial Risk Management (continued)

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

	30 June 2017 £,000	**30 June 2016 £,000**
Total liabilities	5,248	7,923
Less cash and cash equivalents	(4,527)	(4,854)
Net debt/(Net cash)	721	3,069
Total capital	18,308	17,852
Debt-to-adjusted capital ratio	0.04	0.17

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 on a periodic basis. During the financial period to 30 June 2017, the Board declared and paid a special dividend unfranked at 5.36 pence per share relating only to the 9,999,178 shares participating in the off-market buy-back (Note 19(c)).

6. Consolidated Statement of Profit and Loss

Profit/(loss) is arrived at after crediting/(charging) the following items:

		Notes	**30 June 2017 £,000**	**30 June 2016 £,000**
(a)	***Revenue***			
	Finance lease income		842	909
	Interest revenue – other entities		97	146
	Income earned from sale of inertia assets		796	1,159
	Extended rental income		3,101	3,092
	Deferred service income		1,516	1,969
	Fee revenue – customers		118	123
	Commission income		2,481	4,415
			8,951	11,813
(b)	***Other revenue***			
	Services revenue – insurance		1,164	1,444
	Other revenue		21	15
			1,185	1,459

(c) ***Customer acquisition costs***

Customer acquisition costs relate to sales and marketing expenses incurred during the ongoing promotional activity of the finance contracts to new and existing customers.

6. Consolidated Statement of Profit and Loss (continued)

(d) ***Cost of inertia asset realised***

Cost of inertia asset realised includes write down of assets held for secondary rental and net book value of the assets sold at date of disposal.

	Notes	30 June 2017 £,000	30 June 2016 £,000
(e) ***Other operating expenses***			
Employees benefits expense:			
– Payments to employees		(3,640)	(3,582)
– Employee superannuation costs		(232)	(262)
– Share-based payment expense		(101)	(107)
– Provision for employee entitlements		–	(22)
		(3,973)	(3,973)
Occupancy costs		(322)	(307)
Professional services		(505)	(488)
Finance charges		(279)	(204)
Other costs		(1,044)	(854)
		(6,123)	(5,826)
(f) ***Depreciation and amortisation***			
Depreciation		(159)	(133)
Amortisation		(1,000)	(571)
		(1,159)	(704)
(g) ***Impairment losses***			
Impairment losses finance leases and receivables		(147)	(147)
Impairment losses on intangible assets (net)		(327)	(243)
		(474)	(390)

7. Income Tax

(a) ***Amounts recognised in profit and loss***

	Notes	30 June 2017 £,000	30 June 2016 £,000
The major components of income tax (benefit)/expense are:			
Current income tax credit/(expense)		402	(598)
Adjustment for prior period		(190)	95
Deferred income tax expense			
Origination and reversal of temporary differences		4	(42)
Adjustment for prior period		(58)	–
Total income tax credit/(expense)		158	(545)

7. Income Tax (continued)

(a) *Amounts recognised in profit and loss (continued)*

A reconciliation between tax expense and the product of accounting profit before income tax from continuing operations multiplied by the applicable income tax rate is as follows:

	Notes	30 June 2017 £,000	30 June 2016 £,000
Accounting (loss)/profit before tax		(2,000)	846
At the statutory income tax rate of 30%		600	(254)
Effect of tax rates in foreign jurisdictions		(133)	232
Non-deductible expenses		(315)	(611)
Losses carried back		(99)	–
Losses carried forward		(130)	–
Overseas tax losses not recognised/(recognised)		(13)	(7)
Adjustments in respect of prior periods		248	95
Income tax credit/(expense)		158	(545)
Deferred tax asset			
Accrued expenses		14	26
Employee entitlements		60	46
Equity raising costs		5	31
Borrowing costs		–	1
Plant & equipment		1	–
Intangible assets		–	408
Losses carried forward		16	–
Total		96	512
Deferred tax liability			
Plant & equipment		16	22
Intangible assets		11	504
Total		27	526
Net deferred tax asset/(liability) for UK		1	(114)
Net deferred tax asset for Australia		68	100
Tax payable/(receivable)			
Current		(222)	(53)

The current tax (asset)/liability is recognised for income tax (receivable)/payable in respect of all periods to date.

8. Non-operating strategic review and advisory expenses

	30 June 2017 £,000	30 June 2016 £,000
Non-operating strategic review and advisory expenses*	(1,106)	(1,846)

* Costs associated with the successful completion of £5m Henderson placement, buyback of 10m shares and migration of listing to the AIM of the London Stock Exchange.

9. Finance lease receivables

	30 June 2017 £,000	30 June 2016 £,000
Current		
Gross investment in finance lease receivables	1,928	2,862
Unguaranteed residuals	154	230
Unearned future finance lease income	51	(259)
Net lease receivable	2,133	2,833
Allowance for losses	(26)	(37)
	2,107	2,796
Non-current		
Gross investment in finance lease receivables	1,169	1,561
Unguaranteed residuals	91	125
Unearned future finance lease income	38	(141)
Net lease receivable	1,298	1,545
Allowance for losses	(16)	(20)
	1,282	1,525

All finance leases detailed above have a minimum lease term of 2 years, see note 3(c) for further information on the accounting policy for these finance leases.

