

RentSmart Limited

Annual Report and Financial Statements

For the Year Ended 30 June 2016

Company Number: 03689086

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RENTSMART LIMITED
YEAR ENDED 30 JUNE 2016

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RENTSMART LIMITED
YEAR ENDED 30 JUNE 2016
STRATEGIC REPORT

Development and Performance

Business volumes to June 2016 were down 18% on the same period last year as a result of lower repeats on 'Upgrade Anytime' due to the lower Infinity volumes written two years previously. The 'SmartPlan' business lease proposition, delivering a higher margin, has grown volumes by 4%, which in turn has increased overall average transaction values (ATV's) by 11% against same period last year due to a higher proportion of SmartPlan leases.

During the year the £60m funding arrangement with STB was extended to July 2018 on improved terms.

Turnover to 30 June 2016 includes £1,969,204 (financial year ending 30 June 2015: £2,307,500) of deferred service income being the net present value of future inertia income recognised over the term of the lease for which RentSmart Limited provides credit risk protection to the principal. In addition net intercompany fees of £402,737 were charged in the year to 30 June 2016 (financial year ending 30 June 2015: £836,583).

Period End Position

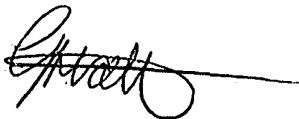
The Company continues with its policy of expansion through increased investment in systems and people to aid the development of new financial products, which is expected to be reflected in future results. The profit and loss account is set out on page 6. The profit for the year ended 30 June 2016 of £1,432,419 has been transferred to reserves (financial year ending 30 June 2015: £1,309,351).

There were £2,200,000 dividends proposed at the year ended 30 June 2016 (financial year ending 30 June 2015: £Nil).

Principal Risks

Funder and retail partner concentration remain the principal risks to the business. To mitigate these risks, contracts are arranged over a minimum of 3 years with renegotiation discussions commencing well before the contract expiry date. These are long standing and well established relationships with financially stable counter parties. In addition the Company continues to explore opportunities to diversify to reduce this concentration risk.

By order of the board on



Gary Halton

Director

7th Floor, Oakland House,
Talbot Road, Old Trafford,
Manchester, M16 0PQ

Date 16/12/2016

RENTSMART LIMITED
YEAR ENDED 30 JUNE 2016
REPORT OF THE DIRECTORS

The Directors hereby submit their Report and the accounts for the year ended 30 June 2016.

Principal activities

The principal activities of the Company are that of financial intermediary, arranging and subsequently managing finance for the renting of equipment to businesses and consumers. The Company is authorised and regulated by the Financial Conduct Authority (FCA).

Going concern

The net asset position is negatively impacted by £6,448,108 (financial year ending 30 June 2015: £6,377,295) of net intercompany loans payable. The ThinkSmart Group has agreed not to call upon these loans until the Company is in a financial position to make payment without affecting its operational capabilities. The directors confirm that they are satisfied that the Company has adequate resources to continue in operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis for preparing the accounts. In forming their view, the directors have considered the Company's prospects for a period exceeding twelve months, from the date the financial statements were approved.

Directors

The directors who held office during the year were as follows:

F. de Vicente
D. Twigg
P. Fletcher (appointed 1st July 2016)
G. Halton

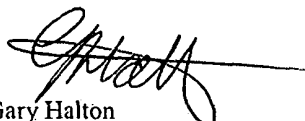
Political and charitable contributions

The Company made no political or charitable donations during the year ended 30 June 2016 (2015: £nil).

Disclosure of information to auditor

The directors who held office at the date of approval of this director's report confirm that, so far as they are aware, there is no relevant audit information of which the Company's auditor is unaware; and the directors have taken all the steps that they ought to have taken as a director to make themselves aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

By order of the board on



Gary Halton

Director

7th Floor Oakland House,
Talbot Road, Old Trafford,
Manchester, M16 0PQ

Date 16/12/2016

RENTSMART LIMITED

YEAR ENDED 30 JUNE 2016

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE STRATEGIC REPORT, DIRECTORS' REPORT AND THE FINANCIAL STATEMENTS

The directors are responsible for preparing the Strategic Report, the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 101 Reduced Disclosure Framework.

