

THINKSMART LIMITED

INTERIM FINANCIAL REPORT

31 DECEMBER 2019

ABN 24 092 319 698

THINKSMART LIMITED

CONTENTS

	Page
Directors' report	2
Consolidated statement of profit or loss and other comprehensive income	4
Consolidated statement of financial position	5
Consolidated statement of changes in equity	6
Consolidated statement of cash flows	7
Notes to the interim financial statements	8
Directors' declaration	26
Independent auditor's report on review of interim financial report	27
Auditor's independence declaration	29

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 2019, 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.

Ned Montarello	Executive Chairman & Interim CEO
Peter Gammell	Non-Executive Director, Chair of the Remuneration and Nomination Committee
Gary Halton	Chief Financial Officer
David Adams	Non-Executive Director, Chair of the Audit and Risk Committee
Roger McDowell	Non-Executive Director

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.

OPERATING AND FINANCIAL REVIEW

Highlights for the six months to 31 December 2019 for ThinkSmart Limited and its subsidiaries (“the Group”) include:

- Net profit after tax of £15.9 million (HY19 restated⁽¹⁾ £7.2 million) driven by £16.4 million fair value gain on revaluation of retained shareholding in ClearPay Finance Limited (see Note 11(ii)).
- Revenue of £3.3 million, down 27% versus same period last year, as a result of reduced volumes on previous years.
- Operating costs further reduced to £2.2 million (HY19 restated⁽¹⁾ £2.3 million) and remain controlled, aligned to current volume performance.
- Leasing originations at £1.3 million, significantly lower than the same period last year (HY19 £2.7 million) with majority of reduction from the lower margin Flexible Leasing product.
- Legal proceedings by the Group against Carphone Warehouse for its breaches under the Flexible Leasing contract, and its predecessor Upgrade Everytime contract, as announced on 29 November 2019, remain ongoing.
- Net assets are £29.1 million at 31 December 2019, equivalent to 27.32 pence per share.
- Cash and cash equivalents of £8.5 million at 31 December 2019, following the return of £3.2 million (A\$5.96 million) to shareholders in December 2019, includes £0.99 million (HY19 £1.49 million) net cash generated from operating activities.
- Investment of 10%⁽²⁾ holding in ClearPay Finance Limited revalued to £16.5 million at 31 December 2019 (HY19 £0.1 million).
- Remaining holding of 125,000 shares in Afterpay Touch Group Ltd sold on 28 August 2019 at a price of A\$27.73 per share generating A\$3.47 million in cash.

(1) Restated for the adoption of AASB 15 and 16 in the current and prior year applying the full retrospective transition approach with the date of initial application being 1 July 2018 for AASB 15 and 1 July 2019 for AASB 16.

(2) 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

THINKSMART LIMITED

DIRECTORS' REPORT

AUDITOR'S INDEPENDENCE DECLARATION

The auditor's independence declaration is set out on page 29 and forms part of the directors' report for the half-year ended 31 December 2019.

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 nearest thousand pounds, unless otherwise stated.

Signed in accordance with a resolution of the directors:



N Montarelli
Chairman
London, 3 March 2020

Consolidated Statement of Profit or Loss and Other Comprehensive Income for the six months ended 31 December 2019

		31 December 2019 £,000	Restated 31 December 2018 £,000
	Notes		
Revenue	6(a)	3,052	4,052
Other revenue	6(b)	272	518
Total revenue		3,324	4,570
Customer acquisition costs	6(c)	(384)	(511)
Cost of inertia asset sold	6(d)	(345)	(505)
Other operating expenses	6(e)	(2,188)	(2,319)
Depreciation and amortisation	6(f)	(1,006)	(1,222)
Impairment gains/(losses)	6(g)	4	(195)
Gains/(Losses) on financial instruments	6(h)	16,555	(271)
Profit/(Loss) before tax		15,960	(453)
Income tax (cost)/benefit	7	(35)	(98)
Net Profit/(Loss) after tax from continuing operations		15,925	(551)
Profit/(Loss) after tax from discontinued operations	8	-	7,714
Net Profit/(Loss) after tax – attributable to owners of the Company		15,925	7,163
Other comprehensive profit/(loss)			
Items that may be reclassified subsequently to profit or loss (net of income tax):			
Foreign currency translation differences for foreign operations		(105)	(102)
<i>Total items that may be reclassified subsequently to profit/(loss), net of income tax</i>		(105)	(102)
Other comprehensive (loss) for the period, net of income tax		(105)	(102)
Total comprehensive profit for the period, net of income tax		15,820	7,061
Profit/(Loss) per share (pence)			
Basic (pence per share)	26	14.95	6.82
Diluted (pence per share)	26	14.95	6.82

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

Consolidated Statement of Financial Position as at 31 December 2019

	Notes	31 December 2019 £,000	Restated 30 June 2019 £,000
Current Assets			
Cash and cash equivalents		8,505	7,099
Trade receivables		76	82
Finance lease receivables	9	1,559	2,640
Tax receivable		-	540
Other current assets	10	760	2,721
Total Current Assets		10,900	13,082
Non-Current Assets			
Finance lease receivables	9	97	805
Plant and equipment	14	518	539
Intangible assets	15	1,603	2,183
Financial assets at fair value through profit and loss	11	16,453	1,795
Contract assets	12	1,718	2,032
Other non-current assets	13	2,168	2,403
Total Non-Current Assets		22,557	9,757
Total Assets		33,457	22,839
Current Liabilities			
Trade and other payables	16	1,285	1,279
Lease liabilities	17	90	86
Contract liabilities	18	720	772
Other interest bearing liabilities	19	902	1,907
Provisions	16	243	252
Total Current Liabilities		3,240	4,296
Non-Current Liabilities			
Lease liabilities	17	198	244
Contract liabilities	18	920	1,221
Other interest bearing liabilities	19	-	603
Total Non-Current Liabilities		1,118	2,068
Total Liabilities		4,358	6,364
Net Assets		29,099	16,475
Equity			
Issued Capital	20	13,164	15,211
Reserves		(3,083)	(2,978)
Accumulated profits		19,018	4,242
		29,099	16,475