10. Other Current Assets

	30 June 2017 £,000	30 June 2016 £,000
Prepayments	631	610
Insurance prepayments	454	565
Accrued income(i)	639	785
Inventories	284	498
Sundry debtors	169	165
	2,177	2,623

11. Other Non-Current Assets

	30 June 2017 £,000	30 June 2016 £,000
Insurance prepayments	293	465
Accrued income(i)	381	646
Deposits held by funders, net of provision(ii)	2,183	2,198
	2,857	3,309

(i) Accrued income reflects brokerage commission earned from making insurance arrangements on behalf of leaseholders and is net of a clawback provision. The clawback provision for each reporting period has been estimated to be 30% based on historical experience, and is calculated on the gross commission receivable.

(ii) 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. See note 24 for further information.

12. Plant and Equipment

	Notes	Plant & Equipment (AU) £,000	Plant & Equipment (UK) £,000	Total £,000
Gross Carrying Amount				
Cost or deemed cost				
Balance at 1 July 2015		66	2,242	2,308
Effect of movement in exchange rate		–	–	–
Additions		–	147	147
Balance at 30 June 2016		66	2,389	2,455
Effect of movement in exchange rate		14	–	14
Additions		2	101	103
Balance at 30 June 2017		82	2,490	2,572
Accumulated Depreciation				
Balance at 1 July 2015		(30)	(2,031)	(2,061)
Effect of movement in exchange rate		2	–	2
Depreciation expense		(22)	(111)	(133)
Balance at 30 June 2016		(50)	(2,142)	(2,192)
Effect of movement in exchange rate		(14)	–	(14)
Depreciation expense		(17)	(142)	(159)
Balance at 30 June 2017		(81)	(2,284)	(2,365)
Net Book Value				
At 30 June 2016		16	247	263
At 30 June 2017		1	206	207

13. 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 July 2015	971	727	270	314	6,250	8,532
Effect of movement in exchange rate	–	–	–	42	–	42
Additions	179	1,951	–	–	1,691	3,821
Disposals/transfer to inventory	–	–	–	–	(1,838)	(1,838)
Balance at 30 June 2016	1,150	2,678	270	356	6,103	10,557
Effect of movement in exchange rate	–	–	–	24	–	24
Additions	210	1,872	–	–	1,338	3,420
Disposals/transfer to inventory	–	–	–	–	(1,720)	(1,720)
Balance at 30 June 2017	1,360	4,550	270	380	5,721	12,281

13. Intangible Assets (continued)

	Contract rights £,000	Software £,000	Distribution network £,000	Intellectual Property £,000	Inertia Contracts £,000	Total £,000
Accumulated amortisation and impairment						
Balance at 1 July 2015	(721)	(79)	(270)	(237)	(1,043)	(2,350)
Effect of movement in exchange rate	–	–	–	(33)	–	(33)
Amortisation expense	(190)	(365)	–	(16)	–	(571)
Impairment loss(i)	–	–	–	–	(390)	(390)
Balance at 30 June 2016	(911)	(444)	(270)	(286)	(1,433)	(3,344)
Effect of movement in exchange rate	–	–	–	(18)	–	(18)
Amortisation expense	(170)	(811)	–	(19)	–	(1,000)
Impairment loss(i)	–	–	–	–	(460)	(460)
Balance at 30 June 2017	(1,081)	(1,255)	(270)	(323)	(1,893)	(4,822)
Net book value						
At 30 June 2016	239	2,234	–	70	4,670	7,213
At 30 June 2017	279	3,295	–	57	3,828	7,459

(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 minimum lease 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 tables show the valuation techniques used in measuring Level 3 fair values, as well as the significant unobservable inputs used.

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 (customer hire agreement for goods) at the end of minimum 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 minimum term the valuation is impaired for any assets that have been written off. At the end of the hiring minimum 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 realisation. The discount rate applied to the fair value is 10.38% pre-tax.	In order of financial impact the estimated fair value would increase (decrease) if: • Expected sale value was higher (lower). A 1% reduction in the sale value would create a 1% deduction in the overall value of the asset. • Expected secondary hire term was longer (shorter) • Expected cancellations/bad debts were lower (higher) • Expected realisation costs were lower (higher) • Discount rate derived from group cost of capital was lower (higher)

14. Interest in Subsidiaries

Interest in Subsidiaries	Country of Incorporation	% of Equity 30 June 2017	% of Equity 30 June 2016
RentSmart Limited	UK	100	100
ThinkSmart Insurance Services Administration Ltd	UK	100	100
ThinkSmart Financial Services Ltd	UK	100	100
ThinkSmart Europe Ltd	UK	100	100
ThinkSmart UK Ltd	UK	100	100
SmartCheck Ltd	UK	100	100
SmartCheck Finance Spain SL	Spain	100	100
SmartPlan Spain SL	Spain	100	100
ThinkSmart Italy Srl	Italy	100	100
ThinkSmart Inc	USA	100	100
ThinkSmart Employee Share Trust	Australia	100	100
ThinkSmart LTI Pty Limited	Australia	100	100

15. Goodwill

	30 June 2017 £,000	30 June 2016 £,000
Balance at beginning of financial period	2,332	2,332
Impairment	–	–
Balance at end of financial period	2,332	2,332

Impairment testing for cash-generating units containing goodwill

The goodwill arose on the acquisition of the UK business, RentSmart Limited. Further financial information relating to the UK business is shown within the segment information (note 22).

