APPENDIX 4D
Half-Year Report
30 June 2011

ThinkSmart Ltd
ACN 092 319 698

Results for announcement to the market

Extracts from the income statement

	Half-Year		Change	
	2011	2010		
	$	$	$	%
Revenue from ordinary activities	**21,814,575**	19,712,103	2,102,473	11%
Profit from ordinary activities after tax attributable to members	**2,884,834**	2,749,131	135,702	5%
Net profit for the period attributable to members	**2,884,834**	2,749,131	135,702	5%

Dividends declared per ordinary share	**Amount per security**	**Franked amount per security**
Current period - 2011		
N/A	-	-
Previous corresponding period - 2010		
Final 2010 dividend - paid 29 April 2011	3.5 cents	45%

Brief Explanation of Revenue, Net Profit and Dividends
Please refer to the Directors' Report.

Net tangible assets per security

	Half-Year	
	2011	2010
	cents	cents
Net tangible assets per security	19.9	10.6

Control gained or lost over entities on the financial year

There have been no changes in ownership of the entities ThinkSmart Limited controlled over the period.

Dividend or distribution reinvestment plans

ThinkSmart Limited does not currently operate a dividend reinvestment plan.

Investment in Associates and Joint Ventures

ThinkSmart Limited does not have a percentage holding in any associates or joint venture entities.

Foreign entities

The consolidated half year report of the Group complies with International Financial Reporting Standards (IFRSs) and interpretations adopted by the Internal Accounting Standards Board (IASB).

Audit dispute or disqualification

The half year report has been reviewed by the auditors and is not subject to disputes or qualifications.

THINKSMART LIMITED

INTERIM FINANCIAL REPORT

30 JUNE 2011

ABN 24 092 319 698

CONTENTS

The directors present their report together with the consolidated financial report for the half-year ended 30 June 2011 and the auditor's review report thereon:

DIRECTORS

The directors of the company at any time during or since the end of the half-year are:

N R Montarello
Chairman and Managing Director, aged 50, joined the board on 7 April 2000.

D Griffiths
Non Executive Director, aged 60, is an economist who joined the board on 28 November 2000.

S Penglis
Non Executive Director, legal practitioner, aged 51, joined the board on 1 July 2000.

F De Vicente
Non Executive Director, retail industry director, aged 44, joined the board on 7 April 2010.

REVIEW OF OPERATIONS

Highlights for the half-year include:

- Net profit after tax increased 5% from $2.7m to $2.9m, well positioned for continued growth over full year December 2010 result.
- Australia's EBTA growth of 2% compares to a 5% increase in new business volumes and reflects the commencement of ThinkSmart's transition to a securitisation funding model in Australia with Net Finance Income from leasing of $1.0m earned in the period. This income was derived from the portfolio of lease assets acquired by ThinkSmart Trust, a wholly owned special purpose funding entity established by ThinkSmart during the period as part of its new multi-funder securitisation funding platform for Australia. Financial close was achieved on the new multi-funder securitisation platform. This included the sale of $36m of rental receivables into ThinkSmart Trust, effectively freeing up capacity under the Bendigo and Adelaide Bank principal and agency arrangement and reducing ongoing funding costs. Also in the period, key retailer agreements with JB HiFi (2014) and Officeworks (2013) were extended and a new distribution agreement executed with Leading Edge (2016).
- The UK business benefited from the Infinity consumer product launched in November 2010, with new business volumes up 86%. EBTA increased 24% to £2.1m. Increased funding capacity was secured through a new £40m revolving funder operating agreement from Secure Trust Bank. On 2 August 2011 the B2B retailer agreement with Dixon's was extended to 2015 and now aligns with the Dixon's consumer contract.
- During the period ThinkSmart restructured its Spanish and Italian operations, incurring restructuring costs of $0.2m. ThinkSmart continues to trade in those territories, adopting a low cost, online approach to servicing its retail partners.