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF RENTSMART LIMITED

We have audited the financial statements of RentSmart Limited for the year ended 30 June 2016 set out on pages 6 to 20. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice), including FRS 101 *Reduced Disclosure Framework*.

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 3, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of annual report and accounts is provided on the Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 30 June 2016 and of its profit for the year then ended;
- have been properly prepared in accordance with UK Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Based solely on the work required to be undertaken in the course of the audit of the financial statements and from reading the Directors' report:

- we have not identified material misstatements in those reports; and
- in our opinion, those reports have been prepared in accordance with the Companies Act 2006.

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF RENTSMART
LIMITED (continued)**

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Jessica S.S. Katsouris

Jessica Katsouris (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor

*Chartered Accountants
St Peter's Square
Manchester
M2 3AE*

Date *16/12/2016*

RENTSMART LIMITED
YEAR ENDED 30 JUNE 2016

PROFIT AND LOSS ACCOUNT

	Note	30 June 2016	30 June 2015
		£	£
Turnover	2	11,042,592	11,745,749
Cost of sales		(4,141,342)	(5,385,330)
Gross profit		6,901,250	6,360,419
Administrative expenses	3	(5,560,516)	(4,988,482)
Other operating income	2.1	462,642	389,048
Operating profit		1,803,376	1,760,985
Interest payable and similar charges	6	-	(88,335)
Profit on ordinary activities before taxation		1,803,376	1,672,650
Tax on profit on ordinary activities	7	(370,957)	(363,299)
Profit for the financial year		1,432,419	1,309,351
Other comprehensive income net of income tax		-	-
Total comprehensive income for the financial year		1,432,419	1,309,351

The profit for the financial period is derived from continuing operations.

The notes on pages 9 to 20 form an integral part of these financial statements.

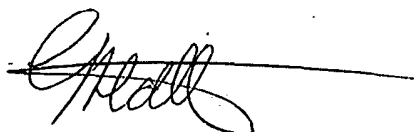
RENTSMART LIMITED
YEAR ENDED 30 JUNE 2016

BALANCE SHEET

	Note	30 June 2016 £	30 June 2015 £
Fixed assets			
Intangible assets	8	7,143,995	6,106,060
Tangible assets	9	<u>246,310</u>	<u>210,230</u>
		7,390,305	6,316,290
Current assets			
Stock		497,584	765,689
Debtors	10	4,539,895	4,525,079
Cash and cash equivalents		<u>2,445,749</u>	<u>5,252,864</u>
		7,483,228	10,543,632
Creditors: amounts falling due within one year	11	(2,168,803)	(2,989,098)
Net current assets		<u>5,314,425</u>	<u>7,554,534</u>
Total assets less current liabilities		<u>12,704,730</u>	<u>13,870,824</u>
Creditors: amounts falling due after more than one year	12	(8,353,748)	(8,772,544)
Provisions for liabilities			
Deferred tax liability	7	(18,830)	(4,933)
Other provisions	13	<u>(41,306)</u>	<u>(45,815)</u>
Net assets		<u>4,290,846</u>	<u>5,047,532</u>
Capital and reserves			
Called up share capital	16	2,750,000	2,750,000
Profit and loss account		<u>1,540,846</u>	<u>2,297,532</u>
Equity shareholders' surplus		<u>4,290,846</u>	<u>5,047,532</u>

The notes on pages 9 to 20 form an integral part of these financial statements.