The recoverable amount of the cash-generating unit, being the UK business, was based on its value in use using business plan assumptions and a market discount rate 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. The value in use is determined by discounting the future cash flows generated from the continuing use of the unit derived from the three year business plan and was based on the following key assumptions:

	12m to 30 June 2017	12m to 30 June 2016
Annual growth in cash flows	2.00%	2.00%
Post tax discount rate	8.33%	8.46%
Terminal growth rate	2.00%	2.00%

16. Trade and Other Payables, and Provisions

	30 June 2017 £,000	30 June 2016 £,000
Trade and other payables	545	519
GST/VAT Payable	256	88
Other accrued expenses	354	1,110
	1,155	1,717
Provisions		
Annual leave	103	64
Long service leave	97	87
Risk Transfer cancellation and claims	114	41
	314	192
Annual and long service leave		
Balance at 1 July	151	112
Effect of exchange rate movement	10	15
Additional provisions made in period	39	34
Amounts used during the period	–	(10)
Balance at 30 June	200	151
Other		
Balance at 1 July	41	–
Effect of exchange rate movement	–	2
Additional provisions made in period	73	39
Amounts used during the period	–	–
Balance at 30 June	114	41

17. Deferred Service Income

	Notes	30 June 2017 £,000	30 June 2016 £,000
Balance at 1 July		2,116	2,541
Intangible inertia assets acquired	13	1,338	1,691
Reversal due to intangible asset impairment		(133)	(147)
Recognised in Consolidated Statement of Profit and Loss	6(a)	(1,516)	(1,969)
		1,805	2,116
Deferred service income to be recognised within 12 months		1,059	1,297
Deferred service income to be recognised in greater than 12 months		746	819
		1,805	2,116

18. Other interest bearing liabilities

	30 June 2017 £,000	30 June 2016 £,000
Current – Loan advances net of deferred costs of raising facility(i)	1,158	2,182
Non-current – Loan advances net of deferred costs of raising facility(i)	789	1,190
Customer financing facilities		
– Amount used	2,365	3,559
– Amount unused	17,635	6,441
Total Facility(i)	20,000	10,000

(i) The loan is a made up of a £10m 5 year revolving credit facility provided by Santander UK plc dated 15 December 2014 and a £10m (option to extend to £20m) minimum 3 year credit facility provided by STB dated 15 November 2016.

Other finance facilities (business credit card):

– amount used	12	8
– amount unused	38	42
	50	50

19. Issued Capital

(a) ***Issued and paid up capital***

	30 June 2017 £,000	30 June 2016 £,000
105,478,744 Ordinary Shares fully paid (2016: 95,477,922)	17,332	14,376

Fully Paid Ordinary Shares

	2017 Number	2017 £,000	2016 Number	2016 £,000
Balance at beginning of the financial period	95,477,922	14,376	96,227,922	14,376
Issue of ordinary shares	20,000,000	5,000	–	–
Cancellation of shares through buyback	(9,999,178)	(1,721)	–	–
Costs associated to capital raising and buy-back	–	(323)	–	–
Cancellation employee loan-funded shares	–	–	(750,000)	–
Balance at end of the financial period	105,478,744	17,332	95,477,922	14,376

During the period no employee share options or loan-funded shares were exercised (2016: 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.

19. Issued Capital (continued)

(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 and loan-funded shares issued in previous periods and not yet vested or exercised as at 30 June 2017:

- 1,000,000 loan-funded shares issued 10 August 2012 and exercisable at £0.1131, vesting and exercisable on 10 August 2015 until 9 August 2017. The fair value of these options at grant date was £0.0118-£0.0353. Vesting of the loan-funded shares is subject to achievement of the following performance conditions:
  - Tranche 1: 25% of loan-funded shares vest if the share price hurdle of £0.2058 is met in accordance with the performance conditions;
  - Tranche 2: 25% of loan-funded shares vest if the share price hurdle of £0.3233 is met in accordance with the performance conditions; and
  - Tranche 3: 50% of loan-funded shares vest if the share price hurdle of £0.4409 is met in accordance with the performance conditions.

25% vested on 10 August 2015 and the remaining 75% failed to meet the share price hurdle and were cancelled.

- 500,000 options over ordinary shares were issued 4 July 2013 and exercisable at £0.1559, vesting and exercisable on 4 July 2016 until 3 July 2018. The fair value of these options at grant date was £0.0576-£0.0694. Vesting of the options is subject to achievement of the following performance conditions:
  - Tranche 1: 25% of options vest if the share price hurdle of £0.2235 is met in accordance with the performance conditions;
  - Tranche 2: 25% of options vest if the share price hurdle of £0.2874 is met in accordance with the performance conditions; and
  - Tranche 3: 50% of loan options vest if the share price hurdle of £0.3513 is met in accordance with the performance conditions.

25% vested on 4 March 2017 and the remaining 75% failed to meet the share price hurdle and were cancelled.

- 1,000,000 loan-funded shares were issued 4 July 2013 and exercisable at £0.1559, vesting and exercisable on 4 March 2017 until 4 March 2019. The fair value of these options at grant date was £0.0576-£0.0694. 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 £0.2235 is met in accordance with the performance conditions;
  - Tranche 2: 25% of loan-funded shares will vest if the share price hurdle of £0.2874 is met in accordance with the performance conditions; and
  - Tranche 3: 50% of loan-funded shares will vest if the share price hurdle of £0.3513 is met in accordance with the performance conditions.