Events occurring after balance date

Issue and cancellation of options
On 25 July 2011, the Company issued and cancelled 250,000 and 1,249,999 unlisted employee options respectively. The unexpended fair value of the cancelled options totalling $73,304 will not be expensed in future periods. The issued options are performance based and exercisable at $0.84 with an exercise period between 1 January 2014 and 31 December 2015. The estimated fair value of each option at grant date was $0.276. The fair value of these options will be expensed over the vesting period.

LEAD AUDITOR'S INDEPENDENCE DECLARATION UNDER SECTION 307C OF THE CORPORATIONS ACT 2001

The lead auditor's independence declaration is set out on page 20 and forms part of the directors' report for the half-year ended 30 June 2011.

Signed in accordance with a resolution of the directors:

N Montarello
Director
Perth, 12 August 2011

Statement of Comprehensive Income
For the six months ended 30 June 2011

	Notes	Consolidated 30 June 2011 $	Consolidated 30 June 2010 $
Revenue	7	21,814,575	19,712,103
Employee benefits expense		(5,439,056)	(5,271,642)
Sales and marketing costs		(4,936,183)	(4,845,159)
Occupancy costs		(587,337)	(520,112)
Communication costs		(290,816)	(231,706)
Doubtful and bad debts		(113,152)	(153,285)
Legal and consulting costs		(445,158)	(308,069)
Credit bureau costs		(383,348)	(283,897)
Corporate development costs		(1,872,429)	(1,238,052)
Insurance costs		(121,178)	(81,681)
Restructuring costs		(234,448)	-
Other expenses		(811,609)	(998,727)
Finance revenue		491,165	31,457
Finance costs and charges	7	(1,759,396)	(477,288)
Foreign exchange gain / (loss)		24,172	(290,860)
Depreciation expense		(277,739)	(267,366)
EBTA		**5,058,063**	**4,775,716**
Amortisation of intangibles		(694,751)	(1,011,318)
Profit before income tax		**4,363,312**	**3,764,398**
Income tax expense		(1,478,478)	(1,015,267)
Profit for the period		**2,884,834**	**2,749,131**
Other comprehensive income			
Foreign currency translation differences for foreign operations		(146,523)	13,343
Income tax on other comprehensive income		-	-
Other comprehensive income for the period, net of income tax		**(146,523)**	**13,343**
Total comprehensive income for the period, net of income tax		**2,738,311**	**2,762,474**
Earnings per share			
Basic (cents per share)		2.2 cents	2.8 cents
Diluted (cents per share)		2.2 cents	2.7 cents

The statement of comprehensive income is to be read in conjunction with the condensed notes to the consolidated interim financial report set out on pages 8 to 16.

Statement of Financial Position
As at 30 June 2011

	Notes	Consolidated 30 June 2011 $	Consolidated 31 December 2010 $
Current Assets			
Cash and cash equivalents		7,555,808	21,186,022
Trade and other receivables		3,574,427	2,582,338
Lease receivables	12	19,181,212	-
Inventories		56,997	57,707
Prepayments		5,742,181	3,276,469
Other		286,087	394,083
Total Current Assets		36,396,712	27,496,619
Non-Current Assets			
Deposits held by funders	14	8,037,002	6,737,156
Prepayments		1,719,695	2,372,572
Plant and equipment		1,006,357	1,120,251
Intangibles		6,186,679	4,348,343
Goodwill		3,497,225	3,540,774
Lease receivables	12	15,640,624	-
Deferred tax assets		604,607	287,676
Total Non-Current Assets		36,692,189	18,406,772
Total Assets		73,088,901	45,903,391
Current Liabilities			
Trade and other payables		8,612,967	4,825,478
Borrowings		2,500,000	2,489,944
Other interest bearing liabilities	13	15,622,331	-
Tax payable		1,988,331	521,144
Provisions		544,731	-
Total Current Liabilities		29,268,360	7,836,566
Non-Current Liabilities			
Deferred tax liability		-	367,698
Other interest bearing liabilities	13	7,726,764	-
Total Non-Current Liabilities		7,726,764	367,698
Total Liabilities		36,995,124	8,204,264
Net Assets		36,093,777	37,699,127
Equity			
Issued Capital	8	39,602,246	39,615,239
Reserves		(4,067,148)	(4,135,736)
Accumulated profits		558,679	2,219,624
		36,093,777	37,699,127

The statement of financial position is to be read in conjunction with the condensed notes to the consolidated interim financial report set out on pages 8 to 16.

