ThinkSmart Limited
Annual Report 2018

ABN 24 092 319 698

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Highlights for the year to 30 June 2018

Highlights

- Volumes up 17% to £13.7m (FY17: £11.7m), driven by launch of new products 'Flexible Leasing' and 'ClearPay' (discontinued post sale of company)
- Revenues of £8.1m (FY17: £10.1m), reflecting the shift in product mix to lower revenue. 'Flexible Leasing' volumes compounded by shift towards on balance sheet lease accounting, where revenue is spread over term of lease rather than upfront commission income
- Statutory loss after tax of £4.9m (FY17: £1.8m) includes one-off non-cash impairment to write-off goodwill of £2.3m, relating to a legacy 2007 acquisition, and £0.6m loss from discontinued activities
- Investment in year in proprietary payment and financing platform, including credit decision engine, 'SmartCheck', enabled development and successful launch of innovative new products:
  - 'Flexible Leasing', mobile phone consumer leasing proposition, in conjunction with longstanding commercial partner Dixons Carphone
  - 'ClearPay', a new consumer credit product, which offers consumers the option to split retail purchases into three interest-free payments
- Post year-end, 90% of 'ClearPay' acquired by Afterpay Touch Group Limited ("Afterpay") for 1 million Afterpay shares (valued at approximately £10.6m at completion), representing an initial pre-tax ROI of approximately 500% after transaction related costs
- Cash and cash equivalents of £2.5m at 30 June 2018 increasing to £10.5m at 31 August 2018, post receipt of the proceeds from the sale of the initial tranche of 750,000 Afterpay shares pursuant to the 'ClearPay' transaction, but prior to the expected special dividend/capital return. The Group is currently reviewing its capital allocation plan and how best to reward shareholders
- Available funding of £60m for volume growth under existing debt facilities
- Executed non-binding strategic alliance with leading global bank offering greater reach into the retail point of sale asset finance market place
- Significant investment programme in 'SmartCheck' technology and platform capability now largely complete, leaves business well positioned to further leverage its proprietary IP for expansion into new products and markets

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

"It has been a year of significant progress and achievement for ThinkSmart. Our strategic focus on developing our digital point of sale payments and financing platform yielded positive results with higher volumes, new product launches and the successful sale of our 'ClearPay' business to Afterpay.

"We have always built our strategy around our core values of entrepreneurialism and innovation. The rapid development of the 'ClearPay' offering, enabled by our proprietary technology platform and market know-how, and subsequent sale of 90% of the business to emerging global leader Afterpay, is testament to our capabilities. The transaction represents a 500% initial return on investment for shareholders, and we also retain significant upside potential in the value of our minority holding. We have confidence in the product and Afterpay's impressive management team to execute on a well-defined market growth strategy.

"In our core leasing business, we are pleased to have entered into a non-binding strategic alliance with a leading global bank to leverage our core capabilities and their balance sheet and reverse logistics expertise. This will allow us greater reach into the retail point of sale asset finance market place.

The continued longstanding relationship with leading retailer Dixons Carphone also presents further significant opportunities for growth.

The investment in our technology platform, along with our team, proven processes, licences and compliance regime, position us to continue developing further new innovative products and partnerships going forward."

Executive Chairman's Report

Introduction

It has been a year of significant progress for the business, with the Group's strategic focus on developing its point of sale payments and financing platform allowing us to launch compelling and innovative new products during the period to meet evolving consumer and retailer demand for digital payment solutions.

In September 2017 we launched our 'Flexible Leasing' smartphone solution, with longstanding partner, Dixons Carphone, which enables end customers to upgrade to the latest handset after 12 months, at a point in time of their choosing. From commencement in July 2017, we fully launched in March 2018 our first to market digital payments plan, 'ClearPay', which gives retailers the ability to allow customers to spread the cost of purchases over three interest-free monthly payments at the point of sale.

Post the year end, the Group sold 90% of the 'ClearPay' business to ASX listed Afterpay for 1 million Afterpay shares (approximately £10.6m), representing an initial return on investment of 500%. As well as crystallising a significant initial return on investment for shareholders, the ongoing 10% stake in Afterpay's UK business offers shareholders the prospect of significant upside. A proportion of the 10% retained shareholding (up to 3.5% of the total share capital of 'ClearPay') will be made available to employees of 'ClearPay' under an employee share ownership plan ("ESOP"). Afterpay, currently valued at A$4billion, is a global leader in online payments. Utilising the local capabilities of the 'ClearPay' entity and team, Afterpay will prepare to launch its globally scalable system into the UK within the next six months.

The business continues to review its capital allocation programme and reiterates its intention to reward shareholders with a capital return and/or special dividend following the 'ClearPay' transaction, whilst retaining sufficient cash to invest in the business. The Group intends to inform shareholders of the outcome of this review in the near term.

The Group continues to operate its existing core leasing business, and to invest in its proprietary 'SmartCheck' solution which has the capability for both credit and leasing. The business is keenly attuned to emerging digital payments trends and consumer needs and, having proven the value of the Group's proprietary IP, contract management systems, licences and compliance regime, is well positioned to monetise this further through developing new partnerships and new products while expanding into new markets.

With net cash at 31 August 2018 of £10.5m (before expected special dividend/capital return), and available headroom on its funding facilities of £60m for volume growth, the Group is securely financed, which offers a strong base for ongoing growth.

Performance

Overall UK volumes for the period grew by 17% to £13.7m (FY17: £11.7m). This was driven by the launches of Flexible Leasing, which contributed £6.5m, and 'ClearPay', which contributed £0.3m (discontinued post sale of company). Collectively the contribution from Flexible Leasing and 'ClearPay' more than offset the decrease in volumes from the established products, 'SmartPlan' and 'Upgrade Anytime'.

Revenues were 20% lower at £8.1m (FY17: £10.1m) reflecting the shift in product mix to lower revenue Flexible Leasing volumes compounded by a shift towards on balance sheet lease accounting where revenue is spread over term of lease rather than upfront commission income.

Statutory loss after tax of £4.9m (FY17: £1.8m) includes one-off non-cash impairment to write-off goodwill of £2.3m, relating to a legacy 2007 acquisition, and £0.6m loss from discontinued activities.

Performance also reflects an investment of £2.3m in improving the capability of the Group's 'SmartCheck' platform (FY17: £1.9m). While the development of new products would inherently incur its own investment, the period of heavy investment in the development of the Group's platform and 'SmartCheck' technology is now drawing to a close and the Group expects the level of investment in FY19 to reflect this. The sale of 'ClearPay' also reduces the cost base.

The investment in operations has allowed the Group to develop the attributes of a successful digital payments company, offering a proprietary payments decision engine, a leading team, proven processes, licences and compliance regime. Therefore, the business is now well positioned to leverage this investment through its ability to develop customer-focused solutions more rapidly.

The Group is protected against any adverse impact on its existing customers financial position, in an environment of rising interest rates, through the quality of its underwriting procedures, which form a fundamental part of the business's core capabilities, as well as the small value of debt per customer and its high-quality credit customer portfolio. Additionally we are well diversified by region and demography, with a good mix of consumer and business customers.

Position

As a result of the volume of leases maturing from prior years, assets under management reduced marginally by 1% to £19.9m, while active customer contracts decreased by 11% to 41,000.

Cash and cash equivalents stood at £2.5m at the end of the period, and at £10.5m as at 31 August 2018, following the sale of 'ClearPay' (and before the expected special dividend/capital return). The Group has plenty of available headroom to support volume growth of the business, with funding facilities totalling £80m in place of which less than 25% has been drawn.

Partnerships

We continue to partner with Dixons Carphone, one of the UK's leading electrical and mobile phone retailers, and have further strengthened our relationship during the period with the launch of the Group's 'Flexible Leasing' smartphone product in September 2017. The product is aligned with current consumer behaviour as attitudes towards ownership shift and leasing becomes increasingly popular. The business is constantly looking at ways to best align products with customer behaviour.

Alongside our partnership with Dixons Carphone, we are looking to partner with scale retailers in other sectors, as part of our multi-faceted, multi-channel approach to growing the business. ThinkSmart's innovative payments propositions integrate seamlessly both online and in-store, creating differentiation and advantage for retailers in high volume, low value sectors.

In particular, the Group has executed a new strategic relationship with a leading global bank, focused on optimising the credit leasing value chain, delivering benefits to consumers and retailers as well as offering us a broader set of potential commercial relationships

Growth Strategy

The Group will continue to focus on its digital proprietary technology platform 'SmartCheck' and mobile app to develop its core capability in the provision of leasing and credit point of sale finance for retailers of scale in the UK. In particular, the Group intends to focus on the following core technological and service attributes:

Credit Decision Capability:

The Group intends to introduce increased sophistication and automation to its credit decision capability, which serves both consumers and business customers. This will further enhance our market leading decision capability and provide optimal decision-making for our customers, retail partners and funders.

Mobile App and Mobile Customer Experience:

Continue development of the Group's mobile app and digital mobile-optimised customer journey to ensure the company remains at the forefront of retail finance transactions from mobile devices, creating a unified experience across the digital customer journey.

Life Cycle Contract Management:

Further development of the Group's lifecycle contract management capabilities with automated low-cost customer service and programmable digital communication technologies to serve customers through product lifecycles.

Breadth of Proposition:

The Group is authorised by the Financial Conduct Authority and holds permissions for consumer credit lending, consumer hire and debt collections enabling it to develop and bring to market a full range of retail finance propositions which it can service end to end.

In addition, the Group has more than 16 years' experience of providing regulated retail finance products, together with established operations and processes with an embedded culture of Treating Customers Fairly.

This combination of proprietary technology and regulatory expertise and experience creates a differentiated market position and advantage for the Group.

The Group executes its growth strategy across the following channels:

Organic Growth Through Existing Retail Partners

The Group has a long-term relationship with Dixons Retail, one of Europe's largest electrical and telecommunications companies, through which it has an exclusive arrangement to distribute an innovative mobile phone proposition, 'Flexible Leasing', via Carphone Warehouse stores, the dominant market leader in the UK for retailing mobile phones. The Group's B2B leasing proposition 'SmartPlan' is distributed through Dixons Retail's Currys PC World stores, the UK market leader for retailing electricals.

Expansion into New Markets and Sectors

The Directors believe that the opportunity to lease extends to markets beyond the coverage of the arrangement with Dixons Retail. 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.

