

THINKSMART LIMITED

INTERIM FINANCIAL REPORT

31 DECEMBER 2021

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 2021, 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

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 2021 for ThinkSmart Limited and its subsidiaries ("the Group") include:

- Net loss after tax of £51.6 million (HY21 profit of £53.7 million) driven by £51.4 million fair value loss on revaluation of retained shareholding in Clearpay Finance Limited ("Clearpay")(see Note 10).
- Revenue of £1.9 million, down 20% versus same period last year, as a result of reduced volumes on previous periods.
- Operating costs further reduced to £1.4 million (HY21 £1.8 million) and remain controlled, aligned to current volume performance.
- 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.
- Investment of 10%⁽¹⁾ holding in Clearpay Finance Limited revalued to £73.6 million at 31 December 2021 (FY21 £125.0 million). During the same period the Afterpay share price ASX:APT fell to AUD \$83.01 (FY21 \$118.00) a reduction of 30%.
- Net assets are £79.8 million at 31 December 2021, equivalent to £0.75 per share.
- Cash and cash equivalents of £4.1 million at 31 December 2021, following the return of £3.0 million (A\$5.6 million) to shareholders in December 2021 and includes £0.1 million (HY21 £1.81 million) net cash generated from operating activities.
- On 20 December 2021 the Group announced that it has agreed terms with Afterpay Ltd ("Afterpay") for ThinkSmart's subsidiary, ThinkSmart Europe, to sell its 10% holding in Clearpay in exchange for 1,650,000 shares in Afterpay, subject to the approval of shareholders. The 1,650,000 Afterpay shares ("Consideration Shares") it will receive in consideration for the sale of its Clearpay holding will not be reduced to satisfy any options under the Employee Share Option Plan ("ESOP") for Clearpay employees.
- On 14 January 2022 the sale of the Group's 10% holding in Clearpay in exchange for 1,650,000 shares in Afterpay was approved at a general meeting of shareholders.
- On 1 February 2022 the takeover of Afterpay by Block, Inc ("Block")(NYSE: SQ) was implemented and the Group's 1,650,000 Afterpay shares were exchanged for 618,750 Block shares.

(1) Under the Clearpay SPA dated 22 August 2018 a proportion of the 10% retained shareholding (up to 3.5% of the total share capital of Clearpay) were to be made available to employees of Clearpay under an employee share ownership plan. Under the share sale approved on 14 January 2022 and completed 17 January 2022 the Group no longer has any obligation to make any of the Consideration Shares in Afterpay available under the ESOP.

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. 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 24 and forms part of the directors' report for the half-year ended 31 December 2021.

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 Montarello
Chairman
Perth, Western Australia, 8 March 2022

Consolidated Statement of Profit or Loss and Other Comprehensive Income for the six months ended 31 December 2021

		31 December 2021	31 December 2020
	Notes	£,000	£,000
Revenue	6(a)	1,875	2,342
Other revenue	6(b)	4	45
Total revenue		1,879	2,387
Customer acquisition costs	6(c)	(60)	(175)
Cost of inertia asset sold	6(d)	(150)	(191)
Other operating expenses	6(e)	(1,440)	(1,832)
Depreciation and amortisation	6(f)	(467)	(864)
Impairment gains	6(g)	5	39
(Losses)/gains on financial instruments	6(h)	(51,367)	52,867
Other gains	6(i)	-	1,450
(Loss)/Profit before tax		(51,600)	53,681
Income tax (cost)	7	(6)	(10)
Net (loss)/profit after tax – attributable to owners of the Company		(51,606)	53,671
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		(27)	62
<i>Total items that may be reclassified subsequently to profit/(loss), net of income tax</i>		(27)	62
Other comprehensive (loss)/profit for the period, net of income tax		(27)	62
Total comprehensive (loss)/profit for the period, net of income tax		(51,633)	53,733
(Loss)/Profit per share (pence)			
Basic (pence per share)	24	(48.43)	50.39
Diluted (pence per share)	24	(47.67)	49.57

