

**THINKSMART LIMITED**

**INTERIM FINANCIAL REPORT**

**31 DECEMBER 2020**

**ABN 24 092 319 698**

# THINKSMART LIMITED

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# 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 2020, 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 & 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 (resigned 11 November 2020)

### 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 and the holding of a financial asset.

### OPERATING AND FINANCIAL REVIEW

Highlights for the six months to 31 December 2020 for ThinkSmart Limited and its subsidiaries (“the Group”) include:

- Net profit after tax of £53.7 million (HY20 £15.9 million) driven by £52.9 million fair value gain on revaluation of retained shareholding in Clearpay Finance Limited (see Note 10(i)).
- Revenue of £2.4 million, down 28% versus same period last year, as a result of reduced volumes on previous periods.
- Operating costs further reduced to £1.8 million (HY20 £2.2 million) and remain controlled, aligned to current volume performance.
- Leasing originations at £0.5 million, significantly lower than the same period last year (HY20 £1.3 million) with majority of reduction owing to the orderly wind down of all agreements with Dixons Carphone (DC).
- RentSmart issued a claim against Carphone Warehouse in November 2019 in respect of the Flexible Leasing contract and its predecessor Upgrade Everytime contract. On 10 August 2020, the Group announced that it had agreed a settlement in relation to these contracts of £1.45m inclusive of costs. As part of this settlement, RentSmart has agreed with DC to the orderly winding up of all its agreements with DC including Flexible Leasing, SmartPlan and Upgrade Anytime.
- Net assets are £116.6 million at 31 December 2020, equivalent to £1.09 per share.
- Cash and cash equivalents of £6.9 million at 31 December 2020, following the return of £3.7 million (A\$6.5 million) to shareholders in December 2020, includes £1.81 million (HY20 £0.99 million) net cash generated from operating activities and £1.45m receipt from the settlement of the litigation with DC.
- Investment of 10%<sup>(1)</sup> holding in Clearpay Finance Limited revalued to £106.6 million at 31 December 2020 (FY20 £53.7 million).

(1) 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**

#### **COVID-19**

Thanks to operating in a less affected sector of the economy, robust business continuity processes, proactive management and timely access to government support, the Group has so far been only minimally impacted by COVID-19. While the UK government enforced the closure of DC retail outlets the Group has continued to originate new and repeat business through the DC call centre. Having assessed the critical areas of cash flows, going concern, impairment of assets, accounting estimates and judgements and expected credit losses, the Group has more than adequate resources to meet its liabilities as they fall due even when stressed to reasonable worst case scenarios.

Prior to the outbreak of COVID-19 the Group already had in place a robust risk management structure which has been augmented by the adoption of a specific COVID-19 risk assessment and associated updates to operating procedures. In line with UK government guidance, the Group has facilitated remote working for all staff and supporting a safe working environment with a focus on staff health and wellbeing. The Group has in place adequate measures to ensure that its going concern status and ongoing performance will not be materially compromised by the impact of COVID-19.

#### **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 2020.

#### **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:



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N Montarello  
Chairman  
Perth, Western Australia, 3 March 2021

## Consolidated Statement of Profit or Loss and Other Comprehensive Income for the six months ended 31 December 2020

		31 December 2020	31 December 2019
	Notes	£,000	£,000
Revenue	6(a)	2,342	3,052
Other revenue	6(b)	45	272
<b>Total revenue</b>		2,387	3,324
Customer acquisition costs	6(c)	(175)	(384)
Cost of inertia asset sold	6(d)	(191)	(345)
Other operating expenses	6(e)	(1,832)	(2,188)
Depreciation and amortisation	6(f)	(864)	(1,006)
Impairment gains	6(g)	39	4
Gains on financial instruments	6(h)	52,867	16,555
Other gains	6(i)	1,450	-
<b>Profit before tax</b>		53,681	15,960
Income tax (cost)	7	(10)	(35)
<b>Net Profit after tax – attributable to owners of the Company</b>		53,671	15,925
<b>Other comprehensive profit/(loss)</b>			
<b>Items that may be reclassified subsequently to profit or loss (net of income tax):</b>			
Foreign currency translation differences for foreign operations		62	(105)
<i>Total items that may be reclassified subsequently to profit/(loss), net of income tax</i>		62	(105)
<b>Other comprehensive profit/(loss) for the period, net of income tax</b>		62	(105)
<b>Total comprehensive profit for the period, net of income tax</b>		<b>53,733</b>	<b>15,820</b>
<b>Profit per share (pence)</b>			
Basic (pence per share)	24	50.39	14.95
Diluted (pence per share)	24	49.57	14.95