Innovate and Leverage Proprietary Technology

The Group's ability to innovate and leverage its proprietary technology and expertise can be evidenced by its recent sale in August 2018 of 'ClearPay' to Afterpay.

Disposal of Shares in ClearPay

As announced on 23 August 2018, post year end, the Company's subsidiary, ThinkSmart Europe Limited ("TSE"), completed the sale of 90% of the issued shares in 'ClearPay' to Afterpay for 1,000,000 shares in the capital of Afterpay. On 24 August 2018, the Company sold its initial tranche of 750,000 shares in the capital of Afterpay at a price of $20 per share. The Company will be issued a second tranche of 250,000 shares in the capital of Afterpay on 23 February 2019, six months following completion.

The Group's subsidiary, RentSmart Limited has entered into a business separation and transitional services agreement with ClearPay to support the transaction and facilitate the transition to Afterpay. In addition, the Group has indemnified Afterpay against any losses incurred by 'ClearPay' in shutting down the existing 'ClearPay' retailers, and Afterpay has the right to reduce the second tranche of 250,000 shares if any such shut down losses arise and have not been reimbursed by the Group prior to the issue of these shares.

Current Trading Update

In the two months to 31 August 2018 settled value volumes were £1.47m, up 3.5% on same period last year. Growth continues to be driven primarily by the 'Flexible Leasing' proposition. Due to the two-year duration of the leasing term, revenue and profit will have an increasing impact over the coming periods. The volume and margin contributions from 'Upgrade Anytime' have been decreasing steadily over the past years and the product is no longer offered to new customers.

The Group remains highly attuned to the impact of evolving consumer demands and trends, and is focused on leveraging its well invested proprietary payments decision technology platform, 'SmartCheck', to design new products for both existing and new partners and to grow its customer base through innovative digital payment 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 2018, 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 & Interim CEO*

Ned was appointed Executive Chairman on 22 May 2010 and is also interim CEO. 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.

Gerald Grimes *– (resigned 3rd January 2018) Chief Executive Officer*

Gerald joined as Chief Executive Officer on 1 July 2017 from Hitachi Capital where he was Managing Director of Hitachi Capital Consumer Finance and sat on the board of Hitachi Capital (UK) plc.

Keith Jones *MBA Bus Non-Executive Director, Deputy Chairman, Chair of the Remuneration and Nomination Committee*

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. Keith is Chair of the Remuneration and Nomination Committee of ThinkSmart.

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.

Gary Halton, *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, *Non-Executive Director, Chair of the Audit and Risk 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, Moss Bros plc, Fevertree Drinks plc, Conviviality plc and Hornby plc. David's current appointments include serving as the Senior Independent Non-Executive Director and Chair of the Audit Committee of Halfords plc and Non-Executive Director and Audit Committee Chairman of Debenhams plc, Chairman of Park Cameras Limited and Trustee of Walk the Walk (a Breast Cancer Charity). David is Chairman of the Audit Committee and a Member of the Nomination and Remuneration Committee.

Roger McDowell, *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 Hargreaves Services Plc, Chairman of Avingtrans plc, Senior Independent Director & Remuneration Chair at Tribal plc, Non-Executive Director and Remuneration Chair of Swallowfield plc and Non-Executive Director and Audit Chair of Proteome. He is also a Non-Executive Director of Augean PLC and D4t4 Solutions plc. Previous roles include Senior Independent Director & Audit Chair at Servelec plc prior to its successful sale in January 2018. 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 year was the provision of lease and rental financing services in the United Kingdom ("UK").

OPERATING AND FINANCIAL REVIEW

The Board presents its Operating and Financial Review for the year ended 30 June 2018 and this information should be read in conjunction with the consolidated financial statements and accompanying notes.

Business model

ThinkSmart is a leading digital payments company and provider of leasing and credit point of sale finance for both consumers and businesses.

Its core capability is to provide innovative payment propositions, digital credit decisions and customer life cycle contract management through its market leading proprietary technology platform 'SmartCheck' and mobile app.

ThinkSmart's innovative payment propositions integrate seamlessly into both online and store customer journeys, creating differentiation and advantage for retailers in national distribution in high volume low value vertical sectors.

Key financial data

	12 Months to June 2018 £,000	12 Months to June 2017 £,000	Variance £,000	Variance %
Revenue	**7,417**	**8,951**	(1,534)	–17%
Other revenue	**721**	**1,185**	(464)	–39%
Total revenue	**8,138**	**10,136**	(1,998)	–20%
Customer acquisition costs	**(1,225)**	**(1,349)**	124	+9%
Cost of inertia asset realised	**(1,264)**	**(1,925)**	661	+34%
Other operating expenses	**(5,910)**	**(6,123)**	213	+3%
Depreciation and amortisation	**(1,436)**	**(1,159)**	(277)	–24%
Impairment losses(1)	**(3,145)**	**(474)**	(2,671)	–564%
Non-operating strategic review & advisory expenses	**–**	**(1,106)**	1,106	+100%
Loss before tax from continuing operations	**(4,842)**	**(2,000)**	(2,842)	–142%
Income tax benefit	**530**	**158**	372	+235%
Loss after tax from continuing operations	**(4,312)**	**(1,842)**	(2,470)	–134%
Loss from discontinued operations net of tax(2)	**(594)**	**–**	(594)	–100%
Loss after tax	**(4,906)**	**(1,842)**	(3,064)	–166%

(1) Impairment losses for the year include a one-off impairment to write off goodwill of £2.33 million

(2) In June 2018, management committed to a plan to sell one of the subsidiary companies, ClearPay Finance Limited. The sale was completed on the 23 August 2018. ClearPay was developed and began trading in July 2017 and therefore did not make up part of the Consolidated Financial Statements for the year ending 30 June 2017. As such there is no requirement to re-state the comparative consolidated statement of Profit & Loss and Other Comprehensive Income.

Summary of results

- Net loss after tax of £(4.9) million in the year, with £(4.3) million from continuing operations up 134% on the prior financial year. This includes a £2.33 million one-off impairment to write off goodwill in the year.
- Basic Loss Per Share of (4.67) pence at 30 June 2018 lower by 164% from (1.77) pence per share at 30 June 2017.
- Available cash assets of £2.5m at 30 June 2018, down 44% on prior financial year end position.
- ThinkSmart and its longstanding commercial partner, Dixons Carphone, developed and launched Flexible Leasing. Flexible Leasing is an innovative mobile phone consumer proposition targeting the premium smartphone market. The product has produced £6.5m of settled value in the first eleven months of trading.
- During the year the Group launched ClearPay a new consumer credit product. ClearPay offers consumers the option to split retail purchases into three interest free payments. Significant retailers onboarded during the year include Watchshop, Garment Quarter and Swag. In August 2018 ClearPay was sold to Afterpay Touch as detailed in "Events after the reporting date" (see Note 29). This represented a c500% pre-tax initial return on investment after transaction related costs.

Review of operations

Continuing operations – UK

The UK business incurred a loss (before intercompany recharge of corporate costs) of £3.5m (2017: £0.6m profit) mainly as a result of the £2.3m one-off impairment to write off goodwill and its continued material investment in the year, in its systems and new product development.

Overall UK volumes at £13.7m for the year were up 17% on prior year of £11.7m driven mainly by the launches in the year of new products, Flexible Leasing (at £6.5m for the year) and ClearPay (at £0.3m for the year, discontinued following sale of company), which more than offset the decrease in volumes from TBL (decreasing from £0.5m to nil) as well as from the established products, SmartPlan (decreasing from £5.4m to £4.8m) and Upgrade Anytime (decreasing from £5.8m to £2.0m).

The increase in volumes was driven by Flexible Leasing where the revenue is spread over the two year term of the leases and which has a narrower margin than the established products. This resulted in a reduction in total revenue of 20% to £8.1m (2017: £10.1m). A result of the change in product mix is that assets under management (including off balance sheet leases of £13.1m) reduced marginally by value to £20.0m, down 1% against the same period last year while active customer contracts decreased by 11% to 41,000.

The business has continued to invest in its people, processes and systems, especially its proprietary SmartCheck system. The expenditure in the financial year from investing activities was up 10% to £2.4m from £2.2m in the prior year. Depreciation and amortisation expense also increased by 29% to £1.5m. This investment has enabled the launch of two new products in the year, Flexible Leasing and ClearPay.

Continuing operations – Corporate

Corporate costs (before intercompany recharge of corporate costs), excluding non-operating strategic review and advisory expenses, continue to fall being £1.3m for the 12 months to 30 June 2018 (down 9% on prior year).

Summary Financial Position

As at	**30 June 2018 £,000**	**30 June 2017 £,000**	**Variance £,000**	**Variance %**
Cash and cash equivalents	**2,523**	**4,527**	(2,004)	–44%
Other assets	**11,723**	**9,238**	2,485	+27%
Goodwill and intangibles	**6,335**	**9,791**	(3,456)	–35%
Assets held for sale	**1,528**	**–**	1,528	+100%
Total assets	**22,109**	**23,556**	(1,447)	–6%
Other liabilities	**8,602**	**5,248**	(3,354)	–64%
Liabilities held for sale	**141**	**–**	(141)	–100%
Total liabilities	**8,743**	**5,248**	(3,495)	–67%
Equity	**13,366**	**18,308**	(4,942)	–27%

GROUP STRATEGY

The Group will continue to focus on its digital proprietary technology platform 'SmartCheck' and mobile app to develop its core capability in the provision of leasing and credit point of sale finance for retailers of scale in the UK.

In particular, the Group intends to focus on the following core technological and service attributes:

Credit Decision Capability:

The Group intends to introduce increased sophistication and automation to its credit decision capability which serves both consumers and business customers.

This will further enhance our market leading decision capability and provide optimal decisioning for our customers, retail partners and funders.

Mobile app and Mobile Customer Experience:

Continue development of the Group's mobile app and digital mobile optimised customer journey to ensure the company remains at the forefront of retail finance transactions from mobile device, creating a unified experience across the digital customer journey.

Life Cycle Contract Management:

Further development of the Group's lifecycle contract management capabilities with automated low cost customer service and programmable digital communication technologies to serve customers through product lifecycles.

Breadth of Proposition:

The Group is authorised by the Financial Conduct Authority and holds permissions for consumer credit lending, consumer hire and debt collections enabling it to develop and bring to market a full range of retail finance propositions which it can service end to end.

In addition, the Group has more than 16 years experience of providing regulated retail finance products, together with established operations and processes with an embedded culture of Treating Customers Fairly.