19. Issued Capital (continued)

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

25% vested on 4 March 2017 and the remaining 75% are in the process of being cancelled.

- 500,000 loan-funded shares were issued 18 September 2014 and exercisable at £0.2128, vesting and exercisable on 18 September 2017 until 18 September 2019. The fair value of these options at grant date was £0.0782-£0.0999. Vesting of the loan-funded shares is subject to achievement of the following performance conditions:
  - Tranche 1: 25% of options will vest if the share price hurdle of £0.3255 is met in accordance with the performance conditions;
  - Tranche 2: 25% of options will vest if the share price hurdle of £0.4185 is met in accordance with the performance conditions; and
  - Tranche 3: 50% of loan options will vest if the share price hurdle of £0.5115 is met in accordance with the performance conditions.

Options and loan-funded shares issued in current period:

- 3,126,026 options over ordinary shares were issued 21 December 2016 and exercisable at £0.22, vesting and exercisable on 21 December 2019 until 21 December 2026. The fair value of these options at grant date was £0.0371. Vesting of the options is subject to achievement of the following performance conditions:

  Earnings per Share Condition 1 (EPS1) – Vesting of 75% of the share options will be subject to meeting EPS1. The metric for EPS1 is growth in earnings per share over the performance period. Share options will vest as follows;

Metric <15%	Nil EPS1 options will vest
Metric = 15% (Lower Target 1)	25% of EPS1 options will vest
15% < Metric < 50%	Straight line vesting between Lower Target 1 and Upper Target 1
Metric = 50% (Upper Target 1)	100% of EPS1 options will vest

  Earnings per Share Condition 2 (EPS2) – Vesting of 25% of the share options will be subject to meeting EPS2. The metric for EPS2 is growth in earnings per share over the performance period adjusted to exclude profit generated from any business transacted with any member of the Dixons Carphone plc Group. Share options will vest as follows;

Metric <15%	Nil EPS2 options will vest
Metric = 15% (Lower Target 2)	25% of EPS2 options will vest
15% < Metric < 50%	Straight line vesting between Lower Target 2 and Upper Target 2
Metric = 50% (Upper Target 2)	100% of EPS2 options will vest

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

19. Issued Capital (continued)

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

Measurement of fair values

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.

Other measurement inputs include share price on measurement date, exercise price of the instrument, 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. Below are the inputs used to measure the fair value of the options and loan-funded shares:

Period ending	Employee options and loan-funded shares 30 June 2017	Employee options and loan-funded shares 30 June 2015	Employee options and loan-funded shares 31 December 2013	Employee options and loan-funded shares 31 December 2012
Grant date	21/12/16	22/05/2014	04/07/2013	10/08/2012
Fair value at grant date	£0.0371	£0.0782-£0.0999	£0.0576-£0.0694	£0.0118-£0.0353
Grant date share price	£0.22	£0.2293	£0.1587	£0.1117
Exercise price	£0.22	£0.2128	£0.1559	£0.1131
Expected volatility	29.42%	55%	55%	50%
Option/loan share life	10 years	4.2 years	4 years	4 years
Dividend yield	2.00%	1.6%	0%	2.14%
Risk-free interest rate	0.23%	3.04%	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 period:

	Period ending 30 June 2017		Period ending 30 June 2016	
	Number of options/loan funded shares	Weighted average exercise price £	Number of options/loan funded shares	Weighted average exercise price £
Balance at beginning of the financial year	6,583,333	0.2058	7,533,333	0.1940
Granted during the financial period	4,660,116	0.2200	–	–
Cancelled during the financial period	(6,242,423)	0.2220	(950,000)	0.1117
Expired during the financial period	–	–	–	–
Balance at the end of financial period	5,001,026	0.1995	6,583,333	0.2058
Exercisable at end of the financial period	375,000	0.1273	250,000	0.1117

19. Issued Capital (continued)

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

The options and loan-funded shares outstanding at 30 June 2016 have an exercise price in the range of £0.1131 to £0.22 (30 June 2015: £0.1131 to £0.2466) and a weighted average contractual life of 6.38 years (30 June 2016: 2.95 years). The following is the total expense recognised for the period arising from share-based payment transactions:

	12 months to 30 June 2017 £,000	12 months to 30 June 2016 £,000
Share options/loan-funded shares granted in 2013 – equity settled	–	24
Share options/loan-funded shares granted in 2014 – equity settled	65	57
Share options/loan-funded shares granted in 2015 – equity settled	24	26
Share options/loan-funded shares granted in 2016 – equity settled	12	–
Total expense recognised as employee costs (note 6e)	101	107

(b)(ii) *Share compensation – employee shares*

No shares of the Company were granted as remuneration whilst 125,000 share options vested during the reporting period.

(c) *Dividends*

Dividends paid or declared by the Company to members since the end of the previous financial period were.

	Pence per share	Total amount	Franked/ unfranked	Date paid
Special dividend	5.36 Pence	£535,546	Unfranked	7 November 2016

This dividend relates only to the 9,999,178 shares participating in the off-market buy-back completed on 7 November 2016.