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 2019

	Fully paid ordinary shares £,000	Foreign currency translation reserve £,000	Accumulated Profit £,000	Attributable to equity holders of the parent £,000
Restated Balance at 1 July 2018	17,397	(2,843)	(2,400)	12,154
Profit/(loss) for the period	-	-	7,163	7,163
Exchange differences arising on translation of foreign operations, net of tax	-	(102)	-	(102)
Total comprehensive loss for the period	-	(102)	7,163	7,061
Transactions with owners of the Company, recognised directly in equity				
<i>Contributions by and distributions to owners of the Company</i>	-	-	-	-
Employee loan-funded shares exercised	-	-	-	-
Recognition of share-based payments	-	-	162	162
Restated Balance at 31 December 2018	17,397	(2,945)	4,925	19,377
Restated Balance at 1 July 2019	15,211	(2,978)	4,242	16,475
Profit/(loss) for the period	-	-	15,925	15,925
Exchange differences arising on translation of foreign operations, net of tax	-	(105)	-	(105)
Total comprehensive profit/(loss) for the period	-	(105)	15,925	15,820
Transactions with owners of the Company, recognised directly in equity				
Distributions to owners of the Company	(2,047)	-	(1,158)	(3,205)
Recognition of share-based payments	-	-	9	9
Balance at 31 December 2019	13,164	(3,083)	19,018	29,099

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

Consolidated Statement of Cash Flows for the six months ended 31 December 2019

	31 December 2019 £,000	Restated 31 December 2018 £,000
Cash Flows from Operating Activities		
Receipts from customers	2,746	2,582
Payments to suppliers and employees	(2,353)	(2,559)
Receipts in respect of lease receivables	1,867	1,786
(Payments)/proceeds from other interest bearing liabilities, inclusive of related costs	(1,608)	(1,092)
Interest received	65	71
Interest and finance charges	(215)	(182)
(Payments)/Receipts from security guarantee	(17)	332
Income tax repayment	506	550
Net cash provided by operating activities	991	1,488
Cash Flows from Investing Activities		
Proceeds/(Payments) for plant and equipment	3	(39)
Payments for intangible assets – software	(61)	(366)
Payments for intangible assets – contract rights	-	(13)
Receipts from sale of financial instruments	3,806	-
Disposal of discontinued operations net of tax	-	7,714
Net cash from investing activities	3,748	7,296
Cash Flows from Financing Activities		
Payment of lease liabilities	(42)	(38)
Dividends paid	(1,158)	-
Return of capital net of costs	(2,047)	-
Net cash used in financing activities	(3,247)	(38)
Net increase/(decrease) in cash and cash equivalents	1,492	8,746
Effect of exchange rate fluctuations on cash held	(86)	(28)
Cash and cash equivalents from continuing operations at beginning of the financial period	7,099	2,523
Cash and cash equivalents from discontinued operations at beginning of the financial period	-	87
Total cash and cash equivalents at the end of the financial period	8,505	11,328
Restricted cash and cash equivalents at the end of the financial period	(58)	(56)
Net available cash and cash equivalents at the end of the financial period	8,447	11,272

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

THINKSMART LIMITED

NOTES TO THE INTERIM 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 2019 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 2019 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 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 Corporations Act 2001. The consolidated financial statements comply with International Financial Reporting Standards (AASB) adopted by the International Accounting Standards Board (AASB) as well as International Financial Reporting Standards as adopted by the EU (“Adopted AASBs”).

The consolidated financial statements were authorised for issue by the Board of Directors on 3 March 2020.

This interim report does not include all the notes of the type normally included in annual financial statements. Accordingly, these statements should be read in conjunction with the most recent annual financial report, but additional notes have been included where such notes are deemed relevant to the understanding of the half-year financial report.

(b) Basis of measurement

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

(d) Going Concern

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

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 2019 other than as detailed below.

New accounting policies adopted in the financial year

The Group has adopted all new or amended Australian Accounting Standards that are mandatory for adoption in the current reporting period. Any new or amended Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

THINKSMART LIMITED

NOTES TO THE INTERIM FINANCIAL STATEMENTS - CONTINUED

3. Significant accounting policies (continued)

AASB 16 Leases

The Group has adopted AASB 16 in the current year applying the full retrospective transition approach with the date of initial application being 1 July 2019. 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 only operating lease held by the Group which is relevant to AASB 16 is for its office space at Oakland House, Manchester.

Under the full retrospective transition approach the Group has restated the prior year statement of financial position to recognise a right of use asset equal to the value of the lease liability at the inception of the lease, plus the initial direct costs incurred and the estimated costs for restoring the property to its original condition. The Group has simultaneously recognised accumulated depreciation on the right of use asset from the inception of the lease through to the reporting date. Depreciation on the right of use asset is charged on a straight-line basis over the ten year period of the lease.

In addition to the right of use asset AASB 16 also requires the Group to recognise a lease liability in respect of the lease payments due to the lessor. Again, the prior year financial statements have been restated to reflect the position as if AASB 16 had always been in effect. The lease liability has been recognised at the present value of all future lease payments due. As the interest rate implicit in the lease is not readily determinable the discount rate of 9.14% used is the Group's incremental borrowing rate being the STB cost of funds using an estimated 10 year interest rate swap at February 2013.