This combination of proprietary technology and regulatory expertise and experience creates a differentiated market position and advantage for the Group.

The Group executes its growth strategy across the following:

Organic Growth Through Existing Retail Partners

The Group has a long term relationship with Dixons Retail and Carphone Warehouse, one of Europe's largest electrical and telecommunications companies, through which it has an exclusive arrangement to distribute an innovative mobile phone proposition 'Flexible Leasing', via Carphone Warehouse stores, the dominant market leader in the UK for retailing mobile phones.

The Group's B2B leasing proposition 'SmartPlan' is distributed through Dixons Retails Currys PC World stores, the dominant UK market leader for retailing electricals.

Expansion into New Markets and Sectors

The Directors believe that the opportunity to lease extends to markets beyond the coverage of the arrangements with Dixons Retail and Carphone Warehouse.

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.

Innovate and Leverage Proprietary Technology

The Group's ability to innovate and leverage its proprietary technology and expertise can be evidenced by its recent sale in August 2018 of ClearPay Finance Limited ("ClearPay") to AfterPay Touch Group Limited, a company listed on the ASX.

ClearPay, a company which commenced trading in July 2017 and formally launched in March 2018, allows retailers to offer their customers the ability at the point of sale to make purchases of up to £450 and spread the cost over three interest-free monthly payments via a fully digital online customer journey and mobile app.

The Group's subsidiary, ThinkSmart Europe Limited ("TSE"), sold 90% of the issued shares in ClearPay to AfterPay for 1,000,000 shares (valued at c. £10.5m on completion) in the capital of AfterPay to be issued to TSE.

In addition, the sale provides the Group with a 10% retained shareholding in ClearPay. A proportion of the 10% retained shareholding (up to 3.5% of the total share capital of ClearPay) will be made available to employees of ClearPay under an employee share ownership plan ("ESOP"). Any such options will only be exercisable on an ultimate exit event or at such time as the Group no longer holds shares in ClearPay.

Strategic Alliances and Opportunities

The Group has executed a non-binding strategic alliance agreement with a global financial institution to further leverage its proprietary technology platform and service capability inclusive of jointly developing and bringing to market new propositions and opportunities.

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 the light of Brexit which expected to take place on 29 March 2019). 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 has financial exposure to.

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 Secure Trust Bank ("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 2018, the Bank of England base rate was increased by 0.25% to 0.75%. 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 partners, Dixons Retail and Carphone Warehouse, one of Europe's leading specialist electrical and telecommunications retailers. The Group has a long term exclusive contract with Dixons which has recently been extended to 2020 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. The Financial Conduct Authority ("FCA") is the regulatory body responsible for the consumer credit industry in the UK. The Group's activities are regulated by a regulatory framework based on a combination of the Financial Services and Markets Act 2000 and its secondary legislation, the provisions of the Consumer Credit Act 1974 and the FCA Rules. The volume and demands of regulation, and the regulatory scrutiny have increased since the transfer of regulatory powers from the Office of Fair Trading to the FCA in 2014.

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

No dividends paid or declared by the Company to members since the end of the previous financial.

SIGNIFICANT EVENTS AFTER THE BALANCE SHEET DATE

On 23 August 2018 the Group announced that it had sold 90% of the share capital of ClearPay Finance Limited to AfterPay Touch Group Limited ("AfterPay'"), a company listed on the ASX. The Group sold 90% of the issued shares in ClearPay to AfterPay for 1,000,000 shares in the capital of AfterPay. The shares were valued at the transaction date at AUD $18.55m and issued to ThinkSmart Europe Limited (TSE). An initial tranche of 750,000 shares was issued to TSE at completion on 23 August 2018 (am AEST) and a second tranche of 250,000 shares will be issued to TSE on 23 February 2019, being 6 months from completion. The first tranche of shares was subsequently sold on 24 August 2018 at AUD $20 per share for a total of AUD $15m.

The Group's subsidiary, RentSmart Limited has entered into a business separation and transitional services agreement with ClearPay to support the transaction and facilitate the transition to AfterPay. In addition, the Group has indemnified AfterPay against any losses incurred by ClearPay in shutting down the existing ClearPay retailers, and AfterPay has the right to reduce the second tranche of 250,000 shares if any such shut down losses arise and have not been reimbursed by the Group prior to the issue of these shares.

A proportion of the 10% shareholding in ClearPay retained by TSE will be made available to employees of ClearPay under an employee share ownership plan ("ESOP"). After completion, TSE will make available some of the shares in ClearPay held by it for the grant of options under the ESOP (up to 3.5% of the total share capital of ClearPay). Any such options will only be exercisable on an ultimate exit event or at such time as TSE no longer holds shares in ClearPay.

TSE also has rights of pre-emption to subscribe for shares in ClearPay in any follow on fundraise. Afterpay has an option to acquire the remaining shares held by TSE (and any shares forming part of the ESOP), exercisable any time after 5 years from Completion based on agreed valuation principles. If the option to purchase is not exercised by AfterPay within 5 years and 6 months from Completion then TSE may exercise a put option to sell the remaining shares in ClearPay held by it (and any shares forming part of the ESOP) to AfterPay at a price calculated on agreed valuation principles.

For the 12 month period to 30 June 2018 ClearPay incurred losses of £0.6m and at 30 June 2018 had balance sheet net assets of £1.4m (excluding inter-company debt).

It is expected that the Group's shareholders will be rewarded in the form of a special dividend and/or capital return whilst the Group will ensure that it retains sufficient cash reserves for further expansion and product development opportunities.

CHAIRMAN'S STATEMENT ON CORPORATE GOVERNANCE

The Principles of Corporate Governance

As a Board we recognise the importance of high standards of corporate governance and their importance and support to our strategic goals and long-term success. The Company is listed on AIM and will therefore be required from 28 September 2018 to provide details of a recognised corporate governance code that the Board of directors have decided to apply. We have, since listing, acknowledged the importance of the principles set out in the Quoted Companies Alliance corporate governance code for small and mid-sized companies 2013 (the QCA Code). We will therefore apply its replacement the QCA Corporate Governance Code that was published in April 2018 (the New QCA Code). We believe that by 28 September 2018 we will apply many of the ten principles of the New QCA Code.

Deliver Growth

The Board has collective responsibility for setting the strategic aims and objectives of the Group. This strategy is set out in the Group Strategy section of the Directors' Report.

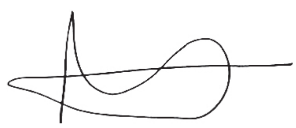
Dynamic Management Framework

As Chairman, I consider the operation of the Board as a whole and the performance of the directors individually regularly. We have not, so far however, carried out a board performance evaluation so we have not complied with principle 7 of the QCA Code which requires the Company to carry out a board performance evaluation.

Responsibility for the overall leadership of the Group and setting the Group's values and standards sits with the Board. We understand that these values influence and shape our business. Our Company values of being Accountable, Straightforward, Challenging and operating with Dignity and Respect are taught to all employees and ensure the customer is at the centre of everything we do. These values also ensure a unified culture and consistent behaviours across our business.

Build Trust

During the year ThinkSmart has undertaken a number of investor relations activities. These include investor roadshows, participation at investor conferences and attending other events where investors have the opportunity to meet and talk to the Directors and senior management. During the year the Board has continued to review governance and the Group's corporate governance framework. We are reviewing our governance against the new QCA Code and will do so annually as required by AIM Rule 26. We believe that by 28 September 2018 we will apply many of the ten principles of the New QCA Code.



Ned Montarello
Executive Chairman, 18 September 2018

BOARD STRUCTURE AND OPERATION

The Board comprises two Executive Directors being Ned Montarello (Chairman) and Gary Halton (CFO), and four Non-Executive Directors, being David Adams, Peter Gammell, Roger McDowell and Keith Jones, whom the Board believe 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 the annual budget, 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. 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 3 and 4. The Board is supported in its work by Board Committees which are responsible for a variety of tasks delegated by the Board.

Training and Development

Directors are encouraged to attend training and continuing professional development courses as required. The Company Secretary provides updates at each Board meeting on governance and regulatory matters.

Time Commitment

The nature of the role of Non-Executive Directors makes it difficult to place a specific time commitment however, a minimum of two days per month is what the Company anticipates as reasonable for the proper performance of duties. Directors are expected to attend all Board and Committee meetings.

External Advisers

The Board seeks advice on various matters from its Nominated Adviser (FinnCap) and lawyers (Shoosmiths). The Board also uses the services of an external company secretarial provider, Prism Cosec.

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	7/7	–	–
G Grimes(1)	3/3	–	–
P Gammell	7/7	4/4	1/1
K Jones	7/7	–	1/1
G Halton	7/7	–	–
D Adams	7/7	4/4	1/1
R McDowell	7/7	4/4	1/1

(1) Resigned 3 January 2018

During the financial year, in addition to the official board meetings, the board has implemented a number of corporate decisions by virtue of Circular Resolutions as required.

The Board has established an Audit Committee and a Nomination and Remuneration Committee, which each have written terms of reference, to deal with specific aspects of the Group's affairs.

AUDIT COMMITTEE

The Audit Committee consists entirely of Non-Executive Directors. The Chairman, David Adams, has extensive financial experience and is a Chartered Accountant. Other Members are Peter Gammell and Roger McDowell. The Audit Committee meets as often as it deems necessary but in any case at least three times a year, with meetings scheduled at appropriate intervals in the reporting and audit cycle. Although only members of the Committee have the right to attend meetings, standing invitations are extended to the Executive Chairman and the Chief Financial Officer who attend meetings as a matter of practice. Other non-members generally attend all or part of any meeting as and when appropriate. The external auditors attend all meetings and also have the opportunity to meet in private with the Committee on each occasion. In addition, the Chairman of the Audit Committee has regular contact with the external auditors throughout the year.

