THINKSMART LIMITED

INTERIM FINANCIAL REPORT

31 DECEMBER 2018

ABN 24 092 319 698

CONTENTS

THINKSMART LIMITED
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 half year ended 31 December 2018, and the auditor's report there on.

DIRECTORS

The names of the Company's directors in office during the half-year and until the date of this report are set out below. Directors were in office for this entire period unless otherwise stated.

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 on a temporary basis as the business transitions post the sale of ClearPay. Ned has over 30 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.

In the absence of a Chief Executive Officer Ned will continue to lead and drive the business to maintain its sector leading IP and diversify its point of sale finance product base within a fast moving retail environment.

Keith Jones MBA Bus
Non-Executive Director, 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 over 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 fascia's 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 period was the provision of lease and rental financing services in the UK.

GOING CONCERN

The consolidated financial statements are prepared on a going concern basis, the details of the Directors' assessment is disclosed in note 2(d).

OPERATING AND FINANCIAL REVIEW

Highlights for the six months to 31 December 2018 for ThinkSmart Limited and its subsidiaries ("the Group") include:

- Successfully completed the sale of 90% of ClearPay Finance Ltd ("ClearPay") to Afterpay Touch Group Ltd on 23 August 2018, delivering £7.71 million profit after tax on the sale.
- Net loss after tax from continuing operations of £0.85 million (HY18 £1.0 million) reflects cost control which together with profit on the sale of 90% of ClearPay delivered a net profit after tax of £6.86 million (HY18 loss of £1.15 million).
- Cash and cash equivalents of £11.3 million at 31 December 2018, prior to the expected A$8 million (approx. £4.4 million) special dividend/capital return, includes £1.45 million (HY18 £0.20 million) net cash generated from operating activities.
- Second Tranche of 250,000 shares in Afterpay Touch Group Ltd, from the sale of ClearPay, received on 25 February 2019, with a market value of A$5 million (approx. £2.8 million) at the close of business on that day.
- Revenue of £3.8 million, down 5% versus same period last year, benefited from the majority of revenue in the period being derived from higher volumes in previous years.
- Operating costs reduced by 31% to £2.2 million and remain controlled, aligned to current volume performance.
- Leasing originations at £2.7 million, significantly lower than the same period last year (HY18 £7.0 million) with majority of reduction from the lower margin Flexible Leasing product.
- Net Assets are £20.3 million at 31 December 2018, equivalent to 19.13 pence per share.

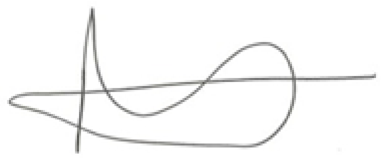
AUDITOR’S INDEPENDENCE DECLARATION

The auditor’s independence declaration is set out on page 23 and forms part of the directors’ report for the half-year ended 31 December 2018.

ROUNDING OFF OF AMOUNTS

The Company is of a kind referred to in ASIC Corporations (Rounding in the Financial and Directors report) Instrument 2016 / 191 and in accordance with the instrument, amounts in the interim financial report have been rounded to the to the nearest thousand pounds, unless otherwise stated.

Signed in accordance with a resolution of the directors:



N Montarello
Chairman
London, 5 March 2019

Consolidated Statement of Profit or Loss and Other Comprehensive Income for the six months ended 31 December 2018

	Notes	31 December 2018 £,000	Restated* 31 December 2017 £,000
Revenue	7(a)	3,439	3,640
Other revenue	7(b)	338	321
Total revenue		3,777	3,961
Customer acquisition costs	7(c)	(443)	(569)
Cost of inertia asset sold	7(d)	(659)	(617)
Other operating expenses	7(e)	(2,158)	(3,108)
Depreciation and amortisation	7(f)	(681)	(708)
Impairment losses	7(g)	(317)	(225)
Gains/(Losses) on financial instruments	8	(271)	-
Loss before tax		(752)	(1,266)
Income tax (cost)/benefit	6	(98)	230
Net Loss after tax from continuing operations		(850)	(1,036)
Profit/(Loss) after tax from discontinued operations	9	7,714	(113)
Net Profit/(Loss) after tax – attributable to owners of the Company		6,864	(1,149)
Other comprehensive (loss)			
Items that may be reclassified subsequently to profit or loss (net of income tax):			
Foreign currency translation differences for foreign operations		(103)	(58)
Total items that may be reclassified subsequently to loss, net of income tax		(103)	(58)
Other comprehensive (loss) for the period, net of income tax		(103)	(58)
Total comprehensive profit/(loss) for the period, net of income tax		**6,761**	**(1,207)**
Profit/(Loss) per share (pence)			
Basic (pence per share)		6.53	(1.09)
Diluted (pence per share)		6.53	(1.09)