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

Consolidated Statement of Financial Position as at 31 December 2021

	Notes	31 December 2021 £,000	30 June 2021 £,000
Current Assets			
Cash and cash equivalents		4,078	7,067
Trade receivables		67	55
Finance lease receivables	8	13	38
Other current assets	9	261	380
Total Current Assets		4,419	7,540
Non-Current Assets			
Plant and equipment	13	221	302
Intangible assets	14	355	590
Financial assets at fair value through profit and loss	10	73,633	125,000
Contract assets	11	545	777
Other non-current assets	12	2,031	2,069
Total Non-Current Assets		76,785	128,738
Total Assets		81,204	136,278
Current Liabilities			
Trade and other payables	15	(607)	(728)
Lease liabilities	16	(98)	(103)
Contract liabilities	17	(318)	(410)
Provisions	15	(179)	(202)
Total Current Liabilities		(1,202)	(1,443)
Non-Current Liabilities			
Lease liabilities	16	-	(46)
Contract liabilities	17	(180)	(332)
Total Non-Current Liabilities		(180)	(378)
Total Liabilities		(1,382)	(1,821)
Net Assets		79,822	134,457
Equity			
Issued Capital	18	7,862	10,413
Reserves		(2,902)	(2,875)
Accumulated profits		74,862	126,919
		79,822	134,457

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 2021

	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 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
Total comprehensive profit for the period	-	62	53,671	53,733
Transactions with owners of the Company, recognised directly in equity				
Distributions to owners of the Company	(2,757)	-	(899)	(3,656)
Balance at 31 December 2020	10,407	(2,770)	108,928	116,565
Balance at 1 July 2021	10,413	(2,875)	126,919	134,457
Loss for the period	-	-	(51,606)	(51,606)
Exchange differences arising on translation of foreign operations, net of tax	-	(27)	-	(27)
Total comprehensive profit for the period	-	(27)	(51,606)	(51,633)
Transactions with owners of the Company, recognised directly in equity				
Share options exercised	8	-	-	8
Distributions to owners of the Company	(2,559)	-	(451)	(3,010)
Balance at 31 December 2021	7,862	(2,902)	74,862	79,822

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

Consolidated Statement of Cash Flows for the six months ended 31 December 2021

	31 December 2021 £,000	31 December 2020 £,000
Cash Flows from Operating Activities		
Receipts from customers	1,672	2,310
Payments to suppliers and employees	(1,622)	(2,374)
Receipts in respect of lease receivables	34	431
Proceeds/(Payments) from other interest bearing liabilities, inclusive of related costs	-	23
Interest received	48	35
Interest and finance charges	(1)	(86)
Receipts/(payments) from security guarantee	7	26
Income tax (payment)/repayment	(6)	(10)
Receipts from settlement of legal proceedings	-	1,450
Net cash provided by operating activities	132	1,805
Cash Flows from Investing Activities		
(Payments)/proceeds for plant and equipment	(41)	(16)
Payments for intangible assets – software	-	(68)
Net cash (used in)/generated from investing activities	(41)	(84)
Cash Flows from Financing Activities		
Payment of lease liabilities	(51)	(46)
Dividends paid	(451)	(899)
Proceeds from share issue net of costs	8	-
Return of capital	(2,559)	(2,757)
Net cash used in financing activities	(3,053)	(3,702)
Net (decrease)/increase in cash and cash equivalents	(2,962)	(1,981)
Effect of exchange rate fluctuations on cash held	(27)	62
Cash and cash equivalents from continuing operations at beginning of the financial period	7,067	8,805
Total cash and cash equivalents at the end of the financial period	4,078	6,886
Restricted cash and cash equivalents at the end of the financial period	(59)	(62)
Net available cash and cash equivalents at the end of the financial period	4,019	6,824

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 2021 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 2021 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 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 22.

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 UK (“Adopted AASBs”).

The consolidated financial statements were authorised for issue by the Board of Directors on 8 March 2022.

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 2021 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 2021.

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 2021.