Statement of Cash Flows
For the six months ended 30 June 2011

	Notes	Consolidated 30 June 2011 $	Consolidated 30 June 2010 $
Cash Flows from Operating Activities			
Receipts from customers		20,652,091	18,048,186
Payments to suppliers and employees		(9,845,270)	(13,467,851)
Interest received - finance lease receivables		1,461,049	-
Interest paid on interest bearing liabilities		(465,040)	-
Interest received - others		491,166	31,457
Interest and other funding charges paid		(123,368)	(60,913)
Income tax paid		(641,997)	(507,542)
Net cash provided by operating activities		11,528,631	4,043,337
Cash Flows from Investing Activities			
Payments for plant and equipment		(177,092)	(145,603)
Payment for lease assets	12 & 16	(36,860,707)	-
Payment for intangible asset – software		(699,793)	(765,157)
Payment for intangible asset – funding agreements		(1,858,146)	(1,447,214)
Proceeds from sale of plant and equipment		-	124,226
Net cash used in investing activities		(39,595,739)	(2,233,748)
Cash Flows from Financing Activities			
Hire purchase and lease finance repaid		-	(3,543)
Proceeds from exercise of options		-	300,000
Payment of capital raising costs	8	(12,993)	-
Finance charges		(861,985)	(411,638)
Payment for security guarantee		(3,416,830)	-
Proceeds from other interest bearing liabilities	13 & 16	26,490,000	-
Repayment of other interest bearing liabilities	13	(2,558,626)	-
Payment of costs of establishing financing facilities	13	(582,279)	-
Proceeds from borrowings		2,500,000	-
Repayment of borrowings		(2,489,944)	-
Dividend paid	10	(4,545,779)	(1,937,788)
Net cash from / (used) in financing activities		14,521,564	(2,052,969)
Net (decrease) / increase in cash and cash equivalents		(13,545,544)	(243,380)
Effect of exchange rate fluctuations on cash held		(84,670)	(52,361)
Cash and cash equivalents at beginning of the financial year		21,186,022	5,468,171
Net available cash and cash equivalents at the end of the financial year		7,555,808	5,172,430
Restricted cash and cash equivalents at the end of the financial year		(937,703)	(897,176)
Total cash and cash equivalents at the end of the financial year		6,618,105	4,275,254

The statement of cash flows is to be read in conjunction with the condensed notes to the consolidated interim financial report as set out on pages 8 to 16.

THINKSMART LIMITED

Statement of Changes in Equity
for the six months ended 30 June 2011

	Fully paid ordinary shares	Equity settled employee benefits reserve	Foreign currency translation reserve	Accumulated Profit / (Losses)	Attributable to equity holders of the parent
	$	$	$	$	$
Balance at 1 January 2010	23,614,091	199,726	(3,034,333)	(2,615,601)	18,163,883
Profit for the period	-	-	-	2,749,131	2,749,131
Other comprehensive income					
Foreign currency translation differences	-	-	13,343	-	13,343
Total comprehensive income for the period	-	-	13,343	2,749,131	2,762,474
Contributions by and distributions to owners					
Recognition of share-based payments	-	88,062	-	-	88,062
Issue of shares under share option plan	300,000	-	-	-	300,000
Dividend paid	-	-	-	(1,937,788)	(1,937,788)
Total contributions by and distributions to owners	300,000	88,062	-	(1,937,788)	(1,549,726)
Balance at 30 June 2010	23,914,091	287,788	(3,020,990)	(1,804,258)	19,376,631
Balance at 1 January 2011	39,615,239	230,950	(4,366,686)	2,219,624	37,699,127
Profit for the period	-	-	-	2,884,834	2,884,834
Other comprehensive income					
Foreign currency translation differences	-	-	(146,523)	-	(146,523)
Total comprehensive income for the period	-	-	(146,523)	2,884,834	2,738,311
Contributions by and distributions to owners					
Recognition of share-based payments	-	215,111	-	-	215,111
Capital raising costs	(12,993)	-	-	-	(12,993)
Dividend paid	-	-	-	(4,545,779)	(4,545,779)
Total contributions by and distributions to owners	(12,993)	215,111	-	(4,545,779)	(4,343,661)
Balance at 30 June 2011	39,602,246	446,061	(4,513,209)	558,679	36,093,777

The statement of changes in equity is to be read in conjunction with the condensed notes to the consolidated interim financial report as set out on pages 8 to 16.