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

*Refer to note 9

Consolidated Statement of Financial Position
as at 31 December 2018

	Notes	31 December 2018 £,000	30 June 2018 £,000
Current Assets			
Cash and cash equivalents		11,328	2,523
Trade receivables		204	180
Finance lease receivables	10	3,329	3,399
Other current assets	11	1,515	1,807
Assets held for sale	9	-	1,528
Total Current Assets		16,376	9,437
Non-Current Assets			
Finance lease receivables	10	2,038	3,420
Plant and equipment		127	133
Intangible assets	13	5,522	6,335
Deferred Consideration	14	1,725	-
Deferred tax assets		-	71
Tax receivable		-	578
Other non-current assets	12	1,590	2,135
Total Non-Current Assets		11,002	12,672
Total Assets		27,378	22,109
Current Liabilities			
Trade and other payables	15	1,305	1,617
Deferred service income	16	752	863
Other interest bearing liabilities	17	1,769	2,510
Provisions	15	280	283
Liabilities held for sale	9	-	141
Total Current Liabilities		4,106	5,414
Non-Current Liabilities			
Deferred service income	16	524	621
Other interest bearing liabilities	17	2,460	2,708
Total Non-Current Liabilities		2,984	3,329
Total Liabilities		7,090	8,743
Net Assets		**20,288**	**13,366**
Equity			
Issued Capital	18	17,397	17,397
Reserves		(2,946)	(2,843)
Accumulated profits		5,837	(1,188)
		20,288	**13,366**

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

Consolidated Statement of Changes in Equity
for the six months ended 31 December 2018

	Fully paid ordinary shares	Foreign currency translation reserve	Accumulated Profit	Attributable to equity holders of the parent
	£,000	**£,000**	**£,000**	**£,000**
Balance at 1 July 2017	17,332	(2,703)	3,679	18,308
Loss for the period			(1,149)	(1,149)
Exchange differences arising on translation of foreign operations, net of tax	-	(58)	-	(58)
Total comprehensive loss for the period	-	(58)	(1,149)	(1,207)
Transactions with owners of the Company, recognised directly in equity				
Contributions by and distributions to owners of the Company				
Employee loan-funded shares exercised	27	-	-	27
Recognition of share-based payments	-	-	8	8
Balance at 31 December 2017	17,359	(2,761)	2,538	17,136
Balance at 1 July 2018	17,397	(2,843)	(1,188)	13,366
Profit for the period	-	-	6,864	6,864
Exchange differences arising on translation of foreign operations, net of tax	-	(103)	-	(103)
Total comprehensive profit/(loss) for the period	-	(103)	6,864	6,761
Transactions with owners of the Company, recognised directly in equity				
Contributions by and distributions to owners of the Company				
Recognition of share-based payments	-	-	161	161
Balance at 31 December 2018	17,397	(2,946)	5,837	20,288