As at 31 December 2019 the effect of the adoption of AASB 16 is that the Group now holds a right of use lease asset with a value of £218,514 and a corresponding lease liability with a value of £287,417. Including the elimination of accruals and prepayments held under AASB 117 the overall impact as at the reporting date is a reduction to Net Assets of £96,694. Right of use assets are detailed in note 14 and lease liabilities are detailed in note 17 below. The interest and depreciation charged on the lease are included in the Consolidated Statement of Profit or Loss with the interest charged disclosed in note 6 and the depreciation charge disclosed in note 14 below.

Reconciliation of operating lease commitments:	£,000
Operating lease commitments disclosed as at 30 June 2019	359
Add: release of initial rent free period benefit deferred under AASB 117	29
Less: discount using Group's incremental borrowing rate of 9.14% at lease inception	<u>(58)</u>
Lease liabilities recognised at 1 July 2019 (Note 17)	<u>330</u>

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 2019 except for the following additions or changes.

Fair Value of Investments

The valuation of the Group's retained holding in ClearPay Finance Limited ("Clearpay"), following the sale of 90% of Clearpay to ASX listed Afterpay Ltd (formerly Afterpay Touch Group Ltd)("Afterpay") on 23 August 2018, is based on the agreed valuation principles for the purpose of the Afterpay call option to purchase and the Group's put option to sell the Group's holding in Clearpay to Afterpay at any time after 23 August 2023 and 23 February 2024 respectively. The key judgements that are critical to the valuation are the interpretation of the agreed valuation principles, market valuation of Afterpay Ltd and the relevant proportion of this that relates to Clearpay, and the discount to be applied for minority holding and lack of marketability of Clearpay as a standalone entity. In order to support these judgements, management have appointed independent valuation experts to advise on this matter.

THINKSMART LIMITED

NOTES TO THE INTERIM FINANCIAL STATEMENTS - CONTINUED

4. Critical accounting estimates and judgements (continued)

Right of use lease asset and lease liability – AASB 16

The Group has adopted AASB 16 – Leases in the current accounting period with the date of adoption being 1 July 2019. The Group has implemented the full retrospective transition approach. The adoption of AASB 16 has introduced related estimates and judgements in respect of the term of the lease and the discount rate used where it is not possible to determine the interest rate implicit in the lease. At the reporting date it is reasonably certain that the Group will not terminate the lease before the minimum term while there is also no indication that it is reasonably certain that the lease will be extended beyond that date. As it is not possible to determine the interest rate implicit in the lease management have estimated the discount rate equivalent to the borrowing rate available to the business over the same period as the lease term.

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 2019.

6. Consolidated Statement of Profit or Loss

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

	6 months to 31 December 2019 £,000	Restated 6 months to 31 December 2018 £,000
a) Revenue		
Services revenue – insurance commission	198	309
Interest revenue – other entities	65	72
Income earned from sale of inertia equipment	363	398
Extended rental income	1,102	1,267
Fee revenue – customers	40	56
Commission income	1,284	1,950
	<hr/> 3,052	<hr/> 4,052
b) Other revenue		
Finance lease income	74	489
Other revenue	198	29
	<hr/> 272	<hr/> 518
Total Revenue	<hr/> 3,324	<hr/> 4,570
<i>All revenue is generated in the UK from the following products:</i>		
SmartPlan	2,618	3,477
Upgrade Anytime	334	579
Flexible Leasing	108	414
Other/non-product specific	264	100
	<hr/> 3,324	<hr/> 4,570

c) Customer acquisition costs

Customer acquisition costs relate to commissions payable to our retail partners together with 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 assets sold is the write-off of inventory, including that transferred from PPE Operating Lease when end customer terminates their lease agreement during secondary period, upon sale of inertia equipment.

THINKSMART LIMITED

NOTES TO THE INTERIM FINANCIAL STATEMENTS - CONTINUED

6. Consolidated Statement of Profit or Loss (continued)	6 months to 31 December 2019 £,000	Restated 6 months to 31 December 2018 £,000
e) Other operating expenses		
Employee benefits expense		
- Payments to employees	(921)	(1,033)
- Employee superannuation costs	(43)	(70)
- Share-based payment expense	(9)	(9)
	(973)	(1,112)
Occupancy costs	(88)	(82)
Lease interest charge	(15)	(18)
Professional services	(355)	(313)
Finance charges	(215)	(180)
Credit losses arising from financial guarantee contract	(183)	(190)
Other costs	(359)	(424)
	(2,188)	(2,319)
f) Depreciation and amortisation		
Depreciation	(383)	(586)
Amortisation	(623)	(636)
	(1,006)	(1,222)
g) Impairment gains/(losses)		
Impairment gains/(losses) on finance leases and receivables	4	(195)
	4	(195)
h) Gains/(Losses) on financial instruments		
Realised gains	162	631
Unrealised gains/(losses)	16,393	(902)
	16,555	(271)

In the period to 31 December 2019 realised gains arose on disposal of the remaining holding of 125,000 shares in APT at a share price of AUD \$27.73 per share. Unrealised gains arose from the revaluation of the Group's investment in 10% of ClearPay Finance Limited (see note 11(ii)). In the period to 31 December 2018 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 arose 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 above.

THINKSMART LIMITED**NOTES TO THE INTERIM FINANCIAL STATEMENTS - CONTINUED****7. Income tax expense**

The consolidated entity's consolidated effective tax rate in respect of continuing operations for the six months ended 31 December 2019 was 0.22% (31 December 2018: 21.63%).