1. Reporting entity

ThinkSmart Limited (the "Company") is a company domiciled in Australia. The interim financial report of the Company as at and for the six months ended 30 June 2011 comprises the Company and its subsidiaries (together referred to as the "consolidated entity" or "the Group").

The annual financial report of the consolidated entity as at and for the year ended 31 December 2010 is available upon request from the Company's registered office at Level 1, 1260 Hay Street, West Perth or at www.thinksmartworld.com.

2. Statement of compliance

The interim financial report is a general purpose financial report which has been prepared in accordance with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the Corporations Act 2001.

The interim financial report does not include all of the information required for a full annual financial report, and should be read in conjunction with the consolidated annual financial report of the consolidated entity as at and for the year ended 31 December 2010.

This interim financial report was approved by the Board of Directors on 12 August 2011.

3. Significant accounting policies

The accounting policies applied by the consolidated entity in this interim financial report are consistent with those applied by the consolidated entity in its consolidated financial report as at and for the year ended 31 December 2010 and corresponding interim reporting period, with the additional accounting policies applicable for the current reporting period set out below:

a) Lease receivables
The Group has entered into financing transactions with customers and has classified its leases as finance lease for accounting purposes. Under a finance lease, substantially all the risks and benefits incidental to the ownership of the leased asset are transferred by the lessor to the lessee. The Group recognises at the beginning of the lease term an asset at an amount equal to the aggregate of the present value (discounted at the interest rate implicit in the lease) of the minimum lease payments and an estimate of the value of any unguaranteed residual value expected to accrue to the benefit of the Group at the end of the lease term. This asset represents the Group's net investment in the lease. Finance leases acquired from other parties are recognised at fair value including direct and incremental costs and subsequently remeasured at amortised cost using the effective interest rate method and are presented net of provisions for impairment.

i) Unearned interest
Unearned interest on leases and other receivables is brought to account over the life of the lease contract based on the interest rate implicit in the lease.

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

b) Allowance for losses
The collectability of lease receivables is assessed on an ongoing basis. A provision is made for losses based on historical rates of arrears and the current delinquency position of the portfolio.

3. Significant accounting policies (cont'd)

c) Financial instruments
The Group holds derivative financial instruments to hedge its interest rate risk exposures.

On initial designation of the derivative as the hedging instrument, the Group formally documents the relationship between the hedging instrument and the hedged item, including the risk management objectives and strategy in undertaking the hedge transaction and the hedged risk, together with the methods that will be used to assess the effectiveness of the hedging relationship. The Group makes an assessment, both at the inception of the hedge relationship as well as on an ongoing basis, whether the hedging instruments are expected to be "highly effective" in offsetting the changes in cash flows of the respective hedged items attributable to hedged risk, and whether the actual results of each hedge are within a range of 80 – 125 percent. For a cash flow hedge of a forecast transaction, the transaction should be highly probable to occur and should present an exposure to variations in cash flows that could ultimately affect reported profit or loss.

Derivatives are recognised initially at fair value; attributable transaction costs are recognised in profit or loss as incurred. Subsequent to initial recognition, derivatives are measured at fair value and changes therein are accounted for as described below.

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

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

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

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

Any increase in the liability relating to financial guarantees is recognised in the Statement of Comprehensive Income. Any liability remaining is derecognised in the Statement of Comprehensive Income when the guarantee is discharged, cancelled or expires.

4. Estimates

The preparation of interim financial reports requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

4. Estimates (Cont'd)

In preparing the consolidated interim financial report, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial report as at and for the year ended 31 December 2010, with the additional assessment of finance leases, hedge accounting and the valuation of derivatives and financial guarantee contracts.