6. Consolidated Statement of Profit or Loss

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

	6 months to 31 December 2021 £,000	6 months to 31 December 2020 £,000
a) Revenue		
Extended rental income	713	775
Commission income	309	620
Outsourced services	461	409
Income earned from sale of inertia equipment	290	355
Services revenue – insurance commission	48	136
Interest revenue – other entities	48	35
Fee revenue – customers	6	12
	<hr/> 1,875	<hr/> 2,342
b) Other revenue		
Finance lease income	4	45
Other revenue	-	-
	<hr/> 4	<hr/> 45
Total Revenue	<hr/> 1,879	<hr/> 2,387
<i>All revenue is generated in the UK from the following products:</i>		
SmartPlan	1,318	1,817
Upgrade Anytime	48	75
Flexible Leasing	4	51
Other/non-product specific	509	444
	<hr/> 1,879	<hr/> 2,387

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 2021 £,000	6 months to 31 December 2020 £,000
e) Other operating expenses		
Employee benefits expense		
- Payments to employees	(780)	(871)
- Employee superannuation costs	(56)	(53)
	<u>(836)</u>	<u>(924)</u>
Occupancy costs	(77)	(81)
Lease interest charge	(16)	(11)
Professional services	(247)	(432)
Finance charges	(1)	(86)
Credit losses arising from financial guarantee contract	(62)	(54)
Other costs	(201)	(244)
	<u>(1,440)</u>	<u>(1,832)</u>
f) Depreciation and amortisation		
Depreciation	(232)	(242)
Amortisation	(235)	(622)
	<u>(467)</u>	<u>(864)</u>
g) Impairment gains		
Impairment gains on finance leases and receivables	5	39
	<u>5</u>	<u>39</u>
h) (Losses)/Gains on financial instruments		
Unrealised (losses)/gains	(51,367)	52,867
	<u>(51,367)</u>	<u>52,867</u>
Unrealised gains or losses arose from the revaluation of the Group's investment in 10% of Clearpay Finance Limited (see note 10). These amounts are shown above.		
i) Other gains		
Fair value gain on financial asset through profit and loss	-	1,450
	<u>-</u>	<u>1,450</u>

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**

Amounts recognised in profit and loss:

	6 months to 31 December 2021 £,000	6 months to 31 December 2020 £,000
<i>Current income tax expense</i>		
Current income tax (charge)	(6)	(10)
Total income tax (charge)	<u>(6)</u>	<u>(10)</u>
Accounting (loss)/profit before tax	(51,600)	53,681
Statutory corporation rate	30%	30%
Tax (charge) at the statutory income tax rate	15,480	(16,104)
Effect of tax rates in foreign jurisdictions	(5,676)	5,905
Non-deductible (expenses)	(1)	(11)
Non-taxable (losses)/gain (Substantial Shareholdings Exemption)	(9,760)	10,042
Deferred tax asset not recognised	(43)	163
Irrecoverable withholding tax	(6)	(5)
Total income tax (charge)	<u>(6)</u>	<u>(10)</u>

THINKSMART LIMITED**NOTES TO THE INTERIM FINANCIAL STATEMENTS - CONTINUED****8. Finance lease receivables**

	31 December 2021 £,000	30 June 2021 £,000
Current (no later than 1 year)		
Gross investment in finance lease receivables	10	29
Unguaranteed residuals	3	24
Unearned future finance lease income on finance leases	-	(6)
Net lease receivable	13	47
Allowance for losses	-	(9)
	<u>13</u>	<u>38</u>
Balance at 1 July	38	446
Receipts in respect of lease receivable	(34)	(511)
Finance lease income	4	62
Impairment gain/(loss)	5	41
	<u>13</u>	<u>38</u>

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

9. Other current assets

	31 December 2021 £,000	30 June 2021 £,000
Prepayments	159	222
Insurance prepayments	1	4
Accrued income – insurance commission (i)	101	154
	<u>261</u>	<u>380</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

	31 December 2021 £,000	30 June 2021 £,000
Investment in Clearpay Finance Ltd	73,633	125,000
	<u>73,633</u>	<u>125,000</u>