These financial statements were approved by the board of directors on 16/12/2016 and were signed on its behalf by:



Gary Halton (Director)
Company registered number: 03689086

RENTSMART LIMITED
YEAR ENDED 30 JUNE 2016

STATEMENT OF CHANGES IN EQUITY

	Fully paid ordinary shares	Accumulated profit	Equity
	£	£	£
Balance at 1 July 2014	100,000	975,058	1,075,058
Profit for the financial year	-	1,309,351	1,309,351
Other comprehensive income net of income tax	-	-	-
Total comprehensive income for the financial year	-	1,309,351	1,309,351
New share issue	2,650,000	-	2,650,000
Recognition of share-based payments	-	13,123	13,123
Balance at 30 June 2015	2,750,000	2,297,532	5,047,532
Balance at 1 July 2015	2,750,000	2,297,532	5,047,532
Profit for the financial year	-	1,432,419	1,432,419
Other comprehensive income net of income tax	-	-	-
Total comprehensive income for the financial year	-	1,432,419	1,432,419
Recognition of share-based payments	-	10,895	10,895
Dividends paid	-	(2,200,000)	(2,200,000)
Balance at 30 June 2016	2,750,000	1,540,846	4,290,846

The notes on pages 9 to 20 form an integral part of these financial statements.

RENTSMART LIMITED

YEAR ENDED 30 JUNE 2016

NOTES TO THE FINANCIAL STATEMENTS

1. Accounting Policies

RentSmart Limited (the "Company") is a company incorporated and domiciled in the UK.

The Company is exempt by virtue of s401 of the Companies Act 2006 from the requirement to prepare group financial statements. These financial statements present information about the Company as an individual undertaking and not about its group.

These financial statements were prepared in accordance with Financial Reporting Standard 101 *Reduced Disclosure Framework* ("FRS 101"). The amendments to FRS 101 (2014/15 Cycle) issued in July 2015 and effective immediately have been applied.

In preparing these financial statements, the Company applies the recognition, measurement and disclosure requirements of International Financial Reporting Standards as adopted by the EU ("Adopted IFRSs"), but makes amendments where necessary in order to comply with Companies Act 2006 and has set out below where advantage of the FRS 101 disclosure exemptions has been taken.

In the transition to FRS 101, the Company has applied IFRS 1 whilst ensuring that its assets and liabilities are measured in compliance with FRS 101. The transition to FRS 101 has not affected the reported financial position, financial performance and cash flows of the Company.

The Company's ultimate parent undertaking, ThinkSmart Ltd incorporated in Australia includes the Company in its consolidated financial statements. The consolidated financial statements of ThinkSmart Ltd are prepared in accordance with Australian Accounting Standards and are available to the public and may be obtained from Suite 5, 531 Hay Street, SUBIACO, WA 6008, Australia.

In these financial statements, the Company has applied the exemptions available under FRS 101 in respect of the following disclosures:

- a Cash Flow Statement and related notes;
- Disclosures in respect of transactions with wholly owned subsidiaries;
- Disclosures in respect of capital management;
- The effects of new but not yet effective IFRSs;
- An additional balance sheet for the beginning of the earliest comparative period following the retrospective change in accounting policy, the correction of error, or the reclassification of items in the financial statements;
- Disclosures in respect of the compensation of Key Management Personnel; and
- Disclosures of transactions with a management entity that provides key management personnel services to the Company.

As the consolidated financial statements of ThinkSmart Ltd include the equivalent disclosures, the Company has also taken the exemptions under FRS 101 available in respect of the following disclosures:

- Certain disclosures required by IFRS 13 *Fair Value Measurement* and the disclosures required by IFRS 7 *Financial Instrument Disclosures*; and
- IFRS 2 *Share Based Payments* in respect of group settled share based payments.

The Company proposes to continue to adopt the reduced disclosure framework of FRS 101 in its next financial statements.

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements.

RENTSMART LIMITED
YEAR ENDED 30 JUNE 2016

NOTES TO THE FINANCIAL STATEMENTS (continued)

1.1 Change in accounting policy

Other than the move to FRS101 there have been no changes in accounting policies compared to the year ending 30 June 2015.