Duties

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

- To engage in the pro-active oversight of the Company's financial reporting and disclosure processes and overseeing and reviewing the outputs of the process
- To monitor the integrity of the consolidated financial statements of the Company, including its annual and half-year reports
- To review and challenge where necessary the consistency of and any changes to significant accounting policies, whether the Company has followed appropriate accounting standards and made appropriate estimates and judgements, the going concern assumption and all material information presented with the consolidated financial statements
- Ensure procedures are in place which are designed to verify the existence and effectiveness of accounting and financial systems and other systems of internal control which relate to financial risk management
- Establish procedures for the receipt, retention and treatment of complaints received by the Company regarding accounting, internal controls and auditing matters and the procedures for the confidential, anonymous submission of concerns by employees
- To consider and make recommendations to the Board, to be put to shareholders for approval at the Annual General Meeting, in relation to the appointment, reappointment and removal of the Company's external auditor
- To oversee the relationship with the external auditor including approval of their remuneration, approval of their terms of engagement, annual assessment of their independence and objectivity taking into account relevant professional and regulatory requirements and the relationship with the auditor as a whole, including the provision of any non-audit services
- To meet regularly with the external auditor and at least once a year, without any Executive Director or other member of management present to discuss any issues arising from the audit
- To review and approve the Audit Plan and review the findings of the audit

The main activities of the Audit Committee during the year

The principal areas of focus for the Committee included the following items:

- Review of the audit plan, process and scope
- Review of significant risks
- Review of significant issues from the audit report
- Going concern review
- Review of the Annual and half year Reports
- Approval of management representation letter
- Review of the independence of the Auditor, review of Auditor fees and engagement letter

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.

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 year 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.

DIRECTORS' INTERESTS

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

	Number of ordinary shares	Options granted over ordinary shares
N Montarello	29,561,036	1,573,863
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 2,445,629 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
2,320,629	£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

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. 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; and
- Be responsible for identifying and nominating for the approval of the Board, candidates to fill board vacancies as and when they arise.

ThinkSmart Limited is an Australian registered company and is not required to prepare a remuneration report that complies with the Australian 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.

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 2018:

Executive Directors

N Montarello – Executive Chairman & Interim Chief Executive Officer
G Halton – Chief Financial Officer
G Grimes – Chief Executive Officer (appointed 1st July 2017, resigned 3rd January 2018)

Non-Executive Directors

P Gammell
K Jones (Deputy Chairman)
D Adams
R McDowell

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 year 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	80%	19%	1%

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 year and the previous three financial years.

	12 Months to June 2018	**12 Months to June 2017**	**12 Months to June 2016**	**12 Months to June 2015**
Profit/(loss) attributable to owners of the company (£,000)	(£5,046)	(£1,842)	£301	£1,852
Basic EPS (pence per share)	(4.67) pence	(1.77) pence	0.31 pence	1.45 pence
Dividends paid (£,000)	–	£536	£2,094	£3,184
Dividend paid per share (pence)	–	5.36 pence	2.23 pence	3.19 pence
Share price at year end	£0.093	£0.145	£0.211	£0.151
Change in share price	(£0.052)	(£0.066)	£0.06	(£0.054)

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 £**
Directors												
Non-Executive Directors												
D Griffiths	YE Jun18	0				0	0	0	0	0	0	0
	YE Jun17	6,006				6,006	571	0	0	0	0	6,577
K Jones	YE Jun18	56,875			0	56,875	0	0	0	0	0	56,875
	YE Jun17	79,183			0	79,183	0	0	0	45,684	0	124,867
P Gammell (appointed 23/5/16)	YE Jun18	44,658				44,658	4,242	0	0	0	0	48,900
	YE Jun17	45,664				45,664	4,338	0	0	0	0	50,002
D Adams (appointed 2/12/16)	YE Jun18	50,000				50,000						50,000
	YE Jun17	29,167				29,167						29,167
R McDowell (appointed 2/12/16)	YE Jun18	40,000				40,000						40,000
	YE Jun17	23,231				23,231						23,231
Executive Directors												
N Montarello	YE Jun18	185,797	0		0	185,797	17,287		(2,776)	8,100	37,500	245,908
	YE Jun17	175,925	0		0	175,925	15,921	0	3,361	14,885	0	210,092
G Grimes	YE Jun18	137,617	0		0	137,617	0	0		0	0	137,617
	YE Jun17	0	0		0	0	0	0		0	0	0
F de Vicente (resigned 30/4/17)	YE Jun18	0	0		0	0	0	0		0	0	0
	YE Jun17	229,167	0		1,145	230,312	5,606	60,833		21,361	0	318,112
G Halton	YE Jun18	137,000	16,000		1,257	154,257	0	0	0	3,550	0	157,807
	YE Jun17	125,500	0		1,257	126,757	0	0	0	1,775	0	128,532
Executives												
D Twigg (resigned 7/3/17)	YE Jun18	0	0		0	0	0	0	0	0	0	0
	YE Jun17	94,448	0		94	94,542	4,590	0	0	2,477	0	101,609
D Fletcher (resigned 10/4/17)	YE Jun18	0	0		0	0	0	0	0		0	0
	YE Jun17	92,769	0		0	92,769	2,783	0	0		0	95,552
Total	**YE Jun18**	**651,947**	**16,000**	**0**	**1,257**	**669,204**	**21,529**	**0**	**(2,776)**	**11,651**	**37,500**	**737,107**
Total	YE Jun17	901,060	0	0	2,496	903,556	33,809	60,833	3,361	86,182	0	1,087,741

(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) Gerald Grimes appointed 1 July 2017 resigned 3 January 2018

(iv) Fernando de Vicente resigned 30 April 2017

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

(vi) David Twigg resigned on 7 March 2017

(vii) 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. All 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 16 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		Target price for vesting			Exercise	Last date
of shares	Performance period	25%	25%	50%	price	for exercise
250,000	Vested	–	–	–	£0.1559	03/07/18*

* The loan has been repaid by Ned Montarello prior to 3 July 2018 and therefore the shares have been exercised.

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		Target price for vesting			Exercise	Last date
plan options	Performance period	25%	25%	50%	price	for exercise
125,000	Vested	–	–	–	£0.1559	03/07/18*

* Since the year end, these options have not been exercised and therefore have lapsed

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 2,320,629 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**
2,320,629	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	25%	75%	2017
	Loan funded shares	500,000	18/09/2014	–%	100%	2018
	Share options	1,073,863	22/12/2016	–%	–%	2020
G Halton	Share options	250,000	04/07/2013	25%	75%	2017
	Share options	470,659	22/12/2016	–%	–%	2020

(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)

During the year there were 500,000 new shares granted to N Montarello in lieu of salary of £37,500 for performance of the CEO role subsequent to the resignation of G Grimes. No shares were granted since the end of the financial year.

Employee Options and Loan-Funded Shares

	Held at 30 June 2017	Held at date of new appointment	Granted as compensation	Exercised	Cancelled, forfeited or expired	Held at 30 June 2018	Vested during the year	Vested and exercisable at 30 June 2018
Directors								
N Montarello	2,823,863	–	–	(250,000)	(1,250,000)	1,323,863	250,000	250,000
G Halton	533,159	–	–	–	–	533,159	–	62,500

	Held at 1 July 2016	Held at date of new appointment	Granted as compensation	Exercised	Cancelled, forfeited or expired	Held at 30 June 2017	Vested during the year	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)	–	–	–

Note: the above amounts in respect of N Montarello 250,000 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 2018 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 2017	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 2018
Directors										
N Montarello	30,311,036	–	–	–	–	–	–	(1,250,000)	500,000	29,561,036
P Gammell	10,687,572	–	–	–	–	–	–	–	–	10,687,572
K Jones	341,000	–	–	–	–	–	–	–	–	341,000
R McDowell	1,600,000	–								1,600,000

	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

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	–	–	–%	–%
G Halton	16,000	27,400	58%	42%

(a) Amounts included in remuneration for the financial year represent the amount that vested in the financial year based on achievement of personal goals and satisfaction of specified performance criteria pertaining to the financial year ended 30 June 2018. No amounts vest in future financial years.

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

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 2018 (30 June 2017: nil), with the exception of the limited recourse loans in relation to the loan-funded share scheme (refer to Note 21(b)(i) and page 20 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 21(b)(i) and page 20 to 23 of the Remuneration Report.

H. Indemnification and Insurance

During the year ended 30 June 2018, the Company paid insurance premiums in respect of a Directors' and Officers' Liability insurance contract. Disclosure of the total amount of the premium and the nature of the liabilities in respect of such insurance is prohibited by the policy.

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

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

The Board has considered the non-audit services provided during the year by the auditor and 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 or payable and expensed to the auditor of the Group, KPMG, and its related practices in respect of audit and non-audit services provided during or in respect of the year are set out below.

	12 Months to 30 June 2018 £,000
Services other than audit and review of consolidated financial statements	
Other services	
Taxation compliance and advisory services	74
	74
Audit and review of consolidated financial statements	218
Total paid or payable to KPMG	292

AUDITOR’S INDEPENDENCE DECLARATION

The auditor’s independence declaration which forms part of this report is included in page 67 of the financial report.

ROUNDING

The Group is of a kind referred to in ASIC Corporations (Rounding in Financial/Directors’ Reports) Instrument 2016/191 and in accordance with that Instrument, amounts in the consolidated 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, 18 September 2018

KPMG

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

To the Directors of ThinkSmart Limited

I declare that, to the best of my knowledge and belief, in relation to the audit of ThinkSmart Limited for the financial year ended 30 June 2018 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
18 September 2018

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

   (a) The consolidated financial statements, notes and disclosures 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 2018 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 2018.