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

Consolidated Statement of Cash Flows
for the six months ended 31 December 2018

	31 December 2018 £,000	31 December 2017 £,000
Cash Flows from Operating Activities		
Receipts from customers	2,582	3,027
Payments to suppliers and employees	(2,597)	(3,171)
Receipts/(payments) in respect of lease receivables	1,786	(1,401)
(Payments)/proceeds from other interest bearing liabilities, inclusive of related costs	(1,092)	1,524
Interest received	71	40
Interest and finance charges	(182)	(211)
Receipts from security guarantee	332	316
Income tax repayment	550	72
Net cash provided by operating activities	1,450	196
Cash Flows from Investing Activities		
Payments for plant and equipment	(39)	(55)
Payments for intangible assets – Software	(366)	(1,139)
Payments for intangible assets – Contract rights	(13)	(53)
Disposal of discontinued operation net of tax	7,714	-
Net cash from investing activities	7,296	(1,247)
Cash Flows from Financing Activities		
Share buyback net of costs	-	27
Net cash used in financing activities	-	27
Net increase / (decrease) in cash and cash equivalents	8,746	(1,024)
Effect of exchange rate fluctuations on cash held	(28)	(3)
Cash and cash equivalents from continuing operations at beginning of the financial period	2,523	4,527
Cash and cash equivalents from discontinued operation at beginning of the financial period	87	-
Total cash and cash equivalents at the end of the financial period	11,328	3,500
Restricted cash and cash equivalents at the end of the financial period	(56)	(71)
Net available cash and cash equivalents at the end of the financial period	11,272	3,429

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

1. General Information

ThinkSmart Limited (the "Company" or "ThinkSmart") is a limited liability company incorporated in Australia. These consolidated interim financial statements ("interim financial statements") as at and for the six months ended 31 December 2018 comprise the Company and its subsidiaries (the "Group"). The Group is a for profit entity and its principal activity during the period was the provision of lease and rental financing services in the UK. The consolidated annual financial statements of the Group as and for the year ended 30 June 2018 are available upon request from the Company's registered offices at Suite 5, 531 Hay Street Subiaco, West Perth, WA 6008 or 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 interim financial statements are general purpose financial statements which have been prepared and approved by the Directors in accordance with AASB 134 Interim Financial Reporting and the Corporations Act 2001, and with IAS 34 Interim Financial Reporting as adopted by the EU (''Adopted IFRSs''). They do not include all of the information required for a complete set of annual financial statements. However, selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the Group's financial position and performance since the last annual consolidated financial statements as at and for the year ended 30 June 2018.

These interim financial statements were authorised for issue by the Board of Directors on 5 March 2019.

Accounting period
The accounting policies and method of computation followed in the interim financial statements are consistent with the last annual financial statements, unless otherwise stated below.

(b) Basis of measurement

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

(c) Functional and presentation currency

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

(d) Going Concern

The Group has generated a net loss after tax from continuing operations of £0.85 million for the six months to 31 December 2018 (HY18 loss of £1.0 million). 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. On 25 February 2019 the Group received the remaining 250,000 consideration shares in Afterpay. This has resulted in a net profit after tax of £6.86 million for the six months to 31 December 2018 and an excess of current assets over current liabilities of £12.27 million at 31 December 2018 including cash of £11.3 million (cash of £11 million at 1 March 2019). The board has approved that shareholders will be paid a special dividend/capital return of A$8 million whilst the business will ensure that it retains sufficient cash reserves for further expansion and product development opportunities.

To assess the adequacy of cash reserves held by the Group, 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 expected special dividend/return of capital to shareholders, sale of remaining 250,000 shares in Afterpay which were received on 25 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. Notwithstanding volumes in the six months to 31 December 2018 being below those in the forecasts, both operating losses and cash are performing better than forecast due to higher inertia income and lower costs.

The cash flow forecasts prepared 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.

(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 cash flow impact of the sale of the second tranche 250,000 Afterpay shares.

The directors have also considered the impact that a 'no deal' Brexit could have on the Group and have made enquiries with Dixons Carphone regarding its Brexit planning given the concentration risk. As a result of these considerations and enquiries, the directors believe that there should be no material disruption to its business. The remaining key risk to the Group being a potential increase to the future credit losses on its existing portfolio of finance lease receivables and deposits held by funders. At 31 December 2018, the Group had, in total, £1.16 million of provisions against these credit losses. From a 'no deal' Brexit sensitivity perspective, if this were to happen and result in credit losses being 30% higher than provided then this would result in £0.38m of additional credit losses.

The directors are working to maximise the relationship with Dixons Carphone to improve volume performance, and are considering strategic options to diversify leveraging its well-invested technology platform and capabilities to explore new innovative products and partnerships in the coming year, and acknowledge that the success of these strategies is key for the longer term viability of the Group. 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

There is one new standard, IFRS 16 which will be effective for annual periods beginning after 1 July 2019 and have not been applied in preparing this financial report. The Group does not plan to adopt this standard early and has assessed that there will be no material impact from the adoption of IFRS 16.