THINKSMART LIMITED

NOTES TO THE INTERIM FINANCIAL STATEMENTS - CONTINUED

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

On 23 August 2018 the Group sold 90% of Clearpay Finance Limited to Afterpay Ltd (formerly Afterpay Touch Group Ltd) (ASX:APT). The Group retained a 10% shareholding in Clearpay which is held as an investment at fair value through profit or loss under AASB 9. On 20 December 2021 the Group announced that it has agreed terms with Afterpay for ThinkSmart's subsidiary, ThinkSmart Europe Ltd, to sell its 10% holding in Clearpay in exchange for 1,650,000 shares in Afterpay, subject to the approval of ThinkSmart shareholders. ThinkSmart shareholders approved the sale at a General Meeting on 14 January 2022 with the sale completing on 17 January 2022. At both 31 December 2021 and 30 June 2021 the financial asset held by the Group is the 10% shareholding in Clearpay. For the year ended 30 June 2021 the investment in Clearpay was a level 3 financial instrument with the value of the Clearpay shares at a price calculated on the agreed valuation principles specified under the call and put options included in the sale agreement of 23 August 2018. The valuation at 30 June 2021 also provides that 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"). For periods up to 30 June 2021 the Group engaged a third party global professional services firm to value its retained shareholding in Clearpay 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, used 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 was 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. As the Group had 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 further discounted the valuation by 35% to determine the accounting fair value of its retained shareholding in Clearpay to give a fair value at 30 June 2021 of £125m. Subsequent to the sale agreement of 20 December 2021, the investment in Clearpay is a level 2 financial instrument at 31 December 2021 with the value of the holding derivable from the price of the 1,650,000 shares in Afterpay which are publicly listed and represent the price that would be paid to transfer the asset in an orderly sale at the measurement date. The sale agreed on 20 December 2021 removes the obligation for the Group to make any shares available to Clearpay employees under the ESOP. At 31 December 2021 the closing share price of Afterpay was AUD \$83.01 and the closing AUD/GBP foreign exchange rate was 0.5376 giving a fair value for the Group's 10% holding in Clearpay of £73.6m.

11. Contract assets

	31 December 2021	30 June 2021
	£,000	£,000
Brought forward	777	1,430
Recognised as revenue in period (i)	91	370
Recognised as customer acquisition cost (ii)	(41)	(110)
Transferred to Plant & Equipment Operating lease additions	(282)	(913)
	<hr/> 545	<hr/> 777
Contract asset revenue to be recognised less than 1 year	137	215
Contract asset revenue to be recognised between 1 and 2 years	32	71
Contract asset revenue to be recognised between 2 and 3 years	2	10
Contract asset revenue to be recognised between 3 and 4 years	-	-
	<hr/> 171	<hr/> 296

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 2021	30 June 2021
	£,000	£,000
Accrued income – insurance commission (i)	17	48
Deposits held by funders (ii)	2,014	2,021
	2,031	2,069

- (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
Gross Carrying Amount				
Cost or deemed cost				
Balance at 30 June 2021	91	690	283	1,064
Transferred from contract assets	-	-	283	283
Transferred to inventory/cost of inertia assets sold	-	-	31	31
Additions	41	-	-	41
Disposals	-	-	(399)	(399)
Balance at 31 December 2021	132	690	198	1,020
Accumulated Depreciation				
Balance at 30 June 2021	(59)	(575)	(128)	(762)
Depreciation expense	(17)	(35)	(180)	(232)
Disposals	-	-	195	195
Balance at 31 December 2021	(76)	(610)	(113)	(799)
Net Book Value				
At 30 June 2021	32	115	155	302
At 31 December 2021	56	80	85	221

THINKSMART LIMITED

NOTES TO THE INTERIM FINANCIAL STATEMENTS - CONTINUED

14. Intangible Assets

	Contract rights £,000	Software £,000	Intellectual Property £,000	Total £,000
Gross carrying amount				
At cost				
Balance at 30 June 2021	408	1,729	348	2,485
Additions	-	-	-	-
Balance at 31 December 2021	408	1,729	348	2,485
Accumulated amortisation and impairment				
Balance at 30 June 2021	(173)	(1,374)	(348)	(1,895)
Disposals	-	-	-	-
Amortisation expense	(72)	(163)	-	(235)
Balance at 31 December 2021	(245)	(1,537)	(348)	(2,130)
Net book value				
At 30 June 2021	235	355	-	590
At 31 December 2021	163	192	-	355