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

## Consolidated Statement of Financial Position as at 31 December 2020

		31 December 2020	30 June 2020
	Notes	£,000	£,000
<b>Current Assets</b>			
Cash and cash equivalents		6,886	8,805
Trade receivables		44	129
Finance lease receivables	8	97	431
Other current assets	9	461	924
<b>Total Current Assets</b>		7,488	10,289
<b>Non-Current Assets</b>			
Finance lease receivables	8	2	15
Plant and equipment	13	421	460
Intangible assets	14	878	1,433
Financial assets at fair value through profit and loss	10	106,600	53,733
Contract assets	11	1,149	1,430
Other non-current assets	12	2,119	2,147
<b>Total Non-Current Assets</b>		111,169	59,218
<b>Total Assets</b>		118,657	69,507
<b>Current Liabilities</b>			
Trade and other payables	15	(612)	(1,195)
Lease liabilities	16	(98)	(94)
Contract liabilities	17	(543)	(648)
Provisions	15	(234)	(255)
<b>Total Current Liabilities</b>		(1,487)	(2,192)
<b>Non-Current Liabilities</b>			
Lease liabilities	16	(98)	(148)
Contract liabilities	17	(507)	(679)
<b>Total Non-Current Liabilities</b>		(605)	(827)
<b>Total Liabilities</b>		(2,092)	(3,019)
<b>Net Assets</b>		<b>116,565</b>	<b>66,488</b>
<b>Equity</b>			
Issued Capital	18	10,407	13,164
Reserves		(2,770)	(2,832)
Accumulated profits		108,928	56,156
		<b>116,565</b>	<b>66,488</b>

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 2020

	Fully paid ordinary shares £,000	Foreign currency translation reserve £,000	Accumulated Profit £,000	Attributable to equity holders of the parent £,000
Balance at 1 July 2019	15,211	(2,978)	4,242	16,475
Profit for the period	-	-	15,925	15,925
Exchange differences arising on translation of foreign operations, net of tax	-	(105)	-	(105)
<b>Total comprehensive profit for the period</b>	-	(105)	15,925	15,820
<b>Transactions with owners of the Company, recognised directly in equity</b>				
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
Balance at 1 July 2020	13,164	(2,832)	56,156	66,488
Profit for the period	-	-	53,671	53,671
Exchange differences arising on translation of foreign operations, net of tax	-	62	-	62
<b>Total comprehensive profit for the period</b>	-	62	53,671	53,733
<b>Transactions with owners of the Company, recognised directly in equity</b>				
Distributions to owners of the Company	(2,757)	-	(899)	(3,656)
Balance at 31 December 2020	10,407	(2,770)	108,928	116,565