	6 months to 31 December 2019 £,000	Restated 6 months to 31 December 2018 £,000
<i>Current income tax expense</i>		
Current income tax credit/(charge)	(35)	(27)
Adjustment for prior period	-	(71)
Total income tax credit/(charge)	<u>(35)</u>	<u>(98)</u>
Accounting profit/(loss) before tax	15,960	(453)
Statutory corporation rate	30%	30%
Tax (charge)/credit at the statutory income tax rate	(4,788)	136
Effect of tax rates in foreign jurisdictions	1,756	(50)
Non-deductible expenses/(allowances)	(161)	(8)
Non-taxable gain (Substantial Shareholding Exemption)	3,113	-
Deferred tax asset not recognised	45	(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	-	(13)
Use of brought forward losses (for which no deferred tax asset was recognised) against realised capital gains on disposal of Afterpay shares	-	218
Total income tax (charge)/credit	<u>(35)</u>	<u>(98)</u>

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.

THINKSMART LIMITED

NOTES TO THE INTERIM FINANCIAL STATEMENTS - CONTINUED

8. 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 previously been classified as held for sale or as a discontinued operation. The comparative consolidated statement of profit and loss shows the discontinued operation separately from continuing operations.

	6 months to 31 December 2019 £,000	Restated 6 months to 31 December 2018 £,000
Revenue	-	11
Customer acquisition costs	-	(62)
Other operating expenses	-	(52)
Depreciation and amortisation	-	(49)
Impairment losses	-	(8)
Loss before tax – discontinued operation	-	(160)
Income tax expense	-	-
Loss after tax – discontinued operation	-	(160)
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

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 31 December 2019 the disposal group was stated at fair value and comprised £nil assets and liabilities (30 June 2019 £nil).

9. Finance lease receivables

	31 December 2019 £,000	30 June 2019 £,000
Current (no later than 1 year)		
Gross investment in finance lease receivables	916	2,721
Unguaranteed residuals	126	390
Unearned future finance lease income on finance leases	640	(283)
Net lease receivable	1,682	2,828
Allowance for losses	(123)	(188)
	1,559	2,640
Non-current (later than 1 year, no later than 5 years)		
Gross investment in finance lease receivables	57	556
Unguaranteed residuals	5	430
Unearned future finance lease income on finance leases	42	(122)
Net lease receivable	104	864
Allowance for losses	(7)	(59)
	97	805

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

THINKSMART LIMITED

NOTES TO THE INTERIM FINANCIAL STATEMENTS - CONTINUED

10. Other current assets

	31 December 2019	Restated 30 June 2019
	£,000	£,000
Prepayments	274	290
Insurance prepayments	111	137
Accrued income – insurance commission (i)	325	321
Other debtors (ii)	-	1,909
Sundry debtors	50	64
	<u>760</u>	<u>2,721</u>

- i) Accrued income reflects brokerage commission earned from making insurance arrangements on behalf of leaseholders and is net of a clawback provision.
- ii) In the year ended 30 June 2019 other debtors includes the realised sale of 125,000 Afterpay (APT) shares on 27 June 2019. The cash of £1.909m for this sale was received on 01 July 2019.

11. Financial assets at fair value through profit or loss

	31 December 2019	30 June 2019
	£,000	£,000
125,000 APT shares held at fair value (i)	-	1,735
Investment in ClearPay Finance Ltd (ii)	16,453	60
	<u>16,453</u>	<u>1,795</u>

- i) The remaining 125,000 Afterpay Touch Group Ltd (APT) shares held at 30 June 2019 are at fair value. APT are listed on the Australian Stock Exchange (ASX) and are a level 1 financial instrument held at fair value through profit or loss under AASB 9. At 30 June 2019, the APT shares closed at AUD 25.07 per share. The remaining 125,000 APT shares held were sold on 28 August 2019 at AUD 27.73 per share.
- ii) On 23 August 2018 the Group sold 90% of ClearPay Finance Ltd to Afterpay Ltd (formerly Afterpay Touch Group Ltd)(ASX:APT). The Group retains a 10% shareholding in Clearpay which is held as an investment at fair value through profit or loss under AASB 9. A proportion of the 10% shareholding (up to 35%) will be made available by the Group to employees of Clearpay under an employee share ownership plan ("ESOP"). Afterpay has a call option to purchase the remaining shares held by the Group, exercisable at any time after 23 August 2023. The Group has a reciprocal put option to sell the remaining shares held by the Group to Afterpay, exercisable after 23 February 2024. Under either the call or put option, the sale of the Clearpay shares to Afterpay will be at a price calculated on agreed valuation principles. The Group engaged a third party global professional services firm to value its retained shareholding in Clearpay at 31 December 2019 for accounting purposes under AASB 9 in accordance with AASB 13 (Fair Value Measurement). This valuation has been undertaken based on publicly available information, reflecting the above and including a discount for the lack of marketability of Clearpay as a privately owned company, and has produced a range of values for the Group's 10% shareholding in Clearpay. As the Group has limited control over the setting of the price that it will receive for the transfer of the ESOP shares to the Clearpay employees, the Group has further discounted the valuation by 35% and then taken 10% below the mid-point of the discounted valuation range to determine the accounting fair value of its retained shareholding in Clearpay to be £16.453m at 31 December 2019. The investment in Clearpay is a level 3 financial instrument.

THINKSMART LIMITED

NOTES TO THE INTERIM FINANCIAL STATEMENTS - CONTINUED

12. Contract assets

	31 December 2019	30 June 2019
	£,000	£,000
Brought forward	2,032	2,739
Recognised as revenue in period (i)	464	1,208
Recognised as customer acquisition cost (ii)	(67)	(135)
Transferred to Plant & Equipment Operating lease additions	(711)	(1,780)
	<u>1,718</u>	<u>2,032</u>

(i) A contract asset is recognised where the Group act as agent for the lessor (STB) during the minimum lease term and have a contractual right to the inertia asset at the end of the minimum lease term. Contract assets are recognised as revenue accruing over the minimum lease term building up inertia asset (non-cash consideration) over the minimum lease term.