1.2 Measurement convention

The financial statements are prepared on the historical cost basis. Non-current assets and disposal groups held for sale are stated at the lower of previous carrying amount and fair value less costs to sell.

1.3 Share Based Payment

The grant date fair value of share-based payment awards granted to employees is recognised as an employee expense, with a corresponding increase in equity, over the period that the employees unconditionally become entitled to the awards.

The amount recognised as an expense is adjusted to reflect the number of awards for which the related service and non-market vesting conditions are expected to be met, such that the amount ultimately recognised as an expense is based on the number of awards that do not meet the related service and non-market performance conditions at the vesting date. For share-based payment awards with non-vesting conditions, the grant date fair value of the share-based payment is measured to reflect such conditions and there is no true-up for differences between expected and actual outcomes.

1.4 Stock

Stock originates from the inertia contracts for which the accounting policy is disclosed in note 1.5.

1.5 Intangible assets

Licences and Agreements

The contractual rights obtained by RentSmart Limited under financing agreements entered into with its funding partners and operating agreements with its retail partners constitute intangible assets with finite useful lives. These contract rights are recognised at cost and amortised on a straight line basis over their expected useful lives to a maximum of 3 years. At each reporting date a review for indicators of impairment is conducted.

Inertia contracts

RentSmart recognises an intangible asset arising if it has the unconditional contractual right to receive income from equipment and rights to the hiring agreement at the end of the minimum term. The hire agreements are for either 24, 36 or 48 months with the average term useful life being 30 months. This inertia asset is measured at fair value at the inception of the hiring agreement, and is based on discounted cash flows expected to be derived from the sale or hire of the asset at the end of the term. Subsequent to initial recognition the intangible asset is measured at cost. All impairment losses are recognised in the profit and loss when an asset is either non recoverable or has suffered arrears of at least 91 days. At the end of the hiring minimum term the intangible asset is derecognised and the Group recognises the equipment as inventory at the corresponding value.

RENTSMART LIMITED

YEAR ENDED 30 JUNE 2016

NOTES TO THE FINANCIAL STATEMENTS (continued)

1.6 Tangible fixed assets

Fixed assets are stated at cost less depreciation. Depreciation is calculated so as to write down tangible fixed assets over the expected useful economic lives of the assets concerned. The principal annual rates used for this purpose are:

Computers and office equipment – 3 years on a straight line basis

Fixtures and fittings – 5 years on a straight line basis

1.7 Taxation

The taxation workings along with the deferred taxation workings are shown in note 7. The charge for taxation is based on the profit for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes. It is calculated using tax rates and tax laws that have been enacted or substantively enacted by reporting date. Deferred tax is accounted for using the balance sheet method in respect of temporary differences arising from differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax base of those items.

1.8 Pension costs

The Company operates a group personal pension scheme. Contributions payable to this defined contribution scheme are charged to the profit and loss account as they fall due.

1.9 Leasing and hire purchase commitments

Assets held under hire purchase commitments are capitalised in the balance sheet and depreciated over their useful lives. The capital elements of future obligations under leases and hire purchase contracts are included as liabilities in the balance sheet. The interest element of the rental obligations are charged to the profit and loss over the periods of the leases and hire purchase contracts and represent a constant proportion of the balance of capital repayments outstanding.

1.10 Foreign currencies

Transactions in foreign currencies are recorded using the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated using the contracted rate or the rate of exchange ruling at the balance sheet date and the gains or losses on translation are included in the profit and loss account.

RENTSMART LIMITED
YEAR ENDED 30 JUNE 2016

NOTES TO THE FINANCIAL STATEMENTS (continued)

2. Turnover

Turnover, all of which arose from activities within the United Kingdom, represents finance charges earned from the arrangement and subsequent management of rental agreements and income from associated services.