15. Trade, other payables and provisions

	31 December 2021 £,000	30 June 2021 £,000
Trade and other payables	(50)	(79)
VAT/GST payable	(116)	(132)
Other accrued expenses	(441)	(517)
	(607)	(728)
Provisions		
Annual leave	(88)	(111)
Long service leave	(87)	(86)
Risk Transfer cancellation and claims	(4)	(5)
	(179)	(202)

16. Lease liabilities

	31 December 2021 £,000	30 June 2021 £,000
Balance brought forward	(149)	(242)
Rental paid in period	67	112
Interest charged	(16)	(19)
	(98)	(149)
Lease liabilities due within 12 months	(98)	(103)
Lease liabilities due greater than 12 months	-	(46)
	(98)	(149)
Undiscounted maturity analysis		
Lease liabilities due up to 1 year	(103)	(113)
Lease liabilities due between 1 and 2 years	-	(47)
	(103)	(160)

THINKSMART LIMITED

NOTES TO THE INTERIM FINANCIAL STATEMENTS - CONTINUED

17. Contract liabilities

	31 December	30 June
	2021	2021
	£,000	£,000
Balance brought forward	742	1,327
Recognised as revenue in period	(244)	(585)
	<u>498</u>	<u>742</u>
Contract liabilities due within 12 months	318	410
Contract liabilities due greater than 12 months	180	332
	<u>498</u>	<u>742</u>

18. Issued capital

<i>Fully Paid Ordinary Shares</i>	31 December		30 June	
	2021		2021	
	Number	£,000	Number	£,000
Balance at beginning of financial period	106,542,814	10,413	106,509,994	13,164
Issue of ordinary shares	45,000	8	32,820	6
Return of capital to shareholders	-	(2,559)	-	(2,757)
Balance at end of the financial period	<u>106,587,814</u>	<u>7,862</u>	<u>106,542,814</u>	<u>10,413</u>

19. Commitments and contingent liabilities

	31 December	30 June
	2021	2021
	£,000	£,000
Leases where Group acts as agent (off statement of financial position)	1,326	2,583
Deposits held by funder	2,014	2,021

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 2021 the Group held one financial instrument at fair value through profit or loss:

- 10% holding in Clearpay Finance Limited with a fair value of £73,633,190 (30 June 2021: £125,000,000). At 31 December 2021 the holding in Clearpay is a Level 2 financial instrument. At 30 June 2021 the holding in Clearpay was a Level 3 financial instrument. See Note 10.

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 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 2021	December 2020	December 2021	December 2020	December 2021	December 2020
	£,000	£,000	£,000	£,000	£,000	£,000
Revenue	1,875	2,342	-	-	1,875	2,342
Other revenue	4	45	-	-	4	45
Total revenue	1,879	2,387	-	-	1,879	2,387
Customer acquisition cost	(60)	(175)	-	-	(60)	(175)
Cost of inertia assets sold	(150)	(191)	-	-	(150)	(191)
Other operating expenses	(1,144)	(1,517)	(296)	(315)	(1,440)	(1,832)
Depreciation and amortisation	(467)	(864)	-	-	(467)	(864)
Impairment gains	5	39	-	-	5	39
Gain on Financial Instruments	(51,367)	52,867	-	-	(51,367)	52,867
Other gains	-	1,450	-	-	-	1,450
Reportable segment profit/(loss) before income tax	(51,304)	53,996	(296)	(315)	(51,600)	53,681

	December 2021	June 2021	December 2021	June 2021	December 2021	June 2021
	£,000	£,000	£,000	£,000	£,000	£,000
Reportable segment current assets	4,094	4,181	325	3,359	4,419	7,540
Reportable segment non-current assets	76,785	128,738	-	-	76,785	128,738
Reportable segment liabilities	1,152	1,575	230	246	1,382	1,821
Capital expenditure	41	139	-	-	41	139