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, 18 September 2018

Consolidated Statement of Profit & Loss and Other Comprehensive Income

For the Financial Year Ended 30 June 2018

	Notes	12 Months to June 2018 £,000	12 Months to June 2017 £,000
Continuing operations			
Revenue	6(a)	7,417	8,951
Other revenue	6(b)	721	1,185
Total revenue		8,138	10,136
Customer acquisition cost	6(c)	(1,225)	(1,349)
Cost of inertia assets realised	6(d)	(1,264)	(1,925)
Other operating expenses	6(e)	(5,910)	(6,123)
Depreciation and amortisation	6(f)	(1,436)	(1,159)
Impairment losses	6(g)	(3,145)	(474)
Non-operating strategic review and advisory expenses	8	–	(1,106)
Loss before tax		(4,842)	(2,000)
Income tax benefit	7	530	158
Net Loss after tax from continuing operations		(4,312)	(1,842)
Loss from discontinued operations net of tax	9	(594)	–
Net Loss after tax – attributable to owners of the Company		(4,906)	(1,842)
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		(140)	(223)
Total items that may be reclassified subsequently to profit or loss net of income tax		(140)	(223)
Other comprehensive loss for the year, net of income tax		**(140)**	**(223)**
Total comprehensive loss for the year attributable to owners of the Company		**(5,046)**	**(2,065)**
Loss per share			
Basic loss per share (pence)	30	(4.67)	(1.77)
Diluted loss per share (pence)	30	(4.67)	(1.72)

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

Consolidated Statement of Financial Position

As at 30 June 2018

	Notes	June 2018 £,000	June 2017 £,000
Current assets			
Cash and cash equivalents	22(a)	2,523	4,527
Trade receivables		180	290
Finance lease receivables	10	3,399	2,107
Other current assets	11	1,807	2,177
Assets held for sale	12	1,528	–
Total current assets		9,437	9,101
Non-current assets			
Finance lease receivables	10	3,420	1,282
Plant and equipment	14	133	207
Intangible assets	15	6,335	7,459
Goodwill	17	–	2,332
Deferred tax assets	7	71	96
Tax receivable	7	578	222
Other non-current assets	13	2,135	2,857
Total non-current assets		12,672	14,455
Total assets		22,109	23,556
Current liabilities			
Trade and other payables	18	1,617	1,155
Deferred service income	19	863	1,059
Other interest bearing liabilities	20	2,510	1,158
Provisions	18	283	314
Liabilities held for sale	12	141	–
Total current liabilities		5,414	3,686
Non-current liabilities			
Deferred service income	19	621	746
Deferred tax liability	7	–	27
Other interest bearing liabilities	20	2,708	789
Total non-current liabilities		3,329	1,562
Total liabilities		8,743	5,248
Net assets		**13,366**	**18,308**
Equity			
Issued capital	21(a)	17,397	17,332
Reserves		(2,843)	(2,703)
Accumulated profits		(1,188)	3,679
Total equity		**13,366**	**18,308**

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 2018

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 2016	14,376	(2,480)	5,956	17,852
Loss for the year	–	–	(1,842)	(1,842)
Exchange differences arising on translation of foreign operations, net of tax	–	(223)	–	(223)
Total comprehensive loss for the year	–	(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 21(c))	–	–	(536)	(536)
Recognition of share-based payments	–	–	101	101
Balance at 30 June 2017	17,332	(2,703)	3,679	18,308
Balance at 1 July 2017	17,332	(2,703)	3,679	18,308
Loss for the year	–	–	(4,906)	(4,906)
Exchange differences arising on translation of foreign operations, net of tax	–	(140)	–	(140)
Total comprehensive loss for the year	–	(140)	(4,906)	(5,046)
Transactions with owners of the Company, recognised directly in equity				
Contributions by and distributions to owners of the Company				
Issue of ordinary shares	–	–	–	–
Dividends paid in respect of Loan Funded Shares exercised in year	–	–	(12)	(12)
Recognition of share-based payments	–	–	51	51
Share options exercised	65	–	–	65
Balance at 30 June 2018	17,397	(2,843)	(1,188)	13,366

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

Consolidated Statement of Cash Flows

For the Financial Year Ended 30 June 2018

	Notes	12 Months to June 2018 £,000	12 Months to June 2017 £,000
Cash Flows from Operating Activities			
Receipts from customers		6,227	9,722
Payments to suppliers and employees		(6,579)	(8,502)
Payments relating to strategic review and advisory expenses		–	(1,866)
(Payments)/receipts in respect of lease receivables		(2,826)	1,886
Proceeds/(payments) from other interest bearing liabilities, inclusive of related costs		3,274	(1,274)
Interest received		77	97
Interest and finance charges paid		(412)	(387)
Receipts from security guarantee		649	15
Income tax received/(paid)		36	(95)
Net cash (used in)/from operating activities	22(b)	446	(404)
Cash Flows from Investing Activities			
Payments for plant and equipment		(67)	(103)
Payment for intangible assets – Software		(2,252)	(1,872)
Payment for intangible assets – Contract rights		(81)	(210)
Net cash used in investing activities		(2,400)	(2,185)
Cash Flows from Financing Activities			
Proceeds from share issue net of costs		65	4,748
Payment for establishing financing facilities		–	(150)
Dividends paid		(12)	(536)
Share buyback net of costs		–	(1,792)
Net cash used in financing activities		53	2,270
Net decrease in cash and cash equivalents		(1,901)	(319)
Effect of exchange rate fluctuations on cash held		(16)	(8)
Cash and cash equivalents at beginning of the financial year		4,527	4,854
Cash and cash equivalents from discontinued operations	12	(87)	–
Total cash and cash equivalents at the end of the financial period	22(a)	2,523	4,527
Restricted cash and cash equivalents at the end of the financial period	22(a)	(56)	(124)
Net available cash and cash equivalents at the end of the financial period		2,467	4,403

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

Notes to the Consolidated 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 year 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, WA 6008, Australia 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 18 September 2018.

(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 British Pounds ("GBP") 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, in December 2016, the consolidated financial statements were presented in Australian Dollars.

(d) ***Going Concern***

The Group has incurred losses of £4.9 million (including £2.3m one off impairment of goodwill, and £0.6m loss on discontinued activities) for the year and has an excess of current assets over current liabilities of £4.1 million at 30 June 2018 including cash of £2.5 million. After the balance sheet date, on 23 August 2018 the Group completed the sale of 90% of its shares in ClearPay Finance Ltd (ClearPay) for 1,000,000 shares in Afterpay Touch Group Ltd (Afterpay), and on 24 August 2018 sold 750,000 of these shares for A$15,000,000 increasing the Group cash balance at 31 August 2018 to £10.5 million (based on 0.56 GBP:AUD, and before the special dividend/capital return referred to below).

It is expected that shareholders will be paid a special dividend/capital return whilst the business will ensure that it retains sufficient cash reserves for further expansion and product development opportunities. To assess this, the directors have prepared base and alternative cash flow forecasts for a period in excess of 12 months from the date of approval of these consolidated financial statements. Those forecasts reflect the sale of ClearPay, expected special dividend/return of capital to shareholders, sale of remaining 250,000 shares in Afterpay when received in February 2019, effect of recent operating cost rationalisation and additional actions that the Board has committed to implement. In preparing the forecasts, the directors have considered scenarios assessing the impact of changes in volumes of the existing products, and also variances in the proceeds received from the sale of the second tranche 250,000 shares in Afterpay, on the working capital requirements of the Group.

2. Basis of Preparation (continued)

(d) ***Going Concern (continued)***

The directors have considered the concentration risk on Dixons Carphone as the sole provider of new business volumes following the sale of ClearPay, and the uncertainty regarding the cashflow impact of the sale of the second tranche 250,000 Afterpay shares.

These forecasts show that the Group's cash reserves remain above the Group's current £1 million bank covenant minimum cash balance throughout the forecast period without the need to raise any additional working capital.

The directors acknowledge that risk is an inherent part of doing business and believe the Group is well placed to manage its business risks noting that they are not all wholly within their control, and as a result the directors have also assessed the mitigating actions that are within their control. Consequently, after making enquires and considering the forecast and the alternative scenarios, the directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. For these reasons they continue to adopt the going concern basis in preparing the consolidated financial statements.

(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 January 2018 and have not been applied in preparing this financial report. The Group has not adopted these standards early with the first implementation effective for the next financial year.

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	At the time of preparing this report the Group has assessed that there will be no material impact due to the adoption of IFRS 9 in future periods.
IFRS 15	Revenue from Contracts with Customers	The new standard creates a single model for revenue recognition from contracts with customers.	1 January 2018	1 July 2018	At the time of preparing this report the Group has assessed that there will be no material impact due to the adoption of IFRS 15 in future periods.
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 23. At the time of preparing this report the Group has assessed that there will be no material impact due to the adoption of IFRS 16 in future periods.

3. Significant Accounting Policies

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

(a) ***Basis of consolidation***

(i) *Subsidiaries*

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

(ii) *Transactions eliminated on consolidation*

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with those 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 consolidated financial statements.

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.

3. Significant Accounting Policies (continued)

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

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.

(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.

3. Significant Accounting Policies (continued)

(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)).

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.

3. Significant Accounting Policies (continued)

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

(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 Group's 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.

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.

3. Significant Accounting Policies (continued)

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

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 Group 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 (Group 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.

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.

3. Significant Accounting Policies (continued)

(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 Group's of CGUs, expected to benefit from the synergies of the business combination. CGUs (or Group's 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.

(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.

3. Significant Accounting Policies (continued)

(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 consolidated 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 year

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.

(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.

3. Significant Accounting Policies (continued)

(n) ***Goods and services tax (continued)***

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.

(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.

3. Significant Accounting Policies (continued)

(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 15 – Intangible assets;

Note 21(b)(i) – share based payment transactions; and

Note 27(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. Actual results may differ from these estimates.

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. R The Group makes estimates and assumptions concerning the future.

A. ***Judgements***

Information about judgements made in applying accounting policies that have the most significant effects on the amounts recognised in the consolidated financial statements is included in the following notes:

Note 6 – commission income: whether the Group acts as an agent in the transaction rather than as principal; and

Note 10 – leases: whether an arrangement contains a finance lease.

B. ***Assumptions and estimation uncertainties***

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 15 – fair value at inception of inertia intangible assets and recoverable amount;

Note 15 – measurement of deferred services income;

Note 17 – measurement of the recoverable amount of cash generating units containing goodwill;

Note 21(b)(i) – measurement of share-based payments; and

Note 26 – 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 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 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 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 26.

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 the funder deposit with Secure Trust Bank is more concentrated, however the counterparty is a regulated banking institution and the credit risk exposure is assessed as low. The Group monitors the credit risk associated with the 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 20.

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 2018 the Group has drawn down £0.8m on its Santander loan facility of £10m which runs until September 2018. The Group has also drawn down £4.8m on its STB loan facility of £10m. 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 2018 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 20). The mark to market value of these interest rate swaps as at 30 June 2018 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 contracts for both business sales and consumer sales are in place until at least 2020, with the consumer "Flexible Leasing" contract being exclusive. Should Dixons cease trading or terminate the contracts, 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 it achieves this objective. The Group's debt-to-adjusted capital ratio at the end of the reporting period was as follows:

	30 June 2018 £,000	**30 June 2017 £,000**
Total liabilities	8,743	5,248
Less cash and cash equivalents	(2,523)	(4,527)
Net debt	6,220	721
Total capital	13,366	18,308
Debt-to-adjusted capital ratio	0.47	0.04

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. No dividends were paid or declared during the financial year to 30 June 2018.