Assessment of the impact of IFRS 16 (Leases)

Application date of Standard – 1st January 2019 (1st July 2019 for Group)

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. The Group currently only leases its office and company vehicles under operating leases. 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.

(f) New accounting policies adopted in the financial year

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

- IFRS 9 – Financial instruments. This standard replaces IAS 39. The Group's existing accounting policies for classification, measurement and impairment are in line with the new standard and as such the adoption of the new standard has caused no impact on these financial statements.
- IFRS 15 – Revenue from contracts with customers. IFRS 15 replaces current accounting standards IAS 18 Revenue and IAS 11 Construction Contracts. However, some forms of revenue fall outside the scope of IFRS 15, including revenue under IFRS 16 Leases (currently IAS 17) and IFRS 9 Financial Instruments (currently IAS 39). The Group's existing accounting policies for recognition of revenue from contracts with customers are in line with the new standard and so there is no impact on these financial statements.

3. Significant accounting policies

The accounting policies applied by the consolidated entity in this interim financial report are consistent with those disclosed in the consolidated annual financial report for the year ended 30 June 2018 other than as noted in note 2(f).

4. Critical accounting estimates and judgements

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. 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 disclosed in the consolidated annual financial report for the year ended 30 June 2018.

5. Financial risk management

The consolidated entity's financial risk management objectives and policies are consistent with those disclosed in the consolidated annual financial report for the year ended 30 June 2018.

6. Income tax expense

The consolidated entity's consolidated effective tax rate in respect of continuing operations for the six months ended 31 December 2018 was 0.00% (31 December 2017: 16.7%).

	6 months to 31 December 2018	6 months to 31 December 2017
	£,000	£,000
Current income tax expense		
Current income tax credit/(charge)	(27)	230
Adjustment for prior period	(71)	-
Total income tax credit	(98)	230
Accounting profit/(loss) before tax	(752)	(1,266)
Statutory corporation rate	30%	30%
Tax (charge)/credit at the statutory income tax rate	226	380
Effect of tax rates in foreign jurisdictions	(53)	(162)
Allowances/(Non-deductible expenses)	(8)	14
Overseas tax losses not recognised	-	(2)
Deferred tax asset not recognised	(83)	-
Unrealised loss on fair value movement of deferred consideration for which no deferred tax asset has been recognised	(271)	-
Withholding tax	(27)	-
Adjustments in respect of prior periods	(71)	-
Use of brought forward losses (for which no deferred tax asset was recognised) against realised capital gains on disposal of Afterpay shares	189	-
Total income tax (charge)/credit	(98)	230

ThinkSmart Limited offset the chargeable gain arising on the sale of tranche 1 of AfterPay shares in the current period against carried forward non-trading deficits.

7. Consolidated Statement of Profit or Loss

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

	6 months to 31 December 2018	6 months to 31 December 2017
	£,000	£,000
a) Revenue		
Finance lease income	379	218
Interest revenue – other entities	72	40
Income earned from sale of inertia assets	398	370
Extended rental income	1,382	1,387
Deferred service income	542	681
Fee revenue – customers	56	36
Commission income	610	908
	3,439	3,640
b) Other revenue		
Services revenue – insurance	309	318
Other revenue	29	3
	338	321

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 sold

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 months to 31 December 2018 £,000	6 months to 31 December 2017 £,000
e) Other operating expenses		
Employee benefits expense		
- Payments to employees	(1,003)	(1,738)
- Employee superannuation costs	(70)	(119)
- Share-based payment expense	(41)	(8)
	(1,114)	(1,865)
Occupancy costs	(130)	(148)
Professional services	(313)	(328)
Finance charges	(180)	(169)
Other costs	(421)	(598)
	(2,158)	(3,108)
f) Depreciation and amortisation		
Depreciation	(45)	(78)
Amortisation	(636)	(630)
	(681)	(708)
g) Impairment losses		
Impairment losses on finance leases and receivables	(196)	(94)
Impairment losses on intangible assets	(121)	(131)
	(317)	(225)

8. Gains/(Losses) on financial instruments

	6 months to 31 December 2018 £,000	6 months to 31 December 2017 £,000
Realised Gains	631	-
Unrealised Losses	(902)	-
Net Gains/(Losses)	(271)	-

Realised gains arose on disposal of the full tranche 1 of 750,000 AfterPay Touch Group Limited (APT) shares on 24 August 2018. Unrealised losses have arisen on revaluation of 250,000 shares in APT as at 31 December 2018 to a share price of AUD $12.40 per share. These amounts are shown in the table above.