22. Related party disclosures

As at 31 December 2021 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

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:

	31 December 2021 £,000	31 December 2020 £,000
Short-term employee benefits	208	228
Post-employment benefits	7	7
Other long-term benefits	1	1
	<hr/> 216	<hr/> 236

23. Events occurring after the reporting date

Disposal of Clearpay 10% shareholding in exchange for 1,650,000 Afterpay shares

On 14 January 2022 ThinkSmart shareholders voted to approve the sale by ThinkSmart Europe Ltd (ThinkSmart's wholly owned subsidiary) ("ThinkSmart Europe") of its 10% holding in Clearpay Finance Ltd ("Clearpay") in exchange for 1,650,000 shares in ASX listed Afterpay Ltd ("Afterpay") (ASX: APT) ("Disposal"). The Disposal completed on 17 January 2022 at which point ThinkSmart Europe received 1,650,000 shares in Afterpay. On 1 February 2022 Block, Inc ("Block")(NYSE: SQ) acquired Afterpay per a Scheme of Arrangement ("Scheme") which was announced on 2 August 2021. Under the terms of the Scheme Block has acquired all of the issued shares in Afterpay in exchange for common stock in Block. As a result of this acquisition the 1,650,000 Afterpay shares received by ThinkSmart Europe as a result of the Disposal have been exchanged for 618,750 Block shares.

On 14 January 2022 the Group de-recognised the 10% holding in Clearpay and simultaneously recognised the 1,650,000 shares in Afterpay. The shares in Afterpay are a level 1 financial instrument. On 1 February 2022 the Group de-recognised the 1,650,000 shares in Afterpay and simultaneously recognised 618,750 shares in Block. The Block shares are a level 1 financial instrument. At 31 December 2021 the closing share price of the Block shares was USD \$161.51 per share, and at 7 March 2022 the closing price of the Block shares was USD \$97.51.

Purchase of leases from STB

On 31 January 2022 the Group purchased from STB Leasing Ltd ("STB") the portfolio of Hiring Agreements held by STB as specified in the Operating Agreement of 16 February 2011 (the "Operating Agreement"). Under the terms of the Operating Agreement the Group was required to purchase the portfolio once the value of the portfolio had fallen below £2m, being the floor value of the credit support balance placed by the Group with STB, and a specified termination event. The purchase price of the portfolio was the amount equal to the balance of primary period rentals for the portfolio at the date of transfer and payable up to the minimum term for each Hiring Agreement in the portfolio discounted to their net present value ("NPV") using the NPV formula and applicable interest rate used to calculate the transaction fee for each of the Hiring Agreements in the Portfolio. On the transaction date the Group recognised a Finance Lease Receivable for the purchased portfolio and simultaneously de-recognised the deposits held by funder with the difference between the portfolio price and credit support balance being settled in cash. The Group will continue to collect the rentals due under the Hiring Agreements and recognise finance lease income over the remaining term of the Portfolio.

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.

THINKSMART LIMITED**NOTES TO THE INTERIM FINANCIAL STATEMENTS - CONTINUED****24. Earnings per share**

	31 December 2021	31 December 2020
	£,000	£,000
(Loss)/profit after tax attributable to ordinary shareholders	(51,606)	53,671
	31 December 2021	31 December 2020
	Number	Number
Weighted average number of ordinary shares (basic)	106,567,787	106,509,994
Weighted average number of ordinary shares (diluted)	108,267,346	108,267,346
	31 December 2021	31 December 2020
Earnings per share		
Basic (loss)/earnings per share (pence)	(48.43)	50.39
Diluted (loss)/earnings per share (pence)	(47.67)	49.57

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 - 20 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 2021 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
Perth, Western Australia, 8 March 2022

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 2021, 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 significant 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 2021 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 2021 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

A handwritten signature in black ink, appearing to read 'Ashleigh Woodley', is written over the BDO logo.

Ashleigh Woodley

Director


Perth, 8 March 2022

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 2021, 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, 8 March 2022