6. Consolidated Statement of Profit and Loss

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

		Notes	**30 June 2018 £,000**	**30 June 2017 £,000**
(a)	***Revenue***			
	Finance lease income		653	842
	Interest revenue – other entities		77	97
	Income earned from sale of inertia assets		818	796
	Extended rental income		2,739	3,101
	Deferred service income		1,288	1,516
	Fee revenue – customers		91	118
	Commission income		1,751	2,481
			7,417	8,951
(b)	***Other revenue***			
	Services revenue – insurance		715	1,164
	Other revenue		6	21
			721	1,185

(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.

(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.

6. Consolidated Statement of Profit and Loss (continued)

		Notes	30 June 2018 £,000	30 June 2017 £,000
(e)	***Other operating expenses***			
	Employees benefits expense:			
	– Payments to employees		(3,076)	(3,640)
	– Employee superannuation costs		(236)	(232)
	– Share-based payment expense		(51)	(101)
			(3,363)	(3,973)
	Occupancy costs		(286)	(322)
	Professional services		(687)	(505)
	Finance charges		(359)	(279)
	Other costs		(1,215)	(1,044)
			(5,910)	(6,123)
(f)	***Depreciation and amortisation***			
	Depreciation		(141)	(159)
	Amortisation		(1,295)	(1,000)
			(1,436)	(1,159)
(g)	***Impairment losses***			
	Impairment losses finance leases and receivables		(410)	(147)
	Impairment losses on intangible assets		(403)	(327)
	Impairment of goodwill	17	(2,332)	–
			(3,145)	(474)

7. Income Tax

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

	Notes	30 June 2018 £,000	30 June 2017 £,000
The major components of income tax (benefit)/expense are:			
Current income tax credit/(expense)		(59)	402
Adjustment for prior year		477	(190)
Deferred income tax expense			
Origination and reversal of temporary differences		119	4
Adjustment for prior year		(7)	(58)
Total income tax benefit		530	158

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 2018 £,000	30 June 2017 £,000
Accounting loss before tax		(4,842)	(2,000)
At the statutory income tax rate of 30%		1,453	600
Effect of tax rates in foreign jurisdictions		(562)	(133)
Non-deductible expenses		(633)	(315)
Losses carried back		–	(99)
Losses carried forward		(192)	(130)
Overseas tax losses not recognised/(recognised)		(6)	(13)
Adjustments in respect of prior years		470	248
Income tax credit/(expense)		530	158
Deferred tax asset			
Accrued expenses		6	14
Employee entitlements		64	60
Equity raising costs		–	5
Borrowing costs		–	–
Plant & equipment		–	1
Intangible assets		1	–
Losses carried forward		–	16
Total		71	96
Deferred tax liability			
Plant & equipment		–	16
Intangible assets		–	11
Total		–	27
Net deferred tax asset/(liability) for UK		–	1
Net deferred tax asset for Australia		71	68
Tax payable/(receivable)			
Current		(578)	(222)

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 2018 £,000	30 June 2017 £,000
Non-operating strategic review and advisory expenses*	–	(1,106)

* 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. Loss from discontinued operations

In June 2018, management committed to a plan to sell one of the subsidiary companies, ClearPay Finance Limited. The sale was completed on 23 August 2018. ClearPay was developed and began trading in July 2017 and therefore did not make up part of the Financial Statements for the comparative year ended 30 June 2017. As such therefore there is no requirement to re-state the comparative consolidated statement of Profit & Loss and Other Comprehensive Income.

	30 June 2018 £,000	30 June 2017 £,000
Revenue	11	–
Total revenue	11	–
Customer acquisition costs	(293)	–
Other operating expenses	(235)	–
Depreciation and amortisation	(61)	–
Impairment losses	(16)	–
Loss before tax	(594)	–
Income tax expense	–	–
Loss after tax	(594)	–

10. Finance lease receivables

	30 June 2018 £,000	30 June 2017 £,000
Current		
Gross investment in finance lease receivables	3,468	1,928
Unguaranteed residuals	434	154
Unearned future finance lease income	(355)	51
Net lease receivable	3,547	2,133
Allowance for losses	(148)	(26)
	3,399	2,107
Non-current		
Gross investment in finance lease receivables	3,607	1,169
Unguaranteed residuals	478	91
Unearned future finance lease income	(506)	38
Net lease receivable	3,579	1,298
Allowance for losses	(159)	(16)
	3,420	1,282

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

11. Other Current Assets

	30 June 2018 £,000	30 June 2017 £,000
Prepayments	578	631
Insurance prepayments	320	454
Accrued income (see Note 13(i))	451	639
Inventories	324	284
Sundry debtors	134	169
	1,807	2,177

12. Disposal group held for sale

In June 2018, management committed to a plan to sell its subsidiary ClearPay Finance Limited. Accordingly, the assets and liabilities of ClearPay Finance Limited are presented as a disposal group held for sale. Efforts to sell ClearPay Finance Limited have progressed well and with a sale of 90% of the shares of the company completed on 23 August 2018. At 30 June 2018, the disposal group was stated at fair value and comprised the following assets and liabilities.

	30 June 2018 £,000	30 June 2017 £,000
Cash and equivalents	87	–
Trade receivables	12	–
Finance loan receivable	72	–
Intangible assets	1,357	–
Assets held for sale	1,528	–
Trade and other payables	137	–
Deferred income	4	–
Liabilities held for sale	141	–

13. Other Non-Current Assets

	30 June 2018 £,000	30 June 2017 £,000
Insurance prepayments	234	293
Accrued income(i)	322	381
Deposits held by funders, net of provision(ii)	1,579	2,183
	2,135	2,857

(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 year 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.

14. Plant and Equipment

	Notes	Plant & Equipment (Australia) £,000	Plant & Equipment (UK) £,000	Total £,000
Gross Carrying Amount				
Cost or deemed cost				
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		83	2,489	2,572
Effect of movement in exchange rate		(4)	–	(4)
Additions		–	67	67
Balance at 30 June 2018		79	2,556	2,635
Accumulated Depreciation				
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)
Effect of movement in exchange rate		4	–	4
Depreciation expense		(1)	(140)	(141)
Balance at 30 June 2018		(78)	(2,424)	(2,502)
Net Book Value				
At 30 June 2017		1	206	207
At 30 June 2018		1	132	133

15. 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 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
Effect of movement in exchange rate	–	–	–	(18)	–	(18)
Additions	81	2,252	–	–	1,039	3,372
Disposals/transfer to inventory	–	–	–	–	(1,273)	(1,273)
Transfer to assets held for sale	–	(1,418)	–	–	–	(1,418)
Balance at 30 June 2018	1,441	5,384	270	362	5,487	12,944

15. 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 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)
Effect of movement in exchange rate	–	–	–	15	–	15
Amortisation expense	(161)	(1,177)	–	(18)	–	(1,356)
Impairment loss(i)	(132)	–	–	–	(376)	(508)
Transfer to assets held for sale	–	61	–	–	–	61
Balance at 30 June 2018	(1,374)	(2,371)	(270)	(326)	(2,269)	(6,610)
Net book value						
At 30 June 2017	279	3,295	–	57	3,828	7,459
At 30 June 2018	67	3,013	–	36	3,219	6,335

(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 8.38% per annum.	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)

16. Interest in Subsidiaries

		% of Equity	
Interest in Subsidiaries	**Country of Incorporation**	**30 June 2018**	**30 June 2017**
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
ClearPay Finance Ltd	UK	100	100
ThinkSmart Finance Group Ltd	UK	100	–
SmartCheck Finance Spain SL	Spain	100	100
SmartPlan Spain SL	Spain	100	100
ThinkSmart Inc	USA	100	100
ThinkSmart Employee Share Trust	Australia	100	100
ThinkSmart LTI Pty Limited	Australia	100	100

17. Goodwill

	30 June 2018 £,000	**30 June 2017 £,000**
Balance at beginning of financial year	2,332	2,332
Impairment	(2,332)	–
Balance at end of financial year	–	2,332

Impairment testing for cash-generating (CGU) units containing goodwill

The goodwill of £2.33 million arose on the acquisition of the UK business, RentSmart Limited from Bank of Scotland plc in 2007 (taking ThinkSmart's holding to 100%). Further financial information relating to the UK business is shown within the segment information (note 24).

The recoverable amount of the cash-generating unit, being ThinkSmart's UK leasing business, was based on its value in use using business plan assumptions and a market discount rate and hence includes inherent estimation uncertainty. Having been historically profitable, and in the absence of an active market, value in use was deemed to be the appropriate method for measurement of the value of the CGU. However, in the year to 30 June 2018 ThinkSmart's UK leasing business incurred operating losses of £1.2 million (being UK losses of £4.1m less £0.6m relating to ClearPay and £2.3m goodwill impairment). In addition, the Group received an indicative proposal from a third party in May 2018 which valued the ThinkSmart leasing business below its net assets (including £2.33m goodwill). These indicators imply that the current value of the goodwill in the ThinkSmart UK leasing business is impaired and as such a £2.33m impairment of the goodwill has been made at 30 June 2018.

18. Trade and Other Payables, and Provisions

	30 June 2018 £,000	30 June 2017 £,000
Trade and other payables	428	545
GST/VAT Payable	553	256
Other accrued expenses	636	354
	1,617	1,155
Provisions		
Annual leave	123	103
Long service leave	89	97
Risk Transfer cancellation and claims	71	114
	283	314
Annual and long service leave		
Balance at 1 July	200	151
Effect of exchange rate movement	(8)	10
Additional provisions made in the year	20	39
Amounts used during the year	–	–
Balance at 30 June	212	200
Other		
Balance at 1 July	114	41
Additional provisions made in the year	(43)	73
Amounts used during the year	–	–
Balance at 30 June	71	114

19. Deferred Service Income

	Notes	30 June 2018 £,000	30 June 2017 £,000
Balance at 1 July		1,805	2,116
Intangible inertia assets acquired	15	1,039	1,338
Reversal due to intangible asset impairment		(72)	(133)
Recognised in Consolidated Statement of Profit and Loss	6(a)	(1,288)	(1,516)
		1,484	1,805
Deferred service income to be recognised within 12 months		863	1,059
Deferred service income to be recognised in greater than 12 months		621	746
		1,484	1,805

20. Other interest bearing liabilities

	30 June 2018 £,000	30 June 2017 £,000
Current – Loan advances net of deferred costs of raising facility[(i)]	2,510	1,158
Non-current – Loan advances net of deferred costs of raising facility[(i)]	2,708	789
Customer financing facilities		
– Amount used	5,553	2,365
– Amount unused	14,447	17,635
Total Facility[(i)]	20,000	20,000
Other finance facilities (business credit card):		
– amount used	8	12
– amount unused	27	38
	35	50

(i) The loan is made up of a £10 million 5 year revolving credit facility provided by Santander UK plc dated 15 December 2014 and a £10 million (option to extend to £20 million) minimum 3 year credit facility provided by STB dated 2 October 2017.