9. Profit/(Loss) after tax 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 Finance Limited has not previously been classified as held for sale or as a discontinued operation. The comparative consolidated statement of profit and loss has been restated to show the discontinued operation separately from continuing operations. The balance sheet of the disposal group held for sale as at 30 June 2018 is presented below.

	6 months to 31 December 2018 £,000	Restated 6 months to 31 December 2017 £,000
Revenue	11	-
Customer acquisition costs	(62)	(76)
Other operating expenses	(52)	-
Depreciation and amortisation	(49)	(37)
Impairment losses	(8)	-
Loss before tax – discontinued operation	(160)	(113)
Income tax expense	-	-
Loss after tax – discontinued operation	(160)	(113)
Consideration for sale of discontinued operation	10,510	-
Net assets sold	(1,727)	-
Costs associated with sale of discontinued operation	(909)	-
Tax on profit on sale of discontinued operation	-	-
Profit on sale of discontinued operation net of tax	7,874	-
Profit/(Loss) after tax from discontinued operations	7,714	(113)

The sale of ClearPay Finance Limited did not result in a tax charge for ThinkSmart Limited by virtue of the Substantial Shareholding Exemption. ThinkSmart Limited are exempt from the charge to tax gains or losses accruing on the disposal by companies of shares as they meet the conditions of this exemption.

At 30 June 2018 the disposal group was stated at fair value and comprised the following assets and liabilities.

	31 December 2018 £,000	30 June 2018 £,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

	31 December 2018 £,000	30 June 2018 £,000
10. Finance lease receivables		
Current (no later than 1 year)		
Gross investment in finance lease receivables	3,305	3,468
Unguaranteed residuals	394	434
Unearned future finance lease income on finance leases	(75)	(355)
Net lease receivable	3,624	3,547
Allowance for losses	(295)	(148)
	3,329	3,399
Non-current (later than 1 year, no later than 5 years)		
Gross investment in finance lease receivables	2,045	3,607
Unguaranteed residuals	247	478
Unearned future finance lease income on finance leases	(70)	(506)
Net lease receivable	2,222	3,579
Allowance for losses	(184)	(159)
	2,038	3,420

All finance leases detailed above have a minimum lease term at inception of the lease of 2 years.

	31 December 2018 £,000	30 June 2018 £,000
11. Other current assets		
Prepayments	340	578
Insurance prepayments	319	320
Accrued income (i)	465	451
Inventories	287	324
Sundry debtors	104	134
	1,515	1,807

(i) Accrued income reflects brokerage commission earned from making insurance arrangements on behalf of leaseholders and is net of a clawback provision.

	31 December 2018 £,000	30 June 2018 £,000
12. Other non-current assets		
Insurance prepayments	79	234
Accrued income (i)	158	322
Deposits held by funders (ii)	1,293	1,579
Investment in ClearPay Finance Limited (iii)	60	-
	1,590	2,135

12. Other non-current assets (continued)

(i) Accrued income reflects brokerage commission earned from making insurance arrangements on behalf of leaseholders and is net of a clawback provision.

(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 19 for further information.

(iii) On the 23rd of August 2018 the Group sold 90% of ClearPay Finance Limited to Afterpay Touch Group limited. The Group retains a 10% holding in ClearPay which is held as an investment at fair value under IFRS 9. The Company has recognised the investment at cost of £60k. The investment in ClearPay is a level 3 financial instrument.