(ii) Customer acquisition costs are capitalised as an asset where such costs are incremental to obtaining a contract between the funder and the end customer, for which the Group receives commission under the funder contract, and are expected to be recovered. Customer acquisition costs are amortised on a straight line basis over the term of the contract.

13. Other non-current assets

	31 December 2019	30 June 2019
	£,000	£,000
Insurance prepayments	21	100
Accrued income – insurance commission (i)	103	276
Deposits held by funders (ii)	2,044	2,027
	<u>2,168</u>	<u>2,403</u>

- (i) Accrued income reflects brokerage commission earned from making insurance arrangements on behalf of lessee's and is net of a clawback provision. The clawback provision for each reporting period has been estimated to be 30% based on historical experience and is calculated on the gross commission receivable.
- (ii) Deposits held by funders for the servicing and management of their portfolios in the event of default. The deposits earn interest at market rates of return for similar instruments. See note 21 for further information.

THINKSMART LIMITED

NOTES TO THE INTERIM FINANCIAL STATEMENTS - CONTINUED

14. Plant and Equipment

	Plant & Equipment (Australia) £,000	Plant & Equipment (UK) £,000	Plant & Equipment Right of Use Lease Asset £,000	Plant & Equipment Operating Lease £,000	Total £,000
Gross Carrying Amount					
Cost or deemed cost					
Restated Balance at 30 June 2019	77	2,601	690	3,023	6,391
Effect of movement in exchange rate	(2)	-	-	-	(2)
Transferred from contract assets	-	-	-	711	711
Transferred to inventory/cost of inertia assets sold	-	-	-	(345)	(345)
Additions	-	-	-	(4)	(4)
Balance at 31 December 2019	75	2,601	690	3,385	6,751
Accumulated Depreciation					
Restated Balance at 30 June 2019	(76)	(2,511)	(437)	(2,828)	(5,852)
Effect of movement in exchange rate	2	-	-	-	2
Depreciation expense	(1)	(32)	(34)	(316)	(383)
Balance at 31 December 2019	(75)	(2,543)	(471)	(3,144)	(6,233)
Net Book Value					
Restated at 30 June 2019	1	90	253	195	539
At 31 December 2019	-	58	219	241	518

15. Intangible Assets

	Contract rights £,000	Software £,000	Distribution network £,000	Intellectual Property £,000	Total £,000
Gross carrying amount					
At cost					
Balance at 30 June 2019	1,456	5,697	270	356	7,779
Effect of movement in exchange rate	-	-	-	(13)	(13)
Additions	2	58	-	-	60
Disposals/transfer to inventory	-	-	-	-	-
Balance at 31 December 2019	1,458	5,755	270	343	7,826
Accumulated amortisation and impairment					
Balance at 30 June 2019	(1,418)	(3,587)	(270)	(321)	(5,596)
Effect of movement in exchange rate	-	-	-	(4)	(4)
Amortisation expense	(13)	(601)	-	(9)	(623)
Balance at 31 December 2019	(1,431)	(4,188)	(270)	(334)	(6,223)
Net book value					
At 30 June 2019	38	2,110	-	35	2,183
At 31 December 2019	27	1,567	-	9	1,603

THINKSMART LIMITED

NOTES TO THE INTERIM FINANCIAL STATEMENTS - CONTINUED

16. Trade, other payables and provisions

	31 December	Restated 30 June
	2019	2019
	£,000	£,000
Trade and other payables	143	219
VAT/GST payable	443	350
Other accrued expenses	699	710
	<u>1,285</u>	<u>1,279</u>
Provisions		
Annual leave	144	136
Long service leave	81	82
Risk Transfer cancellation and claims	18	34
	<u>243</u>	<u>252</u>

17. Lease liabilities

	31 December	Restated 30 June
	2019	2019
	£,000	£,000
Balance brought forward	330	408
Rental paid in period	(56)	(112)
Interest charged	14	34
	<u>288</u>	<u>330</u>
Lease liabilities due within 12 months	90	86
Lease liabilities due greater than 12 months	198	244
	<u>288</u>	<u>330</u>

18. Contract liabilities

	31 December	30 June
	2019	2019
	£,000	£,000
Balance brought forward	1,993	2,667
Recognised as revenue in period	(353)	(674)
	<u>1,640</u>	<u>1,993</u>
Contract liabilities due within 12 months	720	772
Contract liabilities due greater than 12 months	920	1,221
	<u>1,640</u>	<u>1,993</u>

19. Other interest bearing liabilities

	31 December	30 June
	2019	2019
	£,000	£,000
Current - Loan advances net of deferred costs of raising facility (i)	902	1,907
Non-current - Loan advances net of deferred costs of raising facility (i)	-	603
Customer financing facilities		
- Amount used	902	2,510
- Amount unused	9,098	17,490
Total Facility (i)	<u>10,000</u>	<u>20,000</u>

(i) The loan is a £10 million (option to extend to £20 million) minimum 3 year revolving credit facility provided by STB dated 2 October 2017.

THINKSMART LIMITED

NOTES TO THE INTERIM FINANCIAL STATEMENTS - CONTINUED

20. Issued capital

<i>Fully Paid Ordinary Shares</i>	31 December 2019		30 June 2019	
	Number	£,000	Number	£,000
Balance at beginning of financial period	106,509,994	15,211	104,728,744	17,397
Issue of ordinary shares*	-	-	1,781,250	-
Return of capital to shareholders	-	(2,047)	-	(2,186)
Balance at end of the financial period	106,509,994	13,164	106,509,994	15,211

* 1,781,250 shares of the Company were granted to Ned Montarello as remuneration.