21. Issued Capital

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

	30 June 2018 £,000	30 June 2017 £,000
104,728,744 Ordinary Shares fully paid (2017: 105,478,744)	17,434	17,332

Fully Paid Ordinary Shares

	2018 Number	2018 £,000	2017 Number	2017 £,000
Balance at beginning of the financial year	105,478,744	17,332	95,477,922	14,376
Issue of ordinary shares	500,000	–	20,000,000	5,000
Repayment of loans in respect of 500,000 loan funded shares*	–	65		
Cancellation of shares through buyback	–	–	(9,999,178)	(1,721)
Costs associated to capital raising and buy-back	–	–	–	(323)
Cancellation employee loan-funded shares	(1,250,000)	–	–	–
Balance at end of the financial period	104,728,744	17,397	105,478,744	17,332

* During the year 500,000 employee loan-funded shares were exercised with the related loans being repaid (2017: nil)

Ordinary Shares entitle the holder to participate in dividends and the proceeds on winding up the Company in proportion to the number of and amount paid on the Shares held. On a show of hands, every holder of Ordinary Shares present in the meeting in person or by proxy is entitled to one vote, and upon a poll each Share is entitled to one vote. The Company does not have authorised capital or par value in respect to its issued shares.

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

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

Options and loan-funded shares issued in previous years and not yet vested or exercised as at 30 June 2018:

- 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.

21. Issued Capital (continued)

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

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

- 2,320,629 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.

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 31 December 2013**
Grant date	21/12/16	04/07/2013
Fair value at grant date	£0.0371	£0.0576-£0.0694
Grant date share price	£0.22	£0.1587
Exercise price	£0.22	£0.1559
Expected volatility	29.42%	55%
Option/loan share life	10 years	4 years
Dividend yield	2.00%	0%
Risk-free interest rate	0.23%	2.99%

21. Issued Capital (continued)

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

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:

	Year ended 30 June 2018		Year ended 30 June 2017	
	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	5,001,026	0.1995	6,583,333	0.2058
Granted during the financial year	–	–	4,660,116	0.2200
Cancelled during the financial year	(2,055,397)	0.1949	(6,242,423)	0.2220
Exercised/Repaid Loan during the financial year	(500,000)	0.1345	–	–
Balance at the end of financial year	2,445,629	0.2167	5,001,026	0.1995
Exercisable at end of the financial year	125,000	0.1559	375,000	0.1273

The options and loan-funded shares outstanding at 30 June 2018 have an exercise price in the range of £0.1559 to £0.22 (30 June 2017: £0.1131 to £0.2466) and a weighted average contractual life of 8.05 years (30 June 2017: 6.38 years). The following is the total expense recognised for the year arising from share-based payment transactions:

	12 months to 30 June 2018 £,000	**12 months to 30 June 2017 £,000**
Share options/loan-funded shares granted in 2014 – equity settled	–	65
Share options/loan-funded shares granted in 2015 – equity settled	–	24
Share options/loan-funded shares granted in 2016 – equity settled	14	12
Total expense recognised as employee costs (note 6e)	14	101

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

500,000 shares of the Company were granted as remuneration whilst 1,250,000 employee loan funded shared were cancelled during the reporting period.

(c) *Dividends*

No dividends were paid or declared by the Company since the end of the previous financial period.

22. Notes to the Cash Flow Statement

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

	as at 30 June 2018 £,000	**as at 30 June 2017 £,000**
Reconciliation of cash and cash equivalents		
Cash balance comprises:		
– Available cash and cash equivalents	2,467	4,403
– Restricted cash	56	124
	2,523	4,527

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

22. Notes to the Cash Flow Statement (continued)

(b) Reconciliation of the (loss)/profit for the year to net cash flows from operating activities:

	12 months to 30 June 2018 £,000	12 months to 30 June 2017 £,000
Loss after tax	**(4,906)**	**(1,842)**
Add back non-cash and non-operating items:		
Depreciation	141	159
Amortisation	1,356	1,000
Impairment losses on intangible assets	2,735	327
Impairment losses on finance lease receivables	410	147
Foreign currency (gain)/loss unrealised	4	(4)
Equity settled share-based payment	74	101
(Increase)/decrease in assets:		
Trade receivables, deposits held with funders and other movements in lease assets	836	640
Finance lease receivable	(415)	(474)
Deferred tax asset	16	(19)
Other assets	185	(35)
Rental asset inventory	(40)	214
Increase/(decrease) in liabilities:		
Trade and other creditors	523	(629)
Deferred service revenue	14	205
Provisions	22	39
Provision for income tax	(509)	(233)
Net cash (used in)/from operating activities	**446**	**(404)**

23. Leases and Hire Purchase Obligations

Operating leases – leasing arrangements

Operating leases relate to office facilities with lease terms of up to 5 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 2018 £,000	June 2017 £,000
Non-cancellable operating lease payments:		
No later than 1 year	96	96
Later than 1 year and not later than 5 years	359	383
More than 5 years	–	96
	455	575

24. 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
- ClearPay Finance 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 2018 £,000**	**June 2017 £,000**	**June 2018 £,000**	**June 2017 £,000**	**June 2018 £,000**	**June 2017 £,000**
Revenue	7,415	8,950	2	1	**7,417**	8,951
Other revenue	721	1,185	–	–	**721**	1,185
Total revenue	**8,136**	**10,135**	**2**	**1**	**8,138**	10,136
Customer acquisition cost	(1,214)	(1,341)	(11)	(8)	**(1,225)**	(1,349)
Cost of inertia assets realised	(1,264)	(1,925)	–	–	**(1,264)**	(1,925)
Other operating expenses	(4,608)	(4,691)	(1,302)	(1,432)	**(5,910)**	(6,123)
Depreciation and amortisation	(1,435)	(1,123)	(1)	(36)	**(1,436)**	(1,159)
Impairment losses*	(3,145)	(474)	–	–	**(3,145)**	(474)
Non-operating strategic review and advisory expenses	–	–	–	(1,106)	**–**	(1,106)
Loss from discontinued operations	(594)	–	–	–	**(594)**	–
Reportable segment profit/(loss) before income tax	**(4,124)**	**581**	**(1,312)**	**(2,581)**	**(5,436)**	(2,000)
Reportable segment current assets	9,149	8,734	288	367	9,437	9,101
Reportable segment non-current assets	12,601	14,159	71	210	12,672	14,369
Reportable segment liabilities	8,409	4,852	335	310	8,743	5,162
Capital expenditure	2,400	2,183	–	2	2,400	2,185

* Impairment losses for the year include a one-off impairment to write off goodwill of £2.33m

25. Remuneration of Auditor

	12 Months to June 2018 £,000	12 Months to June 2017 £,000
Audit and review services:		
Auditor of the Company:		
Audit and review of financial statements	218	147
Services other than statutory audit:		
Tax compliance and advisory services	74	46
Transaction compliance and advisory services	–	279
	292	325

The Group's auditors are KPMG.

26. Commitments and Contingent Liabilities

	June 2018 £,000	June 2017 £,000
Leases where Group acts as agent (off balance sheet)	13,129	16,792
Gross capital deposited with STB	2,305	2,954
Less provision for delinquent leases	(726)	(771)
Deposits held by funders	1,579	2,183

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 13).

Management have reviewed the sensitivity relating to delinquent leases funded by STB.

Sensitivity analysis

A change of 5% in delinquent leases would have increased or decreased the Group's profit for continuing operations by £36k.

27. 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 2018 £,000	**June 2017 £,000**
Variable rate instruments		
Cash and cash equivalents (note 22a)	2,523	4,527
Deposits held by funder (note 26)	2,305	2,954
Other interest bearing liabilities (note 20)	(5,553)	(2,365)
Net financial assets	(725)	5,116

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 2018 £,000	**June 2017 £,000**
Effect of 1% increase in rates	(7)	51
Effect of 1% decrease in rates	7	(51)

(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 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).

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 2018 (30 June 2017: £4,000).

27. Financial Instruments (continued)

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

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

	Note	June 2018 £,000	June 2017 £,000
Cash and cash equivalents	22(a)	2,523	4,527
Trade receivables		180	310
Loan and lease receivable (current)	10	3,399	2,133
Loan and lease receivable (non-current)	10	3,420	1,298
Insurance prepayment and accrued income (current)	11	771	1,093
Insurance prepayment and accrued income (non-current)	13	556	674
Sundry debtors	11	134	169
Deposits held by funders	13	1,579	2,183
		12,562	12,387

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

	June 2018 £,000	June 2017 £,000
Australia	242	261
UK	12,320	12,100
Other	–	26
	12,562	12,387

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 2018 £,000	June 2017 £,000
Banks(i)	2,523	4,527
Funders(ii)	1,579	2,183
Insurance partners(iii)	1,327	1,767
Retail customers(iv)	6,819	3,431
Others	314	479
	12,562	12,387

(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.

27. 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 2018 £,000	Impairment June 2018 £,000	Gross June 2017 £,000	Impairment June 2017 £,000
Not past due	6,920	76	3,663	16
Past due 0-30 days	185	40	27	5
Past due 31-120 days	161	142	28	26
Past due 121-365 days	59	56	23	14
	7,325	314	3,741	61

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

	June 2018 £,000	June 2017 £,000
Balance at 1 July	61	98
Impairment loss recognized	410	146
Bad debt written off	(157)	(183)
Balance at 30 June	314	61

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 2018 £,000	June 2017 £,000
Cash and cash equivalents	242	261
10% strengthening of AUD	(24)	(26)
10% weakening of AUD	24	26

	June 2018	June 2017
AUD/GBP year end exchange rate	0.5634	0.5913

(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 2018 £,000	June 2017 £,000
Trade and other payables	1,617	1,155
Other interest bearing liabilities	5,553	2,365
	7,170	3,520
Less than 1 year	5,124	2,623
1-2 years	2,046	897
	7,170	3,520

28. 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
G Halton (Chief Financial Officer)

Non-Executive Directors
P Gammell
K Jones
D Adams
R McDowell

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

	12 months to June 2018 £,000	**12 months to June 2017 £,000**
Short-term employee benefits	669	904
Post-employment benefits	22	95
Other long-term benefits	3	3
Share-based payments	49	86
	743	1,088

29. Subsequent Events

On the 23 August 2018 the Group announced that it had sold 90% of the share capital of ClearPay Finance Limited to AfterPay Touch Group Limited ("AfterPay"), a company listed on the ASX. The Group sold 90% of the issued shares in ClearPay to AfterPay for 1,000,000 shares in the capital of AfterPay. The shares were valued at the transaction date at AUD $18.55m and issued to ThinkSmart Europe Limited (TSE). An initial tranche of 750,000 shares was issued to TSE at completion on 23 August 2018 (am AEST) and a second tranche of 250,000 shares will be issued to TSE on 23 February 2019, being 6 months from completion. The first tranche of shares was subsequently sold at AUD $20 per share for a total of AUD $15m.