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

## Consolidated Statement of Cash Flows for the six months ended 31 December 2020

	<b>31 December 2020 £,000</b>	<b>31 December 2019 £,000</b>
<b>Cash Flows from Operating Activities</b>		
Receipts from customers	2,310	2,746
Payments to suppliers and employees	(2,374)	(2,353)
Receipts in respect of lease receivables	431	1,867
Proceeds/(Payments) from other interest bearing liabilities, inclusive of related costs	23	(1,608)
Interest received	35	65
Interest and finance charges	(86)	(215)
Receipts/(payments) from security guarantee	26	(17)
Income tax (payment)/repayment	(10)	506
Receipts from settlement of legal proceedings	1,450	-
<b>Net cash provided by operating activities</b>	<b>1,805</b>	<b>991</b>
<b>Cash Flows from Investing Activities</b>		
(Payments)/proceeds for plant and equipment	(16)	3
Payments for intangible assets – software	(68)	(61)
Receipts from realisation of investing financial instruments	-	3,806
<b>Net cash (used in)/generated from investing activities</b>	<b>(84)</b>	<b>3,748</b>
<b>Cash Flows from Financing Activities</b>		
Payment of lease liabilities	(46)	(42)
Dividends paid	(899)	(1,158)
Return of capital	(2,757)	(2,047)
<b>Net cash used in financing activities</b>	<b>(3,702)</b>	<b>(3,247)</b>
Net (decrease)/increase in cash and cash equivalents	(1,981)	1,492
Effect of exchange rate fluctuations on cash held	62	(86)
Cash and cash equivalents from continuing operations at beginning of the financial period	8,805	7,099
<b>Total cash and cash equivalents at the end of the financial period</b>	<b>6,886</b>	<b>8,505</b>
Restricted cash and cash equivalents at the end of the financial period	(62)	(58)
<b>Net available cash and cash equivalents at the end of the financial period</b>	<b>6,824</b>	<b>8,447</b>

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



# THINKSMART LIMITED

## NOTES TO THE INTERIM FINANCIAL STATEMENTS - CONTINUED

### 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 2020 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 2020 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](http://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 results are unaudited but have been reviewed by the auditors and their review statement is on page 21.

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 2021.

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. The Directors have assessed the impact of COVID-19 on the current and forecast position of the Group. As the Group has only been minimally impacted the Directors are satisfied that the Group has more than adequate resources to meet its liabilities as they fall due even when stressed to reasonable worst case scenarios.

### 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 2020 other than as detailed below.

# THINKSMART LIMITED

## NOTES TO THE INTERIM FINANCIAL STATEMENTS - CONTINUED

### 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.

### 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 2020.

### 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 2020.

### 6. Consolidated Statement of Profit or Loss

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

	6 months to 31 December 2020 £,000	6 months to 31 December 2019 £,000
<b>a) Revenue</b>		
Extended rental income	775	1,102
Commission income	620	1,284
Outsourced services	409	-
Income earned from sale of inertia equipment	355	363
Services revenue – insurance commission	136	198
Interest revenue – other entities	35	65
Fee revenue – customers	12	40
	<hr/> 2,342	<hr/> 3,052
<b>b) Other revenue</b>		
Finance lease income	45	74
Other revenue	-	198
	<hr/> 45	<hr/> 272
<b>Total Revenue</b>	<hr/> 2,387	<hr/> 3,324
<i>All revenue is generated in the UK from the following products:</i>		
SmartPlan	1,817	2,618
Upgrade Anytime	75	334
Flexible Leasing	51	108
Other/non-product specific	444	264
	<hr/> 2,387	<hr/> 3,324

### 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)**

	<b>6 months to 31 December 2020 £,000</b>	<b>6 months to 31 December 2019 £,000</b>
<b>e) Other operating expenses</b>		
Employee benefits expense		
- Payments to employees	(871)	(921)
- Employee superannuation costs	(53)	(43)
- Share-based payment expense	-	(9)
	<u>(924)</u>	<u>(973)</u>
Occupancy costs	(81)	(88)
Lease interest charge	(11)	(15)
Professional services	(432)	(355)
Finance charges	(86)	(215)
Credit losses arising from financial guarantee contract	(54)	(183)
Other costs	(244)	(359)
	<u>(1,832)</u>	<u>(2,188)</u>
<b>f) Depreciation and amortisation</b>		
Depreciation	(242)	(383)
Amortisation	(622)	(623)
	<u>(864)</u>	<u>(1,006)</u>
<b>g) Impairment gains</b>		
Impairment gains on finance leases and receivables	39	4
	<u>39</u>	<u>4</u>
<b>h) Gains on financial instruments</b>		
Realised gains	-	162
Unrealised gains	52,867	16,393
	<u>52,867</u>	<u>16,555</u>
<b>i) Other gains</b>		
Fair value gain on financial asset through profit and loss	1,450	-
	<u>1,450</u>	<u>-</u>

In the period to 31 December 2020 unrealised gains arose from the revaluation of the Group's investment in 10% of ClearPay Finance Limited (see note 10(i)). 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 10(i)). These amounts are shown above.