20. 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 period as shown in the cash flow statement is reconciled to the related items in the balance sheet as follows:

	as at 30 June 2017 £,000	as at 30 June 2016 £,000
Reconciliation of cash and cash equivalents		
Cash balance comprises:		
– Available cash and cash equivalents	4,403	4,737
– Restricted cash	124	117
	4,527	4,854

The Group’s exposure to credit risk, interest rate and sensitivity analysis of the financial assets and liabilities are provided in Note 25.

20. Notes to the Cash Flow Statement (continued)

	12 months to 30 June 2017 £,000	12 months to 30 June 2016 £,000
(b) ***Reconciliation of the (loss)/profit for the period to net cash flows from operating activities:***		
Profit after tax	**(1,842)**	**301**
Add back non-cash and non-operating items:		
Depreciation	159	133
Amortisation	1,000	571
Impairment losses on intangible assets	327	243
Impairment losses on finance lease receivables	147	147
Foreign currency (gain)/loss unrealised	(4)	29
Equity settled share-based payment	101	107
(Increase)/decrease in assets:		
Trade receivables, deposits held with funders and other movements in lease assets	640	(84)
Finance lease receivable	(474)	22
Deferred tax asset	(19)	40
Other assets	(35)	(129)
Rental asset inventory	214	325
Increase/(decrease) in liabilities:		
Trade and other creditors	(629)	(49)
Deferred service revenue	205	(675)
Provisions	39	56
Provision for income tax	(233)	(451)
Other payables	–	399
Net cash (used in)/from operating activities	**(404)**	**985**

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

	June 2017 £,000	June 2016 £,000
Non-cancellable operating lease payments:		
No later than 1 year	96	96
Later than 1 year and not later than 5 years	383	383
More than 5 years	96	112
	575	591

22. Segment Information

The Group currently has one reportable segment which comprise the Group's core business unit (UK). Head office and other unallocated corporate functions are shown separately. For the segment, the Board and the CEO review internal management reports on a monthly basis. The composition of the reportable segment is as follows:

UK:

- ThinkSmart Europe Ltd
- RentSmart Ltd
- ThinkSmart Insurance Services Administration Ltd
- ThinkSmart Financial Services Ltd
- ThinkSmart UK Ltd

Corporate and unallocated:

- ThinkSmart Limited
- SmartCheck Finance Spain SL
- ThinkSmart Italy Srl
- ThinkSmart Inc

Operating Segments

Information about reportable segments

	UK		**Corporate and unallocated**		**Total**	
For the period ended:	**June 2017 £,000**	**June 2016 £,000**	**June 2017 £,000**	**June 2016 £,000**	**June 2017 £,000**	**June 2016 £,000**
Revenue	8,950	11,800	1	13	**8,951**	11,813
Other revenue	1,185	1,459	–	–	**1,185**	1,459
Total revenue	**10,135**	**13,259**	**1**	**13**	**10,136**	**13,272**
Customer acquisition cost	(1,341)	(1,561)	(8)	–	**(1,349)**	(1,561)
Cost of inertia assets realised	(1,925)	(2,099)	–	–	**(1,925)**	(2,099)
Other operating expenses	(4,691)	(4,329)	(1,432)	(1,497)	**(6,123)**	(5,826)
Depreciation and amortisation	(1,123)	(666)	(36)	(38)	**(1,159)**	(704)
Impairment losses	(474)	(390)	–	–	**(474)**	(390)
Non-operating strategic review and advisory expenses	–	–	(1,106)	(1,846)	**(1,106)**	(1,846)
Reportable segment profit/ (loss) before income tax	**581**	**4,214**	**(2,581)**	**(3,368)**	**(2,000)**	**846**
Reportable segment current assets	8,734	10,318	367	250	9,101	10,568
Reportable segment non-current assets	14,159	14,579	210	116	14,369	14,695
Reportable segment liabilities	4,852	6,483	310	928	5,162	7,411
Capital expenditure	2,183	2,277	2	–	2,185	2,277

23. Remuneration of Auditor

	12 Months to June 2017 £,000	12 Months to June 2016 £,000
Audit and review services:		
Auditor of the Company:		
Audit and review of financial reports	147	137
Services other than statutory audit:		
Tax compliance and advisory services	15	28
Other regulatory services*	27	18
Advisory services	4	13
Transaction compliance and advisory services	279	380
	325	439

* relates to statutory accounting requirements within Spain and Italy

The Group's auditors are KPMG.

24. Commitments and Contingent Liabilities

	June 2017 £,000	June 2016 £,000
Leases where Group acts as agent (off balance sheet)	16,792	20,899
Gross capital deposited with STB	2,954	3,426
Less provision for delinquent leases	(771)	(1,228)
Deposits held by funders	2,183	2,198

Under the terms of the UK current funding agreement with Secure Trust Bank (STB), the group is obliged to purchase delinquent leases (contracts in arrears for 91 days) from the funder at the funded amount. The Group has entered into a financial guarantee contract with STB for which the Group has provided capital to support future delinquent leases and at the same time recognised a provision against this deposit being its estimate of the funded amount of these leases that are likely to become delinquent in the future and will therefore not be recoverable from STB. The Group estimates this amount based on historical loss experience for assets with similar characteristics.

The net deposit held by funders is recognised as an asset on the Group's balance sheet within other non-current assets (see note 11).

Management have reviewed the sensitivity relating to delinquent leases funded by STB and an increase/decrease of 5% in expected delinquencies would impact the provision by -/+ £128k.