Change in accounting estimates
During the interim period, the Group has reassessed the percentage of insurance commission income recognised at the inception of insurance contracts that the Group has received from referring its customers' insurance contracts to an insurer in respect of its UK business. This review considered the level of continuing involvement in servicing these insurance contracts and the historical trend of cancellations that result in commission being refunded. As a result, the Group has increased the percentage of commission income being recognised at inception of the insurance contracts resulting in an increase of $756,171 to insurance commission income. This comprises an amount of $224,370 relating to contracts referred during the interim period and an amount of $531,801 representing an acceleration of commission income that would have been recognised in future periods.

5. Financial risk management

The consolidated entity's financial risk management objectives and policies are consistent with that disclosed in the consolidated financial report as at and for the year ended 31 December 2010 except as noted below.

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

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 Group 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. In addition, the Group maintains the following lines of credit:

- Revolving cash advance facility of $5,000,000, in which $2,500,000 is presently drawn down. Interest is payable at prevailing bank rate.
- Standby Letter of Credit facility of £2,000,000 which is presently fully drawn down.

Liquidity risk on other interest bearing liabilities relating to notes issued in each series of ThinkSmart Trust is managed by matching the repayments of the notes to collection of rental payments from customers. To the extent rental payments are not made ThinkSmart's exposure is limited to its subscription to notes in the relevant series of ThinkSmart Trust.

6. Income tax expense

The consolidated entity's consolidated effective tax rate in respect of continung operations for the six months ended 30 June 2011 was 33.9% (2010: 27.0%). The difference in effective tax rate from the prima facie rates applicable of approximately 28.5% (blended rate) is mainly due to deferred tax assets not being recognised on tax losses incurred during the current 6 month period in Italy and France as future tax benefits are not anticipated with which to utilise these against.

7. Revenue

	Notes	2011	2010
i) Revenue from brokerage operations		$	$
Commission income from funders		9,511,268	11,319,736
Revenue received on sale of equipment		2,340,695	2,358,960
Extended rental income		3,269,985	2,988,967
Insurance and warranty brokerage income		4,785,971	2,454,558
Other revenue		445,607	589,882
		20,353,526	19,712,103
ii) Finance lease operations			
Finance lease income		1,461,049	-
Less interest expense on interest bearing liabilities		(465,040)	-
Net finance lease income		996,009	-

8. Share capital

	Number	$
Fully Paid Ordinary Shares		
Balance at 1 January 2010	96,689,390	23,614,091
Issue of new shares following exercise of options	480,000	300,000
Balance at 30 June 2010	97,169,390	23,914,091

	Number	$
Fully Paid Ordinary Shares		
Balance at 1 January 2011	129,879,390	39,615,239
Adjustment for capital raising costs	-	(12,993)
Balance at 30 June 2011	129,879,390	39,602,246

9. Segment reporting

Operating segments

Information about reportable segments	Europe		Australasia		Total	
For the six months ended	**2011**	**2010**	**2011**	**2010**	**2011**	**2010**
	$	**$**	**$**	**$**	**$**	**$**
External revenues	7,672,101	6,868,164	14,142,473	12,843,938	21,814,575	19,712,102
Intersegment revenue	-	-	467,529	1,521,390	467,529	1,521,390
Reportable segment profit before income tax	1,006,630	1,106,422	5,444,710	5,505,072	6,451,340	6,611,494
Reportable segment assets	16,810,435	14,564,779	57,317,731	12,335,724	74,128,166	26,900,503

Reconciliation of reportable segment profit or loss

	2011	2010
Total profit or loss for reportable segments	6,451,340	6,611,494
Elimination of inter-segment profits	(9,866)	(1,519,702)
Unallocated expenses	(2,078,162)	(1,327,394)
Consolidated profit before tax	4,363,312	3,764,398

There have been no changes to the basis of segmentation or the measurement basis for the segment profit or loss since 31 December 2010 with the exception of the Australasia segment that includes $1,461,049 of revenue from finance leases acquired during the period. Refer to Note 16 for further details.