In the period to 31 December 2020 other gains arose on the settlement of legal claims against Carphone Warehouse as announced on 10 August 2020.

**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 2020 was 0.02% (31 December 2019: 0.22%).

	<b>6 months to 31 December 2020 £,000</b>	<b>6 months to 31 December 2019 £,000</b>
<i>Current income tax expense</i>		
Current income tax (charge)	(10)	(35)
Total income tax (charge)	<u>(10)</u>	<u>(35)</u>
Accounting profit before tax	53,681	15,960
Statutory corporation rate	30%	30%
Tax (charge) at the statutory income tax rate	(16,104)	(4,788)
Effect of tax rates in foreign jurisdictions	5,905	1,756
Non-deductible (expenses)	(11)	(161)
Non-taxable gain	10,042	3,113
Deferred tax asset not recognised	163	45
Irrecoverable withholding tax	(5)	-
Total income tax (charge)	<u>(10)</u>	<u>(35)</u>

**THINKSMART LIMITED**

**NOTES TO THE INTERIM FINANCIAL STATEMENTS - CONTINUED**

**8. Finance lease receivables**

	<b>31 December 2020 £,000</b>	<b>30 June 2020 £,000</b>
<b>Current (no later than 1 year)</b>		
Gross investment in finance lease receivables	67	207
Unguaranteed residuals	58	331
Unearned future finance lease income on finance leases	(14)	(43)
Net lease receivable	111	495
Allowance for losses	(14)	(64)
	<u>97</u>	<u>431</u>
<b>Non-current (later than 1 year, no later than 5 years)</b>		
Gross investment in finance lease receivables	1	7
Unguaranteed residuals	1	11
Unearned future finance lease income on finance leases	-	(1)
Net lease receivable	2	17
Allowance for losses	-	(2)
	<u>2</u>	<u>15</u>
Balance at 1 July	446	3,445
Receipts in respect of lease receivable	(431)	(3,244)
Finance lease income	45	247
Impairment gain/(loss)	39	(2)
	<u>99</u>	<u>446</u>

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

**9. Other current assets**

	<b>31 December 2020 £,000</b>	<b>30 June 2020 £,000</b>
Prepayments	195	233
Insurance prepayments	18	55
Accrued income – insurance commission (i)	207	290
Sundry debtors	41	346
	<u>461</u>	<u>924</u>

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

**10. Financial assets at fair value through profit or loss**

	<b>31 December 2020 £,000</b>	<b>30 June 2020 £,000</b>
Investment in ClearPay Finance Ltd (i)	106,600	53,733
	<u>106,600</u>	<u>53,733</u>