Sensitivity analysis

A change of 5% in delinquent leases would have increased or decreased the Group's profit for continuing operations by £128k.

25. Financial Instruments

(a) *Interest rate risk*

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

	Carrying amount	
	June 2017 £,000	**June 2016 £,000**
Variable rate instruments		
Cash and cash equivalents (note 20a)	4,527	4,854
Deposits held by funder (note 24)	2,954	3,426
Other interest bearing liabilities (note 18)	(2,365)	(3,559)
Net financial assets	5,116	4,721

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. This analysis assumes that all other factors remain constant including foreign currency rates.

	June 2017 £,000	**June 2016 £,000**
Effect of 1% increase in rates	51	47
Effect of 1% decrease in rates	(51)	(47)

(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.

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)

Key assumptions in the valuation of the instruments were limited to interpolating interest rates for certain future periods where there was no observable market data. The majority of financial assets and liabilities are measured at amortised cost. The only financial instrument measured at fair value is the interest rate swaps with Santander UK plc. This is a level 2 financial instrument with a fair value of £4,000 at 30 June 2017 (30 June 2016: £15,000).

25. 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:

	Notes	June 2017 £,000	June 2016 £,000
Cash and cash equivalents	20(a)	4,527	4,854
Trade receivables		310	336
Loan and lease receivable (current)	9	2,133	2,833
Loan and lease receivable (non-current)	9	1,298	1,545
Insurance prepayment and accrued income (current)	10	1,093	1,350
Insurance prepayment and accrued income (non-current)	11	674	1,111
Sundry debtors	10	169	165
Deposits held by funders	11	2,183	2,198
		12,387	14,392

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

	June 2017 £,000	June 2016 £,000
Australia	261	210
UK	12,100	14,166
Other	26	16
	12,387	14,392

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

	June 2017 £,000	June 2016 £,000
Banks[(i)]	4,527	4,854
Funders[(ii)]	2,183	2,198
Insurance partners[(iii)]	1,767	2,461
Retail customers[(iv)]	3,431	4,378
Others	479	501
	12,387	14,392

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

(ii) Deposits held with banks with S&P ratings of A- and AA-.

(iii) In the current financial reporting period, 100% (prior year: 100%) of the prepayment relates to RentSmart Limited's (UK) 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. Allianz holds an AA rating with S&P Insurer Financial Strength and Counterparty Credit Rating.

(iv) Retail customers are assessed for creditworthiness against a bespoke credit scorecard based on information drawn from a selection of industry sources.

25. Financial Instruments (continued)

(c) ***Credit risk management (continued)***

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

	Gross June 2017 £,000	Impairment June 2017 £,000	Gross June 2016 £,000	Impairment June 2016 £,000
Not past due	3,663	16	4,524	21
Past due 0-30 days	27	5	118	14
Past due 31-120 days	28	26	29	39
Past due 121-365 days	23	14	44	24
	3,741	61	4,715	98

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

	June 2017 £,000	June 2016 £,000
Balance at 1 July	98	59
Impairment loss recognised	146	198
Bad debt written off	(183)	(159)
Balance at 30 June	61	98

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

(d) ***Currency risk management***

Exposure to currency risk

The Group's exposure to foreign currency risk is limited to the cash balances held by the Australian parent ThinkSmart Limited denominated in Australian Dollars:

	June 2017 £,000	June 2016 £,000
Cash and cash equivalents	261	149
10% strengthening of AUD	(26)	(15)
10% weakening of AUD	26	15

	30 June 2017	30 June 2016
AUD/GBP period end exchange rate	0.5913	0.5549

(e) ***Liquidity risk management***

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

	June 2017 £,000	June 2016 £,000
Trade and other payables	1,155	1,717
Other interest bearing liabilities	2,365	3,559
	3,520	5,276
Less than 1 year	2,623	4,020
1-2 years	897	1,256
	3,520	5,276

26. 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:

Executive Chairman
N Montarello

Executive Directors
F de Vicente (Chief Executive Officer) (resigned 30 April 2017)
G Halton (Chief Financial Officer)

Non-Executive Directors
D Griffiths (resigned 30 April 2016
P Gammell (appointed 23 May 2016)
K Jones
D Adams (appointed 2 December 2016)
R McDowell (appointed 2 December 2016)

Executives

D Twigg (Chief Operating Officer (Credit and Operations)) (resigned 7 March 2017)
D Fletcher (Sales and Business Development Director) (resigned 10 April 2017)

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

	12 Months to June 2017 £,000	12 Months to June 2016 £,000
Short-term employee benefits	904	1,353
Post-employment benefits	95	33
Other long-term benefits	3	4
Share-based payments	86	105
	1,088	1,495

27. Subsequent Events

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

28. Earnings per Share

	12 Months to 30 June 2017 £,000	12 Months to 30 June 2016 £,000
(Loss)/profit after tax attributable to ordinary shareholders	(1,842)	301

	30 June 2017 Number	30 June 2016 Number
Weighted average number of ordinary shares (basic)	103,802,629	95,560,114
Weighted average number of ordinary shares (diluted)	106,895,058	95,685,114

	30 June 2017	30 June 2016
Earnings per share		
Basic (loss)/earnings per share (pence)	(1.77)	0.31
Diluted (loss)/earnings per share (pence)	(1.72)	0.31

KPMG

Independent Auditor's Report

To the members of ThinkSmart Limited

Report on the audit of the Financial Report

Opinion

We have audited the ***Financial Report*** of ThinkSmart Limited (the Company).