13. Intangible Assets

	Contract rights £,000	Software £,000	Distribution network £,000	Intellectual Property £,000	Inertia Contracts £,000	Total £,000
Gross carrying amount						
At cost						
Balance at 30 June 2018	1,441	5,384	270	362	5,487	12,944
Effect of movement in exchange rate	-	-	-	(5)	-	(5)
Additions	13	198	-	-	462	673
Disposals/transfer to inventory	-	-	-	-	(746)	(746)
Balance at 31 December 2018	1,454	5,582	270	357	5,203	12,866

	Contract rights £,000	Software £,000	Distribution network £,000	Intellectual Property £,000	Inertia Contracts £,000	Total £,000
Accumulated amortisation and impairment						
Balance at 30 June 2018	(1,374)	(2,371)	(270)	(326)	(2,269)	(6,610)
Effect of movement in exchange rate	-	-	-	23	-	23
Amortisation expense	(30)	(606)	-		-	(636)
Impairment loss (i)	-	-	-	-	(121)	(121)
Balance at 31 December 2018	(1,404)	(2,977)	(270)	(303)	(2,390)	(7,344)
Net book value						
At 30 June 2018	67	3,013	-	36	3,219	6,335
At 31 December 2018	50	2,605	-	54	2,813	5,522

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

13. Intangible Assets (continued)

Inertia contract assets acquired are measured at fair value based on the discounted cash flows expected to be derived from the sale or hire of the assets at the end of the minimum lease term. This measurement inherently introduces estimation uncertainty. The Group continually assesses current inertia proceeds and includes these in the estimation of inertia assets acquired. As such the fair value measurement for inertia contract assets has been categorised as Level 3 fair value. The following tables show the valuation techniques used in measuring Level 3 fair values, as well as the significant unobservable inputs used.

Valuation technique	Significant unobservable inputs	Inter-relationship between key unobservable inputs and fair value measurement
The Group recognises an intangible asset arising if it has the unconditional contractual right to receive income arising from equipment and rights to the hiring agreement (customer hire agreement for goods) at the end of minimum term. This inertia asset is measured at fair value at the inception of the hiring agreement, and is based on discounted cash flows expected to be derived from the sale or hire of the asset at the end of the minimum term. Subsequent to initial recognition the intangible asset is measured at cost. During the hiring minimum term the valuation is impaired for any assets that have been written off. At the end of the hiring minimum term the intangible asset is derecognised and the group recognises the equipment as inventory at the corresponding value.	The fair value is based on current levels of return (25%-30%) less an allowance for cancellations (10%-30%) and expected costs (5%-10%) of realisation. The discount rate applied to the fair value is 10.38% pre-tax.	In order of financial impact the estimated fair value would increase (decrease) if: • Expected sale value was higher (lower). A 1% reduction in the sale value would create a 1% deduction in the overall value of the asset. • Expected secondary hire term was longer (shorter) • Expected cancellations/bad debts were lower (higher) • Expected realisation costs were lower (higher) • Discount rate derived from group cost of capital was lower (higher)

	31 December 2018 £,000	30 June 2018 £,000
14. Deferred Consideration		
250,000 APT shares at fair value	1,725	-
Deferred Consideration	**1,725**	**-**

Afterpay shares (APT) are listed on the Australian stock exchange (ASX) and are a level 1 financial instrument held at fair value through profit and loss under IFRS 9. At 31 December 2018 the APT shares closed at AUD$12.40 per share with a GBP/AUD rate of 1.7976.

	31 December 2018 £,000	30 June 2018 £,000
15. Trade and other payables		
Trade and other payables	231	428
VAT/GST payable	379	553
Other accrued expenses	695	636
	1,305	1,617
Provisions		
Annual leave	137	123
Long service leave	90	89
Risk Transfer cancellation and claims	53	71
	280	283

	31 December 2018 £,000	**30 June 2018 £,000**
16. Deferred service income		
Balance at beginning of period	1,484	1,805
Intangible inertia assets acquired	462	1,039
Reversal due to intangible asset impairment	(128)	(72)
Recognised in Consolidated Statement of Profit or Loss	(542)	(1,288)
	1,276	1,484
Deferred service income to be recognised within 12 months	752	863
Deferred service income to be recognised in greater than 12 months	524	621
	1,276	1,484

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 12). An amount equal to this asset is then recognised as deferred service income over the life of the contract.