## THINKSMART LIMITED

### NOTES TO THE INTERIM FINANCIAL STATEMENTS - CONTINUED

#### 10. Financial assets at fair value through profit or loss (continued)

- i) On 23 August 2018 the Group sold 90% of Clearpay Finance Limited 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 2020 for accounting purposes under AASB 9 in accordance with AASB 13 (Fair Value Measurement). The independent valuation process, in accordance with the agreed valuation principles, uses the same valuation metrics, multiples and methodologies, including those used by market participants and with regard to sell-side analysts, to value the Clearpay business within the Afterpay listed group. This valuation has been undertaken based on publicly available information, reflecting the above and including a discount of 20% to be applied for minority holding and 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. Reducing the discount for lack of marketability to 10% would increase the fair value by £13.3m; increasing the discount for lack of marketability to 30% would reduce the fair value by £13.3m. Since March 2020 the Afterpay share price has been on an upward trajectory which has continued since the half year end indicating continued growth in the value of the Group's 10% shareholding. Further, the Afterpay FY20 accounts reflect that initial growth in active customers is followed by increases in the transaction value and underlying sales metrics as the customer base matures and repeat spend increases. In FY20 Afterpay's Australia and New Zealand business, which is their most mature market, represented 59.5% of underlying sales but only 33.3% of active customers. For the same period, the US market represented 36% of underlying sales but 57% of active customers, and the UK market represented 5.4% of underlying sales but 10% of active customers. To reflect the relationship between maturity of customer base and underlying sales the Directors believe that greater weighting should be assigned to active customers. In line with this the Group has taken the valuation of the 10% shareholding at two thirds of the range produced by the independent valuation. 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% to determine the accounting fair value of its retained shareholding in Clearpay to be £106.6m at 31 December 2020. The investment in Clearpay is a level 3 financial instrument.

#### 11. Contract assets

	<b>31 December 2020</b>	<b>30 June 2020</b>
	<b>£,000</b>	<b>£,000</b>
Brought forward	1,430	2,032
Recognised as revenue in period (i)	299	858
Recognised as customer acquisition cost (ii)	(53)	(145)
Transferred to Plant & Equipment Operating lease additions	(527)	(1,315)
	<u>1,149</u>	<u>1,430</u>
Contract asset revenue to be recognised less than 1 year	349	479
Contract asset revenue to be recognised between 1 and 2 years	132	180
Contract asset revenue to be recognised between 2 and 3 years	29	42
Contract asset revenue to be recognised between 3 and 4 years	1	2
	<u>511</u>	<u>703</u>

# THINKSMART LIMITED

## NOTES TO THE INTERIM FINANCIAL STATEMENTS - CONTINUED

### 11. Contract assets (continued)

(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.

### 12. Other non-current assets

	31 December 2020	30 June 2020
	£,000	£,000
Insurance prepayments	1	5
Accrued income – insurance commission (i)	88	86
Deposits held by funders (ii)	2,030	2,056
	2,119	2,147

- (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 19 for further information.

### 13. Plant and Equipment

	Plant & Equipment (UK) £,000	Plant & Equipment Right of Use Lease Asset £,000	Plant & Equipment Operating Lease £,000	Total £,000
<b>Gross Carrying Amount</b>				
<b>Cost or deemed cost</b>				
Balance at 30 June 2020	152	690	360	1,202
Transferred from contract assets	-	-	527	527
Transferred to inventory/cost of inertia assets sold	-	-	(2)	(2)
Additions	16	-	-	16
Disposals	-	-	(534)	(534)
Balance at 31 December 2020	168	690	351	1,209
<b>Accumulated Depreciation</b>				
Balance at 30 June 2020	(102)	(506)	(134)	(742)
Depreciation expense	(19)	(35)	(188)	(242)
Disposals	-	-	196	196
Balance at 31 December 2020	(121)	(541)	(126)	(788)
<b>Net Book Value</b>				
At 30 June 2020	50	184	226	460
At 31 December 2020	47	149	225	421

**THINKSMART LIMITED**

**NOTES TO THE INTERIM FINANCIAL STATEMENTS - CONTINUED**

**14. Intangible Assets**

	<b>Contract rights £,000</b>	<b>Software £,000</b>	<b>Intellectual Property £,000</b>	<b>Total £,000</b>
<b>Gross carrying amount</b>				
<b>At cost</b>				
Balance at 30 June 2020	441	4,369	359	5,169
Effect of movement in exchange rate	-	-	4	4
Additions	5	63	-	68
Balance at 31 December 2020	446	4,432	363	5,241
<b>Accumulated amortisation and impairment</b>				
Balance at 30 June 2020	(75)	(3,303)	(358)	(3,736)
Effect of movement in exchange rate	-	-	(5)	(5)
Disposals	-	-	-	-
Amortisation expense	(74)	(548)	-	(622)
Balance at 31 December 2020	(149)	(3,851)	(363)	(4,363)
<b>Net book value</b>				
At 30 June 2020	366	1,066	1	1,433
At 31 December 2020	297	581	-	878