In our opinion, the accompanying Financial Report of the Company is in accordance with the *Corporations Act 2001*, including:

- giving a true and fair view of the ***Group***'s financial position as at 30 June 2017 and of its financial performance for the year ended on that date; and
- complying with *Australian Accounting Standards* and the *Corporations Regulations 2001*.

The ***Financial Report*** comprises:

- Consolidated Statement of financial position as at 30 June 2017
- Consolidated Statement of profit or loss and other comprehensive income,
- Consolidated Statement of changes in equity, and Consolidated Statement of cash flows for the year then ended
- Notes including a summary of significant accounting policies
- Directors' Declaration.

The ***Group*** consists of the Company and the entities it controlled at the year-end or from time to time during the financial year.

Basis for opinion

We conducted our audit in accordance with *Australian Auditing Standards*. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the Financial Report* section of our report.

We are independent of the Group in accordance with the *Corporations Act 2001* and the ethical requirements of the *Accounting Professional and Ethical Standards Board's APES 110 Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the Financial Report in Australia. We have fulfilled our other ethical responsibilities in accordance with the Code.

Key Audit Matters

The ***Key Audit Matters*** we identified are:

- Valuation of Inertia contract intangible assets and associated revenue recognition
- Recoverability of deposits held by funders

Key Audit Matters are those matters that, in our professional judgment, were of most significance in our audit of the Financial Report of the current period.

These matters were addressed in the context of our audit of the Financial Report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Valuation of Inertia contract intangible assets £3.7m, Deferred service income: £1.5m	
Refer to Note 6 and 13 of the Financial Report.	
The key audit matter	**How the matter was addressed in our audit**
The Group recognises an intangible asset from inertia contracts, the value of which is based on future expected income arising from extended rental income and from the sale of inertia assets. An amount equal to this asset is recognised as deferred service income over the life of the contract. The valuation of the inertia assets requires the Group to apply significant judgement. It is based on the discounted cash flows expected to be derived from the contractual right to the income from the sale or hire of the asset at the end of the minimum lease term. This significant judgement relates to the future expected returns, including expected inertia proceeds, realisation costs, secondary hire terms, contract default rates and the discount rate used to calculate the present value of future cash flows. This is a key audit matter due to the complexity and unique nature of the intangible assets and related revenue and the expertise we needed when auditing this estimate as it is based on forward looking assumptions which are inherently subjective.	Our procedures included: Our sector experience: Worked with our Corporate Finance specialists to critically assess the discount rate by comparing the Group's methodology and calculation to publicly available market data for comparable entities; Historical comparisons: Critically assessed the Group's analysis and key assumptions over the estimated return value achievable on assets determined through expected secondary rental income and sale of the assets on non-defaulting contracts, by comparing a sample to recent and historical proceeds achieved, historical data of proceeds of sales of the Group's comparable assets and against our knowledge of trends in the industry; Assessing transparency: We considered the adequacy of the Group's disclosures against our knowledge from our testing and the criteria in the accounting standards.

Recoverability of deposits held by funders: £2.2m	
Refer to Note 24 to the Financial Report	
The key audit matter	**How the matter was addressed in our audit**
As explained in note 24, deposits are placed with funders under a financial guarantee contract. A provision is recognised against the deposit reflecting the Group's estimate of its obligation to purchase delinquent leases from the funder. The provision is calculated based on historical loss data and the recoverability of the debtor is dependent on the assessment of impairment losses being complete and accurate and reflective of future expected cashflows. This is a key audit matter given the audit effort applied to assess the Group's judgements of expected loss rates. As the provision is forward looking we considered whether historical loss data was a reasonable basis for the provision in light of industry trends.	Our procedures included: Controls: Tested the key controls over the capture, monitoring and reporting of impairment losses; Historical comparisons: We assessed the accuracy of previous provisions against actual losses incurred. We used this knowledge when challenging the Group's current loss rates. We assessed the profile of loss rates for current leases against actual loss rates for historic leases. We applied our knowledge of industry trends when assessing the current provision amounts; Assessing transparency: Assessed the adequacy of the Group's disclosures against the requirements of the accounting standards and relevant sensitivities of judgements made.

Other Information

Other Information is financial and non-financial information in ThinkSmart Limited's annual reporting which is provided in addition to the Financial Report and the Auditor's Report. The Directors are responsible for the Other Information.

The Other Information we obtained prior to the date of this Auditor's Report was the Director's Report and Remuneration Report. The Executive Chairman's Report, Shareholder information and Highlights for the year ended 30 June 2017 are expected to be made available to us after the date of the Auditor's Report.

Our opinion on the Financial Report does not cover the Other Information and, accordingly, we do not and will not express an audit opinion or any form of assurance conclusion thereon, with the exception of the Remuneration Report and our related assurance opinion. In connection with our audit of the Financial Report, our responsibility is to read the Other Information. In doing so, we consider whether the Other Information is materially inconsistent with the Financial Report or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We are required to report if we conclude that there is a material misstatement of this Other Information, and based on the work we have performed on the Other Information that we obtained prior to the date of this Auditor's Report we have nothing to report.