	31 December 2018 £,000	**30 June 2018 £,000**
17. Other interest bearing liabilities		
Current - Loan advances net of deferred costs of raising facility (i)	1,769	2,510
Non-current - Loan advances net of deferred costs of raising facility (i)	2,460	2,708
Customer financing facilities		
- Amount used	4,509	5,553
- Amount unused	15,491	14,447
Total Facility (i)	20,000	20,000

(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.

	31 December 2018		30 June 2018	
	Number	£,000	Number	£,000
18. Issued capital				
Fully Paid Ordinary Shares				
Balance at beginning of financial period	104,728,744	17,397	105,478,744	17,332
Issue of ordinary shares*	1,312,500	-	500,000	-
Repayment of loans in respect of 500,000 employee loan-funded shares	-	-	-	65
Cancellation of employee loan-funded shares	-	-	(1,250,000)	-
Balance at end of the financial period	106,041,244	17,397	104,728,744	17,397

* As per the RNS announcement of 15 November 2018 the Company allotted 1,312,500 ordinary shares of no par value each in the Company ("Ordinary Shares") to Mr Ned Montarello, Executive Chairman of ThinkSmart (the "Share Awards"). The Share Awards consist of 312,500 Ordinary Shares relating to the additional remuneration package for Mr Montarello's additional work as Chief Executive Officer, and, 1,000,000 Ordinary Shares relating to an award approved by the Board's remuneration committee following the successful sale of ClearPay by the Company.

	31 December 2018	30 June 2018
	£,000	£,000
19. Commitments and contingent liabilities		
Leases where Group acts as agent (off balance sheet)	11,121	13,129
Gross capital deposited with STB	1,973	2,305
Less provision for delinquent leases	(680)	(726)
Deposits held by funders	1,293	1,579

Under the terms of the UK current funding agreement with Secure Trust Bank (STB), the group is obliged to purchase delinquent leases (contracts in arrears for 91 days) from the funder at the funded amount. The Group has entered into a financial guarantee contract with STB for which the Group has provided capital to support future delinquent leases and at the same time recognised a provision against this deposit being its estimate of the funded amount of these leases that are likely to become delinquent in the future and will therefore not be recoverable from STB. The Group estimates this amount based on historical loss experience for assets with similar characteristics. The net deposit held by funders is recognised as an asset on the Group's balance sheet within other non-current assets (see note 11).

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

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

Key assumptions in the valuation of the instruments were limited to interpolating interest rates for certain future periods where there was no observable market data. The majority of the financial instruments are measured at amortised cost.

At 31 December 2018 the Group held two financial instruments at fair value, the interest rate swap with Santander and the deferred consideration for the sale of ClearPay.

- Interest rate swaps with Santander UK plc. This is a level 2 financial instrument with a fair value of approximately £nil.
- Deferred consideration for the sale of ClearPay. This is a level 1 financial instrument with a fair value at 31 December 2018 of £1.725m. The APT share price on this date was AUD $12.40.

21. Segment information

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

UK:
– ThinkSmart Europe Ltd
– RentSmart Ltd
– ThinkSmart Insurance Services Administration Ltd
– ThinkSmart Financial Services Ltd
– ThinkSmart UK Ltd

Corporate and unallocated:
– ThinkSmart Limited
– ThinkSmart Finance Group Limited
– SmartCheck SL
– ThinkSmart Inc

*Discontinued operations shown separately
– ClearPay Finance Ltd

21. Segment information (continued)

	31 December 2018			31 December 2017		
	UK* £,000	**Corporate and unallocated £,000**	**Total £,000**	**UK* £,000**	**Corporate and unallocated £,000**	**Total £,000**
Revenue	3,402	37	**3,439**	3,640	-	**3,640**
Other revenue	338	-	**338**	321	-	**321**
Total revenue	3,740	37	**3,777**	3,961	-	**3,961**
Customer acquisition costs	(441)	(2)	**(443)**	(565)	(4)	**(569)**
Cost of inertia asset sold	(659)	-	**(659)**	(617)	-	**(617)**
Other operating expenses	(1,808)	(350)	**(2,158)**	(2,395)	(713)	**(3,108)**
Depreciation and amortisation	(681)	-	**(681)**	(698)	(10)	**(708)**
Impairment losses	(317)	-	**(317)**	(225)	-	**(225)**
Gains/(Losses) on financial instruments	(271)	-	**(271)**	-	-	**-**
Reportable segment profit/(loss) before income tax	**(437)**	**(315)**	**(752)**	**(539)**	**(727)**	**(1,266)**
Discontinued operations						
Revenue	11	-	11	-	-	-
Customer acquisition costs	(62)	-	(62)	(76)	-	(76)
Other operating expenses	(52)	-	(52)	-	-	-
Depreciation and amortisation	(49)	-	(49)	(37)	-	(37)
Impairment losses	(8)	-	(8)	-	-	-
Loss before tax – discontinued operation	(160)	-	(160)	(113)	-	(113)
Total Reportable segment profit/(loss) before income tax	**(597)**	**(315)**	**(912)**	**(652)**	**(727)**	**(1,379)**