**15. Trade, other payables and provisions**

	<b>31 December 2020 £,000</b>	<b>30 June 2020 £,000</b>
Trade and other payables	110	220
VAT/GST payable	146	92
Other accrued expenses	356	883
	612	1,195
<b>Provisions</b>		
Annual leave	138	159
Long service leave	89	86
Risk Transfer cancellation and claims	7	10
	234	255

**16. Lease liabilities**

	<b>31 December 2020 £,000</b>	<b>30 June 2020 £,000</b>
Balance brought forward	242	330
Rental paid in period	(57)	(114)
Interest charged	11	26
	196	242
Lease liabilities due within 12 months	98	94
Lease liabilities due greater than 12 months	98	148
	196	242



# THINKSMART LIMITED

## NOTES TO THE INTERIM FINANCIAL STATEMENTS - CONTINUED

### 16. Lease liabilities (continued)

Undiscounted maturity analysis		
Lease liabilities due up to 1 year	113	113
Lease liabilities due between 1 and 2 years	103	113
Lease liabilities due between 3 and 5 years	-	47
	<u>216</u>	<u>273</u>

### 17. Contract liabilities

	<b>31 December</b>	<b>30 June</b>
	<b>2020</b>	<b>2020</b>
	<b>£,000</b>	<b>£,000</b>
Balance brought forward	1,327	1,993
Recognised as revenue in period	(277)	(666)
	<u>1,050</u>	<u>1,327</u>
Contract liabilities due within 12 months	543	648
Contract liabilities due greater than 12 months	507	679
	<u>1,050</u>	<u>1,327</u>

### 18. Issued capital

<i>Fully Paid Ordinary Shares</i>	<b>31 December</b>		<b>30 June</b>	
	<b>2020</b>		<b>2020</b>	
	<b>Number</b>	<b>£,000</b>	<b>Number</b>	<b>£,000</b>
Balance at beginning of financial period	106,509,994	13,164	106,509,994	15,211
Issue of ordinary shares	-		-	-
Return of capital to shareholders	-	(2,757)	-	(2,047)
Balance at end of the financial period	<u>106,509,994</u>	<u>10,407</u>	<u>106,509,994</u>	<u>13,164</u>

### 19. Commitments and contingent liabilities

	<b>31 December</b>	<b>30 June</b>
	<b>2020</b>	<b>2020</b>
	<b>£,000</b>	<b>£,000</b>
Leases where Group acts as agent (off statement of financial position)	4,389	6,029
Deposits held by funder	2,030	2,056

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 12).

## THINKSMART LIMITED

### NOTES TO THE INTERIM FINANCIAL STATEMENTS - CONTINUED

#### 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.

##### *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 2020 the Group held one financial instrument at fair value through profit or loss:

- 10% holding in ClearPay Finance Limited with a fair value of £106,600,000 (2019: £16,453,125). The holding in Clearpay is a Level 3 financial instrument. See Note 10(i).