Responsibilities of the Directors for the Financial Report

The Directors are responsible for:

- preparing the Financial Report that gives a true and fair view in accordance with *Australian Accounting Standards,* and the *Corporations Act 2001*
- implementing necessary internal control to enable the preparation of a Financial Report that gives a true and fair view and is free from material misstatement, whether due to fraud or error
- assessing the Group's ability to continue as a going concern. This includes disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the Financial Report

Our objective is:

- to obtain reasonable assurance about whether the Financial Report as a whole is free from material misstatement, whether due to fraud or error; and
- to issue an Auditor's Report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with *Australian Auditing Standards* will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error. They are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this Financial Report.

A further description of our responsibilities for the audit of the Financial Report is located at the Auditing and Assurance Standards Board website at: http://www.auasb.gov.au/auditors_files/ar2.pdf. This description forms part of our Auditor's Report.

KPMG

Report on the 'Key Management Personnel Remuneration' within the Remuneration Report

Opinion

In our opinion, the Key Management Personnel Remuneration set out on Page 20 of the Remuneration Report of ThinkSmart Limited for the year ended 30 June 2017, complies with the basis of preparation of the Remuneration Report as described within the Remuneration Report.

Directors' responsibilities

The Directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with the basis of preparation of the Remuneration Report as described within the Remuneration Report.

Our responsibilities

We have audited the Key Management Personnel Remuneration set out on Page 20 of the Remuneration Report included within the Directors' report for the year ended 30 June 2017.

Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with *Australian Auditing Standards.*

KPMG

Denise McComish
Partner

Perth, Australia

5 September 2017

Shareholder Information

The shareholder information set out below was applicable as at 2 October 2017.

Distribution of Equity Security

	Number of ordinary shares	Security holders Options
1 – 1,000	85	–
1,001 – 5,000	292	–
5,001 – 10,000	146	–
10,001 – 100,000	267	–
100,001 and over	52	7

Equity Security Holders

Twenty largest quoted equity security holders

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

Name	Units	% of Units
MR NATALE RONALD MONTARELLO <MONTARELLO INV A/C>	27,021,956	25.62
AURORA NOMINEES LIMITED <2234100>	22,673,553	21.50
WULURA INVESTMENTS PTY LTD <PJT GAMMELL SUPER FUND A/C>	8,515,624	8.07
VIDACOS NOMINEES LIMITED <FGN>	6,705,010	6.36
PERSHING NOMINEES LIMITED <PERNY>	3,852,335	3.65
VIDACOS NOMINEES LIMITED <RBCRBSMR>	2,614,189	2.48
PHOENIX PROPERTIES INTERNATIONAL PTY LTD	2,000,000	1.90
THINKSMART LTI PTY LTD <TS EMPLOYEE SHARE A/C>	1,750,000	1.66
CHASE NOMINEES LIMITED	1,698,038	1.61
HALB NOMINEES LIMITED <CLTPN1>	1,600,000	1.52
WULURA INVESTMENTS PTY LTD	1,566,948	1.49
MR NATALE RONALD MONTARELLO + MRS KIMBERLY MONTARELLO <MONTARELLO S/F A/C>	1,535,000	1.46
BEAUFORT NOMINEES LIMITED <SSLNOMS>	1,004,693	0.95
APOLLO NOMINEES LTD <CRE>	1,000,000	0.95
RUDIE PTY LTD <MATTANI SUPER FUND A/C>	891,769	0.85
MR HONG KEONG CHIU + MS YOK KEE KHOO	811,701	0.77
MR FERNANDO VICENTE LOPEZ	803,000	0.76
MR DANIEL EDWARD GAMMELL	605,000	0.57
MR EDWARD JAMES DALLY + MRS SELINA DALLY <E J DALLY SUPER FUND A/C>	602,536	0.57
MR ROBERT BAGNARA	600,000	0.57
Total	**87,851,352**	**83.29**

Unquoted Equity Securities

	Number on Issue	Number of holders
Options issued under the ESOP to take up ordinary shares	3,251,026	7

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 %
MR NATALE RONALD MONTARELLO	30,311,036	28.74
LOMBARD ODIER ASSET MANAGEMENT (EUROPE) LTD	23,650,553	22.42
PETER GAMMELL	10,082,572	9.56
FORAGER FUNDS MANAGEMENT PTY LTD	5,468,720	5.18

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 entitles 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.

THINKSMART LIMITED
CORPORATE INFORMATION
ABN 24 092 319 698

Directors
N R Montarello (Executive Chairman)
G Grimes (Chief Executive Officer)
G Halton (Chief Financial Officer)
K Jones (Non-Executive Director and Deputy Chairman)
P Gammell (Non-Executive Director)
D Adams (Non-Executive Director)
R McDowell (Non-Executive Director)

Company Secretary
Kerin Williams (UK resident)
Jill Dorrington (Australian resident)

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Australia
Phone: +61 8 9389 4403

Company Registrars
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Perth WA 6000
Australia

Depositary
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Bridgwater Road
Bristol
BS13 8AE

ThinkSmart Limited shares are listed on AIM,
a sub-market of the London Stock Exchange
(AIM code: TSL)

Solicitors
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250 St Georges Terrace
Perth WA 6000
Australia

Auditors
KPMG
235 St Georges Terrace
Perth WA 6000
Australia

Bankers
Westpac Banking Corporation
109 St Georges Terrace
Perth WA 6000
Australia

Santander UK plc
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