21. Commitments and contingent liabilities

	31 December 2019	30 June 2019
	£,000	£,000
Leases where Group acts as agent (off statement of financial position)	8,607	9,588
Deposits held by funder	2,044	2,027

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 a deposit to support future delinquent leases.

The deposit held by funders is recognised as an asset on the Group's statement of financial position within other non-current assets (see note 13).

22. Fair value of financial instruments

The carrying amounts of financial assets and financial liabilities recorded in the financial statements are not materially different to their fair values.

Fair value hierarchy

The financial instruments carried at fair value have been classified by valuation method.

The different levels have been defined as follows:

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

Key assumptions in the valuation of the instruments were limited to interpolating interest rates for certain future periods where there was no observable market data. The majority of the financial instruments are measured at amortised cost. At 31 December 2019 the Group held one financial instrument at fair value through profit or loss:

- 10% holding in ClearPay Finance Limited with a fair value of £16,453,125 (2018: £60,000). The holding in Clearpay is a Level 3 financial instrument. See Note 11(ii).

THINKSMART LIMITED

NOTES TO THE INTERIM FINANCIAL STATEMENTS - CONTINUED

23. Segmental 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 Finance Spain SL
- ThinkSmart Inc

Operating Segments Information about reportable segments

For the six months ended:	UK		Corporate and unallocated		Total	
	December 2019	Restated December 2018	December 2019	Restated December 2018	December 2019	Restated December 2018
	£,000	£,000	£,000	£,000	£,000	£,000
Revenue	3,032	4,015	20	37	3,052	4,052
Other revenue	272	518	-	-	272	518
Total revenue	3,304	4,533	20	37	3,324	4,570
Customer acquisition cost	(384)	(509)	-	(2)	(384)	(511)
Cost of inertia assets sold	(345)	(505)	-	-	(345)	(505)
Other operating expenses	(1,800)	(1,969)	(388)	(350)	(2,188)	(2,319)
Depreciation and amortisation	(1,006)	(1,231)	-	-	(1,006)	(1,231)
Impairment losses	4	(195)	-	-	4	(195)
Gain/(Loss) on Financial Instruments	16,555	(271)	-	-	16,555	(271)
Profit/(Loss) from discontinued operations	-	7,714	-	-	-	7,714
Reportable segment profit/(loss) before income tax	16,328	7,567	(368)	(315)	15,960	7,252

	UK		Corporate and unallocated		Total	
	December 2019	Restated June 2019	December 2019	Restated June 2019	December 2019	Restated June 2019
	£,000	£,000	£,000	£,000	£,000	£,000
Reportable segment current assets	10,486	8,445	414	4,637	10,900	13,082
Reportable segment non-current assets	22,557	9,756	-	1	22,557	9,757
Reportable segment liabilities	4,114	6,067	244	297	4,358	6,364
Capital expenditure	424	382	-	-	424	382

THINKSMART LIMITED

NOTES TO THE INTERIM FINANCIAL STATEMENTS - CONTINUED

24. Related party disclosures

As at 31 December 2019 the following were Key Management Personnel of the Group:

Executive Chairman

N Montarello

Executive Directors

G Halton (Chief Financial Officer)

Non-Executive Directors

P Gammell

D Adams

R McDowell

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

	31 December 2019	31 December 2018
	£,000	£,000
Short-term employee benefits	220	356
Post-employment benefits	8	11
Other long-term benefits	-	-
Share-based payments	6	6
	<hr/> 234	<hr/> 373

25. Events occurring after the reporting 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.

26. Earnings per share

	31 December 2019	Restated 31 December 2018
	£,000	£,000
Profit after tax attributable to ordinary shareholders	<hr/> 15,925	<hr/> 7,163
	<hr/> 31 December 2019	<hr/> 31 December 2018
	Number	Number
Weighted average number of ordinary shares (basic)	106,509,994	105,058,662
Weighted average number of ordinary shares (diluted)	106,509,994	105,058,662
	<hr/> 31 December 2019	<hr/> Restated 31 December 2018
Earnings per share		
Basic earnings/(loss) per share (pence)	14.95	6.82
Basic earnings/(loss) per share (pence) – continuing operation	14.95	(0.52)
Basic earnings/(loss) per share (pence) – discontinued operations	-	7.34
Diluted earnings/(loss) per share (pence) – continuing operations	14.95	(0.52)
Diluted earnings/(loss) per share (pence) – discontinued operations	-	7.34

THINKSMART LIMITED

NOTES TO THE INTERIM FINANCIAL STATEMENTS - CONTINUED

27. Effects of changes in accounting policies

The Group adopted AASB 15 in the financial year ended 30 June 2019 applying the full retrospective transition approach with the date of adoption being 1 July 2018. The main changes have arisen in respect of the accounting for the revenue, and related assets and liabilities, under the operating agreement with STB Leasing Limited (STBL) where the Group act as agent for STBL in the brokering and servicing of lease agreements where STBL is the lessor. In return, the Group receives an upfront cash transaction fee from STBL together with the non-cash consideration between STBL and the end customer (for the contract or inertia asset) which is allocated under AASB 15 between the inception/brokerage of the lease arrangement, a financial guarantee contract premium over the lease term, a contract liability reflecting the reversal constraint for the potential refund of the transaction fee, and the non-cash consideration contract asset accruing over the lease term. This has the following impact:

- a. The recognition of the contract asset non-cash consideration means that it is no longer appropriate to recognise an inertia intangible asset and related deferred service income together with inventory of inertia stock.
- b. The recognition of the financial guarantee contract premium eliminates the need for an additional loss pool provision.
- c. A contract liability is recognised reflecting the reversal constraint for the potential refund of the transaction fee in the event that an end customer lessee defaults on their lease.
- d. The cost of acquiring new end customer lease contracts is capitalised and spread over the term of the end customer lease.
- e. At the end of the minimum term of the end customer lease, the Group becomes the lessor of an operating lease at which point the contract asset is transferred to plant & equipment and depreciated over the expected secondary term. Once the lessee terminates the lease the equipment is transferred to inventory at book value and expensed as a cost of inertia asset sold against the income earned from the sale of the inertia equipment.