10. Dividend

The following dividends were declared and paid by the Group:

During the six months ended 30 June	Franking	2011 $	2010 $
3.5 cents per ordinary share (2010: 2.0)	45%	4,545,779	1,937,788

11. Share-based payment

During the 6 months period ended 30 June 2011, the Group issued the following share-based payments:

Executive Option Plan
On 11April 2011 and 15 June 2011, options were offered to key management and senior employees in accordance with the Executive Option Plan ("Plan").

The terms and conditions relating to the grants of the share option are as follows; all options are to be settled by physical delivery of shares:

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

The fair value of services received in return for share options granted is based on the fair value of share options granted, measured by the Binomial Model.

The inputs used in measurement of the fair values at grant date of the Plan are the following:

Executive Option Plan	**June 2011**	**April 2011**	**April 2011**
Fair value at grant date	$0.304	$0.404	$0.423
Grant date share price	$0.700	$0.825	$0.825
Exercise price	$0.84	$0.84	$0.84
Expected volatility	78.0%	78.0%	78.0%
Option life (expected weighted average life)	3.5 years	3.7 years	4.2 years
Dividend yield	4.88%	4.15%	4.15%
Risk-free interest rate	5.50%	5.75%	5.85%

12. Lease receivables

	2011
	$
Current	
Gross rental receivables	19,833,260
Unguaranteed residuals	3,125,010
Unearned income	(3,777,058)
Net lease receivables	19,181,212
Allowance for losses	-
	19,181,212
Non-current	
Gross rental receivables	16,982,328
Unguaranteed residuals	1,594,239
Unearned income	(2,935,943)
Net lease receivables	15,640,624
Allowance for losses	-
	15,640,624
Lease receivables due within 12 months	19,181,212
Lease receivables due in greater than 12 months	15,640,624
	34,821,836

Refer to note 16 for further information

13. Other Interest Bearing Liabilities

	2011
	$
Current	
Loan advances - secured	15,738,787
Current portion – facility establishment costs	(116,456)
	15,622,331
Non-Current	
Loan advances - secured	8,192,587
Current portion – facility establishment costs	(465,823)
	7,726,764

The loans are provided in the form of notes in a series of ThinkSmart Trust. The notes are secured by all payments receivable in respect of the underlying lease receivable contracts assigned to the relevant series of ThinkSmart Trust and pay down in line with the repayments of the underlying leases.

14. Contingent inertia assets

Under the Group’s accounting policy, inertia revenue is not recognised until the conclusion of the initial rental period for the customer contracts where the Group is not the lessor. At this point, the Group is entitled to acquire the equipment from the funders at a nominal value, and the equipment can be disposed of, or continue to be rented to third parties.

The Group does not have control over these future revenue streams and accordingly the revenue is not brought to account until it is received.

14. Contingent inertia assets (cont'd)

A conservative estimate of its realisable value has been made by estimating expected sales proceeds through the lower of the least profitable sales channel or public auction. The after-tax cash flows, calculated from rental contracts in existence at 30 June 2011, are discounted using appropriate risk factors. The estimated value of future cash flows is $6,511,838 (31 December 2010: $9,572,203).

15. Commitments and contingent liabilities

Under the terms of its previous UK funder agreement the Group is potentially liable to refund part of its brokerage income in the event that the funder's bad debts exceed certain pre-agreed levels. As at 30 June 2011, the maximum amount of brokerage income that the Group may potentially have to refund in the future is $440,978 (31 December 2010: $492,027).

Under the terms of its current UK funding agreement with Secure Trust Bank (STB), the Group is obliged to purchase delinquent leases from the funder at the funded amount plus any commission previously received. At 30 June 2011, the total funded amount of all leases funded by the funder is $18,390,985 (31 December 2010: $11,845,103). The Group has entered into a Credit Default Swap (CDS) with STB for which it has provided a deposit of $3,416,830 as collateral for the obligation under the funding agreement and CDS. The Group has provided $1,052,366 (31 December 2010: $683,372) being its estimate of the amount potentially payable for those leases that are likely to become delinquent in the future, pursuant to the terms and conditions of the CDS.