The Group's subsidiary, RentSmart Limited has entered into a business separation and transitional services agreement with ClearPay to support the transaction and facilitate the transition to AfterPay. In addition, the Group has indemnified AfterPay against any losses incurred by ClearPay in shutting down the existing ClearPay retailers, and AfterPay has the right to reduce the second tranche of 250,000 shares if any such shut down losses arise and have not been reimbursed by the Group prior to the issue of these shares.

A proportion of the 10% shareholding in ClearPay retained by TSE will be made available to employees of ClearPay under an employee share ownership plan ("ESOP"). After completion, TSE will make available some of the shares in ClearPay held by it for the grant of options under the ESOP (up to 3.5% of the total share capital of ClearPay). Any such options will only be exercisable on an ultimate exit event or at such time as TSE no longer holds shares in ClearPay.

TSE also has rights of pre-emption to subscribe for shares in ClearPay in any follow on fundraise. Afterpay has an option to acquire the remaining shares held by TSE (and any shares forming part of the ESOP), exercisable any time after 5 years from Completion based on agreed valuation principles. If the option to purchase is not exercised by AfterPay within 5 years and 6 months from Completion then TSE may exercise a put option to sell the remaining shares in ClearPay held by it (and any shares forming part of the ESOP) to AfterPay at a price calculated on agreed valuation principles.

For the 12 month period to 30 June 2018 ClearPay incurred losses of £0.6m and at 30 June 2018 had balance sheet net assets of £1.4m (excluding inter-company debt).

As part of the transaction AfterPay will ensure that the Consideration Shares are listed on the ASX. It is expected that shareholders will be rewarded in the form of a special dividend and capital return whilst the business will ensure that it retains sufficient cash reserves for further expansion and product development opportunities.

30. Earnings per Share

	12 months to June 2018 £,000	12 months to June 2017 £,000
(Loss)/profit after tax attributable to ordinary shareholders	(4,906)	(1,842)

	30 June 2018 Number	30 June 2017 Number
Weighted average number of ordinary shares (basic)	104,981,491	103,802,629
Weighted average number of ordinary shares (diluted)	104,981,491	106,895,058

	30 June 2018	30 June 2017
Earnings per share		
Basic (loss)/earnings per share (pence)	(4.67)	(1.77)
Diluted (loss)/earnings per share (pence)	(4.67)	(1.72)

Independent Auditor's Report

To the shareholders of ThinkSmart Limited

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 2018 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 2018;
- 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; and
- 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 additions to inertia contract intangible assets
- Recoverability of deposits held by funders
- Going concern disclosures

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 year.

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 additions to inertia contract intangible assets £1.04m (2017: £1.34m)	
Refer to Note 15 to 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 asset 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. The Group applies significant judgement in determining future expected income, 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 key audit matter is the estimate of the additions to inertia assets in the year as the valuation of the inertia asset is subjective due to the inherent uncertainty involved in forecasting and discounting future expected income.	Our procedures included: Our sector experience: Worked with our Corporate Finance specialists to critically assess the cost of equity underpinning the WACC used to discount the future cashflows by comparing the Group's methodology and calculation to publicly available market data; Historical comparisons: Critically assessed the Group's analysis and key assumptions over the contract default rates by comparing it to the historical rates and estimated future income achievable on assets determined through expected secondary rental income and disposal of the assets on nondefaulting contracts, by comparing it to recent and historical proceeds achieved and historical data of proceeds of sales of the Group's comparable assets; and Assessing transparency: Assessed the Group's disclosures about whether the sensitivity to changes in key assumptions reflected the risks inherent in the valuation of the inertia asset.

Recoverability of deposits held by funders: £1.58m (2017: £2.2m)	
Refer to Notes 13 and 26 to the Financial Report	
The key audit matter	**How the matter was addressed in our audit**
As explained in Note 26, 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 deposit 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 estimates of expected loss rates. As the provision is forward looking we consider whether historical loss data is a reasonable basis for the provision in light of industry trends.	Our procedures included: 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; Test of details: We have tested completeness and accuracy of actual experienced impairment losses by agreeing it to third party evidence; and Assessing transparency: Assessed the adequacy of the Group's disclosures in relation to the sensitivity of deposits to changes in estimates of expected loss rates.

Going concern disclosures

Refer to Note 2(d) to the Financial Report

The key audit matter	How the matter was addressed in our audit
The Group's use of the going concern basis of accounting and the associated extent of uncertainty is a key audit matter due to the directors' use of cashflow forecasts to assess working capital needs and the high level of judgement required by us in evaluating the Group's assessment of going concern and the events or conditions that may cast significant doubt on their ability to continue as a going concern. The preparation of these projections incorporated a number of assumptions and significant judgements, and the Directors have concluded that the range of possible outcomes considered in arriving at this judgement does not give rise to a material uncertainty casting significant doubt on the Group's ability to continue as a going concern. A significant risk exists that the disclosures, in particular in Note 2(d), over going concern do not appropriately reflect the events or conditions taken into consideration by the Directors in their assessment of the ability of the Group to continue as a going concern. We critically assessed the levels of uncertainty, as it related to the Group's ability to continue as a going concern, within these assumptions and judgements, focusing on the following: • the Group's planned levels of operational income and expenditures, and the ability of the Group to manage cash outflows within available funding. • the Group's ability to meet financing commitments and covenants. • the impact of the expected future sale of the second tranche of shares in Afterpay Touch Group Limited. In assessing this key audit matter, we involved senior audit team members who understand the Group's business, industry and the economic environment it operates in.	Our procedures included: • We analysed the cash flow projections by: ◦ Evaluating the underlying data used to generate the projections. We specifically looked for their consistency with the Group's intentions and their comparability to past practices. We also evaluated the consistency of forecast sales volume to historical volumes information; ◦ Analysing the impact of reasonably possible changes in projected cash flows and their timing, to the projected periodic cash positions. Assessing the resultant impact to the ability of the Group to meet covenants and continue as a going concern. The specific areas we focused on were informed by the results of our testing of the accuracy of previous Group cash flow projections and sensitivity analysis on key cashflow projection assumptions; and ◦ Sensitising the cashflow impact of the expected future sale of the second tranche of shares in Afterpay Touch Group Limited. • Assessing transparency: We assessed the adequacy of the Group's going concern disclosures in the financial report by comparing them to our understanding of the events or conditions incorporated into the cashflow projection assessment and the Group's plans.

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 Directors' Report, Executive Chairman's Report, and Highlights for the year ended 30 June 2018.

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. 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 and whether the use of the going concern basis of accounting is appropriate. 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: https://www.auasb.gov.au/auditors_responsibilities/ar1.pdf This description forms part of our Auditor's Report.

KPMG

KPMG

Denise McComish
Partner

Perth

18 September 2018

Shareholder Information

The shareholder information set out below was applicable as at 9 October 2018.

Distribution of Equity Security

	Number of ordinary shares	Security holders Options
1 – 1,000	86	–
1,001 – 5,000	292	–
5,001 – 10,000	140	–
10,001 – 100,000	254	–
100,001 and over	55	2

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	25.80
AURORA NOMINEES LIMITED <2234100>	20,310,609	19.39
VIDACOS NOMINEES LIMITED <FGN>	10,665,139	10.18
WULURA INVESTMENTS PTY LTD <PJT GAMMELL SUPER FUND A/C>	8,515,624	8.13
PERSHING NOMINEES LIMITED <PERNY>	4,966,612	4.74
VIDACOS NOMINEES LIMITED <RBCRBSMR>	2,270,614	2.17
PHOENIX PROPERTIES INTERNATIONAL PTY LTD	2,000,000	1.91
CHASE NOMINEES LIMITED	1,698,038	1.62
HALB NOMINEES LIMITED <CLTPN1>	1,600,000	1.53
WULURA INVESTMENTS PTY LTD	1,566,948	1.50
MR NATALE RONALD MONTARELLO + MRS KIMBERLY MONTARELLO <MONTARELLO S/F A/C>	1,535,000	1.47
LYNCHWOOD NOMINEES LIMITED <2006420>	811,701	0.78
MR FERNANDO VICENTE LOPEZ	803,000	0.77
SHARE NOMINEES LTD	754,912	0.72
MR NATALE RONALD MONTARELLO	750,000	0.72
MR DANIEL EDWARD GAMMELL	605,000	0.58
MR EDWARD JAMES DALLY + MRS SELINA DALLY <E J DALLY SUPER FUND A/C>	602,536	0.58
MR ROBERT BAGNARA	600,000	0.57
MR STEVEN RODNEY JAMES SHEARMAN	436,125	0.42
BERNICE NOMINEES PTY LTD <BERNICE M BROWN SF A/C>	364,000	0.35
Total	**87,877,814**	**83.91**

Unquoted Equity Securities

	Number on Issue	Number of holders
Options issued under the ESOP to take up ordinary shares	2,333,000	2

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	29,561,036	28.23
LOMBARD ODIER ASSET MANAGEMENT (EUROPE) LTD	23,650,553	22.58
PETER GAMMELL	10,082,572	9.63
FORAGER FUNDS MANAGEMENT PTY LTD	5,468,720	5.22

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 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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Company Registrars

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Australia

Depositary

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BS13 8AE

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

Solicitors

Herbert Smith Freehills
250 St Georges Terrace
Perth WA 6000
Australia

Auditors

KPMG
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Perth WA 6000
Australia

Bankers

Westpac Banking Corporation
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Perth WA 6000
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THINKSMART