This has resulted in the following restatement of comparatives for the statement of profit or loss and other comprehensive income for the six months ended 31 December 2018, and the statement of financial position as at 30 June 2018:

- Restatement of the 30 June 2018 financial position, which is the restated opening position for the six months to 31 December 2018, results in a reduction to net assets and accumulated profit at 30 June 2018 of £1,122,000.
- The restatement of the profit or loss for the six months ended 31 December 2018 (H1FY19) results in a £303,000 lower loss for that period resulting in a cumulative reduction to net assets and accumulated profit at 31 December 2018 of £819,000 as follows:
 - Inertia intangible assets of £2,814,000, inventories of inertia stock of £287,000, deferred service income liabilities of £1,276,000 and accrued inertia rental income of £107,000 were derecognised resulting in a reduced H1FY19 loss of £228,000 (after allowing for the 30 June 2018 restatement of financial position impact of £2,160,000 reduction).
 - Loss pool bad debt provisions of £679,000 were derecognised resulting in an increased H1FY19 loss of £47,000 (after allowing for the 30 June 2018 restatement of financial position impact of £726,000 increase).
 - Contract assets (non-cash consideration) of £2,351,000 were recognised resulting in an increased H1FY19 loss of £388,000 (after allowing for the 30 June 2018 restatement of financial position impact of £2,739,000 increase).
 - Contract liabilities in respect of the financial guarantee and refundable transaction fee reversal constraint of £2,263,000 were recognised resulting in a reduced H1FY19 loss of £404,000 (after allowing for the 30 June 2018 restatement of financial position impact of £2,667,000 reduction).
 - Plant and equipment in respect of operating leased equipment has been recognised with an NBV of £346,000 resulting in a reduced H1FY19 loss of £106,000 (after allowing for the 30 June 2018 restatement of financial position impact of £240,000 increase).

THINKSMART LIMITED

NOTES TO THE INTERIM FINANCIAL STATEMENTS - CONTINUED

27. Effects of changes in accounting policies (continued)

In addition, the Group adopted AASB 16 in the current year applying full retrospective transition approach with the date of initial adoption being 1 July 2019 (see Note 3 above for an explanation of the main changes resulting from this). This has resulted in the following restatement of comparatives for the statement of profit or loss and other comprehensive income for the six months to 31 December 2018, and the statement of financial position as at 30 June 2018 and as at 30 June 2019.

The following tables show the adjustments recognised for each line item of the financial statements affected.

	Original 31 December 2018 £,000	AASB 16 £,000	AASB 15 £,000	Restated* 31 December 2018 £,000
Revenue	3,439	-	613	4,052
Other revenue	338	-	180	518
Total revenue	3,777	-	793	4,570
Customer acquisition costs	(443)	-	(68)	(511)
Cost of inertia asset sold	(659)	-	154	(505)
Other operating expenses	(2,158)	31	(192)	(2,319)
Depreciation and amortisation	(681)	(35)	(506)	(1,222)
Impairment losses	(317)	-	122	(195)
Gains/(Losses) on financial instruments	(271)	-	-	(271)
Loss before tax	(752)	(4)	303	(453)
Income tax (cost)/benefit	(98)	-	-	(98)
Net Loss after tax from continuing operations	(850)	(4)	303	(551)
Profit/(Loss) after tax from discontinued operations	7,714	-	-	7,714
Net Profit/(Loss) after tax – attributable to owners of the Company	6,864	(4)	303	7,163
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)	-	1	(102)
<i>Total items that may be reclassified subsequently to loss, net of income tax</i>	(103)	-	1	(102)
Other comprehensive (loss) for the period, net of income tax	(103)	-	1	(102)
Total comprehensive profit/(loss) for the period, net of income tax	6,761	(4)	304	7,061

THINKSMART LIMITED
NOTES TO THE INTERIM FINANCIAL STATEMENTS - CONTINUED
27. Effects of changes in accounting policies (continued)

	Original 30 June 2018 £,000	AASB 16 £,000	AASB 15 £,000	Restated* 30 June 2018 £,000
Current Assets				
Cash and cash equivalents	2,523	-	-	2,523
Trade receivables	180	(103)	-	77
Finance lease receivables	3,399	-	-	3,399
Tax receivable	578	-	-	578
Other current assets	1,807	98	(482)	1,423
Assets held for sale	1,528	-	-	1,528
Total Current Assets	10,015	(5)	(482)	9,528
Non-Current Assets				
Finance lease receivables	3,420	-	-	3,420
Plant and equipment	133	322	240	695
Intangible assets	6,335	-	(3,219)	3,116
Deferred tax assets	71	-	-	71
Contract Assets	-	-	2,739	2,739
Other non-current assets	2,135	-	726	2,861
Total Non-Current Assets	12,094	322	486	12,902
Total Assets	22,109	317	4	22,430
Current Liabilities				
Trade and other payables	1,617	2	(57)	1,562
Lease liabilities	-	78	-	78
Deferred service income	863	-	(863)	-
Contract liabilities	-	-	1,029	1,029
Other interest bearing liabilities	2,510	-	-	2,510
Provisions	283	-	-	283
Liabilities held for sale	141	-	-	141
Total Current Liabilities	5,414	80	109	5,603
Non-Current Liabilities				
Lease liabilities	-	328	-	328
Deferred service income	621	-	(621)	-
Contract liabilities	-	-	1,638	1,638
Other interest bearing liabilities	2,708	-	-	2,708
Total Non-Current Liabilities	3,329	328	1,017	4,674
Total Liabilities	8,743	408	1,126	10,277
Net Assets	13,366	(91)	(1,122)	12,153
Equity				
Issued Capital	17,397	-	-	17,397
Reserves	(2,843)	-	-	(2,843)
Accumulated profits	(1,188)	(91)	(1,122)	(2,401)
	13,366	(91)	(1,122)	12,153