	31 December 2018			30 June 2018		
	UK £,000	**Corporate and unallocated £,000**	**Total £,000**	**UK £,000**	**Corporate and unallocated £,000**	**Total £,000**
Reportable segment current assets	11,738	4,637	**16,375**	9,149	288	**9,437**
Reportable segment non-current assets	11,002	1	**11,003**	12,601	71	**12,672**
Reportable segment liabilities	6,793	297	**7,090**	8,409	335	**8,743**

22. Related party disclosures

As at 31 December 2018 the following were Key Management Personnel of the Group:

Executive Chairman
N Montarello

Executive Directors
G Halton (Chief Financial Officer)

Non-Executive Directors
K Jones (Deputy Chairman)
P Gammell
D Adams
R McDowell

The Key Management Personnel remuneration included in 'employee benefits expense' in Note 7(e) is as follows:

	31 December 2018 £,000	31 December 2017 £,000
Short-term employee benefits	356	389
Post-employment benefits	11	11
Other long-term benefits	-	2
Share-based payments	6	6
	373	408

23. Events occurring after balance sheet date

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

As disclosed in note 2(d) above, on 25 February 2019 the Group received the remaining second tranche of 250,000 shares in Afterpay Touch Group Ltd ("APT"), from the sale of ClearPay. At close of business on 25 February 2019 the 250,000 APT shares had a market value of A$5 million (approx. £2.8 million) which is £1.1m higher than the fair value of the deferred consideration at 31 December 2018 (see note 14). At the date of these financial statements the Group had not sold any of the 250,000 shares.

THINKSMART LIMITED
DIRECTORS' DECLARATION

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

a) the financial statements and notes that are in pages 6 - 22 are in accordance with the Corporations Act 2001, including:

   (i) giving a true and fair view of the Group's financial position as at 31 December 2018 and its performance for the six months period ended on that date; and

   (ii) complying with International Accounting Standard IAS 34 *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
Chairman
London, 5 March 2019

Independent Auditor's Review Report

To the shareholders of ThinkSmart Limited

Conclusion

We have reviewed the accompanying ***Interim Financial Report*** of ThinkSmart Limited.

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:

- giving a true and fair view of the ***Group's*** financial position as at 31 December 2018 and of 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*.

The ***Interim Financial Report*** comprises:

- Consolidated statement of financial position as at 31 December 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 half-year ended on that date;
- Notes 1 to 23 comprising a summary of significant accounting policies and other explanatory information; and
- The Directors' Declaration.

The ***Group*** comprises ThinkSmart Limited (the Company) and the entities it controlled at the half-year's end or from time to time during the half-year.

The impact of uncertainties due to the UK exiting the European Union on our review

Uncertainties related to the effects of Brexit are relevant to understanding our review of the Interim Financial Report. Brexit is one of the most significant economic events for the UK, and at the date of this report its effects are subject to unprecedented levels of uncertainty of outcomes, with the full range of possible effects unknown. An interim review cannot be expected to predict the unknowable factors or all possible future implications for a company and this is particularly the case in relation to Brexit.

Responsibilities of the Directors 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.*
- such internal 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 for the review of the Interim Financial Report

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 31 December 2018 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.

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

KPMG

Denise McComish
Partner

5 March 2019

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 of ThinkSmart Limited for the half-year ended 31 December 2018 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

Denise McComish
Partner

5 March 2019