Included in cash and cash equivalents, is $937,703 (31 December 2010: $2,917,361) which is held as part of the Group's funding arrangements and is restricted.

Under the terms of its Australian funding agreement the Group has deposits held by the funder as credit support for the portfolio of leases funded by the funder. These deposits represent amounts held in excess of expected future losses, however the Group has a potential risk that, should losses exceed expected levels and alternate remedies are not made, a portion of these deposits may be forfeit. As at 30 June 2011, the maximum amount of funder deposits that the Group may potentially forfeit in the future is $5,421,214 (31 December 2010: $3,122,945). The Group has recognised a provision of $309,000 against this receivable. Further funder deposits are held by the funder against the risk of default by the Group under the servicing provisions of its Australian funding agreement. Should the Group default against these obligations, the entire deposit would be forfeit. As at 30 June 2011 the deposit held against servicing default was $560,324 (31 December 2010: $2,643,398).

The total balance of deposits recognised with funders net of associated provisions and financial guarantee contracts is $8,037,002.

16. New funding structure

On 14 June 2011, the Group completed its new multi-funder securitisation platform launched with a facility provided by Westpac. This facility has a scheduled term of 5 years and a funding commitment of $100m of which $24m was drawn down at 30 June 2011. The securitisation structure has multiple note classes with ThinkSmart notes subordinate to the Westpac notes and bearing first loss. ThinkSmart's exposure to credit risk is limited to the value of its notes which at 30 June 2011 was $10.4m. Losses in excess of that are borne by Westpac's notes. The Westpac facility bears interest at a margin above a floating rate benchmark. ThinkSmart has hedged its interest rate exposure to this risk.

In establishing the Westpac facility, $36 million of leases were assigned from the existing Bendigo and Adelaide Bank ("Bendigo") facility at fair value and was funded by $24m of notes in a series of ThinkSmart Trust issued to Westpac and the balance by internally funded notes in the same series of ThinkSmart Trust issued to ThinkSmart. Further details of the notes are disclosed in Note 13.

17. Events occurring after balance date

Issue and cancellation of options
On 25 July 2011, the Company issued 250,000 and cancelled 1,249,999 forfeited unlisted employee options.

The issued options are performance based and exercisable at $0.84 with an exercise period between 1 January 2014 and 31 December 2015. The estimated fair value of each option at grant date was $0.276. The fair value of these options will be expensed over the vesting period.

THINKSMART LIMITED
DIRECTORS' DECLARATION

In the opinion of the Directors of ThinkSmart Limited (the "Company"):

a) the financial statements and notes that are in page 4 - 16, 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 2011 and its performance for the six months period ended on that date; and

   II. complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* 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.

Signed in accordance with a resolution of the directors:

N Montarello
Director
Perth, 12 August 2011

Independent auditor's review report to the members of ThinkSmart Limited

We have reviewed the accompanying interim financial report of ThinkSmart Limited, which comprises the consolidated statement of financial position as at 30 June 2011, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half-year ended on that date, notes 1 to 17 comprising a summary of significant accounting policies and other explanatory information and the directors' declaration of the Group comprising the company and the entities it controlled at the half-year's end or from time to time during the half-year.

Directors' responsibility for the interim financial report

The directors of the company are responsible for the preparation of the interim financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such control as the directors determine is necessary to enable the preparation of the interim financial report that is free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express a conclusion on the interim financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity,* in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the interim financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the Group's financial position as at 30 June 2011 and its performance for the half-year ended on that date; and complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As auditor of ThinkSmart Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of an interim financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

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

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the interim financial report of ThinkSmart Limited is not in accordance with the *Corporations Act 2001*, including:

(a) giving a true and fair view of the Group's financial position as at 30 June 2011 and of its performance for the half-year ended on that date; and

(b) complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

KPMG

KPMG

D McComish

Denise McComish
Partner

Perth

12 August 2011

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 review for the half-year ended 30 June 2011 there have been:

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

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

KPMG

KPMG

D McComish

Denise McComish
Partner

Perth

12 August 2011