THINKSMART LIMITED

NOTES TO THE INTERIM FINANCIAL STATEMENTS - CONTINUED

27. Effects of changes in accounting policies (continued)

	Original 30 June 2019 £,000	AASB 16 £,000	Restated* 30 June 2019 £,000
Revenue	7,240	-	7,240
Other revenue	897	-	897
Total revenue	8,137	-	8,137
Customer acquisition costs	(965)	-	(965)
Cost of inertia asset sold	(901)	(1)	(902)
Other operating expenses	(4,813)	60	(4,753)
Depreciation and amortisation	(2,299)	(69)	(2,368)
Impairment losses	(272)	-	(272)
Gains/(Losses) on financial instruments	1,647	-	1,647
Profit/(loss) before tax	534	(10)	524
Income tax benefit	404	-	404
Net Loss after tax from continuing operations	938	(10)	928
Profit/(Loss) after tax from discontinued operations	7,731	-	7,731
Net Profit/(Loss) after tax – attributable to owners of the Company	8,669	(10)	8,659
Other comprehensive (loss)			
Items that may be reclassified subsequently to profit or loss (net of income tax):			
Foreign currency translation differences for foreign operations	(134)	-	(134)
<i>Total items that may be reclassified subsequently to loss, net of income tax</i>	(134)	-	(134)
Other comprehensive (loss) for the period, net of income tax	(134)	-	(134)
Total comprehensive profit/(loss) for the period, net of income tax	8,535	(10)	8,525

THINKSMART LIMITED

NOTES TO THE INTERIM FINANCIAL STATEMENTS - CONTINUED

27. Effects of changes in accounting policies (continued)

	Original 30 June 2019 £,000	AASB 16 £,000	Restated* 30 June 2019 £,000
Current Assets			
Cash and cash equivalents	7,099	-	7,099
Trade receivables	82	-	82
Finance lease receivables	2,640	-	2,640
Tax receivable	540	-	540
Other current assets	2,729	(8)	2,721
Total Current Assets	13,090	(8)	13,082
Non-Current Assets			
Finance lease receivables	805	-	805
Plant and equipment	286	253	539
Intangible assets	2,183	-	2,183
Financial assets at fair value through profit and loss	1,795	-	1,795
Contract assets	2,032	-	2,032
Other non-current assets	2,403	-	2,403
Total Non-Current Assets	9,504	253	9,757
Total Assets	22,594	245	22,839
Current Liabilities			
Trade and other payables	1,265	14	1,279
Lease liabilities	-	86	86
Contract liabilities	772	-	772
Other interest bearing liabilities	1,907	-	1,907
Provisions	252	-	252
Total Current Liabilities	4,196	100	4,296
Non-Current Liabilities			
Lease liabilities	-	244	244
Contract liabilities	1,221	-	1,221
Other interest bearing liabilities	603	-	603
Total Non-Current Liabilities	1,824	244	2,068
Total Liabilities	6,020	344	6,364
Net Assets	16,574	(99)	16,475
Equity			
Issued Capital	15,211	-	15,211
Reserves	(2,977)	(1)	(2,978)
Accumulated profits	4,340	(98)	4,242
	16,574	(99)	16,475

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 4 - 25 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 2019 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, 3 March 2020

INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of ThinkSmart Limited

Report on the Half-Year Financial Report

Conclusion

We have reviewed the half-year financial report of ThinkSmart Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 31 December 2019, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the half-year then ended, and notes comprising a statement of accounting policies and other explanatory information, and the directors' declaration.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of the Group is not 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 2019 and of its financial performance for the half-year ended on that date; and
- (ii) Complying with Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations 2001.

Directors' responsibility for the Half-Year Financial Report

The directors of the company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the Corporations Act 2001 and for such internal control as the directors determine is necessary to enable the preparation of the half-year 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 half-year 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 half-year 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 2019 and its financial performance for the half-year ended on that date and complying with Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations 2001. As the auditor of the Group, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year 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. We confirm that the independence declaration required by the Corporations Act 2001, which has been given to the directors of the Group, would be in the same terms if given to the directors as at the time of this auditor's review report.

BDO Audit (WA) Pty Ltd

A handwritten signature in black ink, appearing to read 'Wayne Basford'. Above the signature, the letters 'BDO' are written in a simple, blocky font.

Wayne Basford

Director

Perth, 3 March 2020

DECLARATION OF INDEPENDENCE BY WAYNE BASFORD TO THE DIRECTORS OF THINKSMART LIMITED

As lead auditor for the review of ThinkSmart Limited for the half-year ended 31 December 2019, I declare that, to the best of my knowledge and belief, there have been:

1. No contraventions of the auditor independence requirements of the Corporations Act 2001 in relation to the review; and
2. No contraventions of any applicable code of professional conduct in relation to the review.

This declaration is in respect of ThinkSmart Limited and the entities it controlled during the period.



Wayne Basford

Director

BDO Audit (WA) Pty Ltd

Perth, 3 March 2020