#### 21. 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
- ThinkSmart Inc

# THINKSMART LIMITED

## NOTES TO THE INTERIM FINANCIAL STATEMENTS - CONTINUED

### 21. Segmental information (continued)

#### Operating Segments

#### Information about reportable segments

For the six months ended:	UK		Corporate and unallocated		Total	
	December 2020	December 2019	December 2020	December 2019	December 2020	December 2019
	£,000	£,000	£,000	£,000	£,000	£,000
Revenue	2,342	3,032	-	20	2,342	3,052
Other revenue	45	272	-	-	45	272
<b>Total revenue</b>	<b>2,387</b>	<b>3,304</b>	<b>-</b>	<b>20</b>	<b>2,387</b>	<b>3,324</b>
Customer acquisition cost	(175)	(384)	-	-	(175)	(384)
Cost of inertia assets sold	(191)	(345)	-	-	(191)	(345)
Other operating expenses	(1,517)	(1,800)	(315)	(388)	(1,832)	(2,188)
Depreciation and amortisation	(864)	(1,006)	-	-	(864)	(1,006)
Impairment losses	39	4	-	-	39	4
Gain on Financial Instruments	52,867	16,555	-	-	52,867	16,555
Other gains	1,450	-	-	-	1,450	-
<b>Reportable segment profit/(loss) before income tax</b>	<b>53,996</b>	<b>16,328</b>	<b>(315)</b>	<b>(368)</b>	<b>53,681</b>	<b>15,960</b>

	December 2020	June 2020	December 2020	June 2020	December 2020	June 2020
	£,000	£,000	£,000	£,000	£,000	£,000
Reportable segment current assets	5,132	6,162	2,357	4,127	7,488	10,289
Reportable segment non-current assets	111,168	59,218	-	-	111,169	59,218
Reportable segment liabilities	1,845	2,695	247	324	2,092	3,019
Capital expenditure	84	509	-	-	84	509

### 22. Related party disclosures

As at 31 December 2020 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 (resigned 11 November 2020)

**THINKSMART LIMITED****NOTES TO THE INTERIM FINANCIAL STATEMENTS - CONTINUED****22. Related party disclosures (continued)**

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

	<b>31 December 2020 £,000</b>	<b>31 December 2019 £,000</b>
Short-term employee benefits	228	220
Post-employment benefits	7	8
Other long-term benefits	1	-
Share-based payments	-	6
	<u>236</u>	<u>234</u>

**23. 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.

**24. Earnings per share**

	<b>31 December 2020 £,000</b>	<b>31 December 2019 £,000</b>
Profit after tax attributable to ordinary shareholders	<u>53,671</u>	<u>15,925</u>

	<b>31 December 2020 Number</b>	<b>31 December 2019 Number</b>
Weighted average number of ordinary shares (basic)	106,509,994	106,509,994
Weighted average number of ordinary shares (diluted)	<u>108,267,346</u>	<u>106,509,994</u>

	<b>31 December 2020</b>	<b>31 December 2019</b>
<b>Earnings per share</b>		
Basic earnings per share (pence)	50.39	14.95
Diluted earnings per share (pence)	49.57	14.95

## **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 - 19 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 2020 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:



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N Montarello  
Chairman  
Perth, Western Australia, 3 March 2021

## 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 2020, 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 ended on that date, a summary of 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 accompanying half-year financial report of the Group does not comply with the *Corporations Act 2001* including:

- (i) Giving a true and fair view of the Group's financial position as at 31 December 2020 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*.

#### Basis for conclusion

We conducted our review in accordance with ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*. Our responsibilities are further described in the *Auditor's Responsibilities for the Review of the Financial Report* section of our report. We are independent of the Company in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to the audit of the annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the *Corporations Act 2001* which has been given to the directors of the Company, would be the same terms if given to the directors as at the time of this auditor's review report.

### **Responsibility of the directors for the 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 gives a true and fair view and is free from material misstatement, whether due to fraud or error.

### **Auditor's responsibility for the review of the financial report**

Our responsibility is to express a conclusion on the half-year financial report based on our review. ASRE 2410 requires us to conclude whether 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 2020 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*.

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.

**BDO Audit (WA) Pty Ltd**



**Ashleigh Woodley**

**Director**

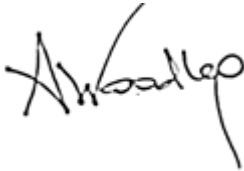
Perth, 04 March 2021

**DECLARATION OF INDEPENDENCE BY ASHLEIGH WOODLEY TO THE DIRECTORS OF THINKSMART LIMITED**

As lead auditor for the review of ThinkSmart Limited for the half-year ended 31 December 2020, 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.



**Ashleigh Woodley**  
**Director**

**BDO Audit (WA) Pty Ltd**  
Perth, 04 March 2021