Commission income

An upfront brokerage fee receivable from the funder in exchange for arranging the contract.

Deferred service income

As part of the agreement with funders the Company obtain the right to receive income arising from equipment and rights to the hiring agreement at the end of the minimum term, which is recognised upfront as an Inertia Contract Intangible Asset (see note 1.5). An amount equal to this asset is then recognised as deferred service income over the life of the contract.

Extended rental income

Once the contract between the funder and the customer expires the asset becomes the property of the Company and any extended rental income is payable to the Company, being recognised when receivable.

Income earned from sale of inertia assets

At the end of the extended rental period any proceeds on disposal of the asset are recognised at the point of disposal.

	30 June 2016	30 June 2015
	£	£
Commission income	4,414,294	3,070,377
Intercompany income	413,436	81,530
Extended rental income	3,086,941	4,030,433
Income earned from sale of inertia assets	1,158,717	2,255,909
Deferred service income	1,969,204	2,307,500
	<u>11,042,592</u>	<u>11,745,749</u>

2.1 Other operating income

	30 June 2016	30 June 2015
	£	£
Services income	137,333	10,259
Fee revenue – customers	135,061	196,127
Interest revenue – related entities	57,576	35,074
Interest revenue – other entities	129,699	134,779
Other income	2,973	12,809
	<u>462,642</u>	<u>389,048</u>

RENTSMART LIMITED

YEAR ENDED 30 JUNE 2016

NOTES TO THE FINANCIAL STATEMENTS (continued)

3. Staff numbers and costs

The average number of persons employed by the Company (including directors) during the year, analysed by category was as follows:

	30 June 2016	30 June 2015
Management	13	11
Sales and operations	40	46
Administration	21	15
	<u>74</u>	<u>72</u>

The aggregate payroll costs including Directors' remuneration of these persons were as follows:

	30 June 2016	30 June 2015
	£	£
Payments to employees	2,281,731	2,108,032
Social security costs	245,825	215,726
Employee pension contributions	243,049	202,204
Share-based payment expenses	10,895	13,124
	<u>2,781,500</u>	<u>2,539,086</u>

4. Remuneration of directors

	30 June 2016	30 June 2015
	£	£
Directors' remuneration	382,669	215,625
Company contributions to money purchase pension schemes	14,093	9,438
	<u>396,762</u>	<u>225,063</u>

Highest paid director	175,200	132,500
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Retirement benefits are accruing to the following number of directors

Money purchase schemes	3	2
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5. Auditors' remuneration

	30 June 2016	30 June 2015
	£	£
Audit of these financial statements	96,000	77,500

Amounts receivable by the Company's auditor and its associates in respect of:

Taxation compliance services	5,690	5,150
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6. Interest payable and similar charges

	30 June 2016	30 June 2015
	£	£
Non-equity dividends on preference shares payable	-	88,335

RENTSMART LIMITED
YEAR ENDED 30 JUNE 2016

NOTES TO THE FINANCIAL STATEMENTS (continued)

7. Tax on profit on ordinary activities

Recognised in the profit and loss account

	30 June 2016 £	30 June 2015 £
<i>UK corporation tax</i>		
Current tax on income for the period	376,116	361,681
Adjustments in respect for prior period	(19,056)	(36,968)
Total current tax	<u>357,060</u>	<u>324,713</u>
<i>Deferred tax</i>		
Origination and reversal of temporary differences	13,897	38,586
Total deferred tax	<u>13,897</u>	<u>38,586</u>
Total tax on profit on ordinary activities	<u>370,957</u>	<u>363,299</u>
Reconciliation of effective tax rate		
Accounting profit before tax	<u>1,803,376</u>	<u>1,672,650</u>
Tax using the UK corporation rate of 20% (2015: 20.8%)	359,753	347,086
Non-equity preference dividends not deductible	-	18,330
Non-deductible expenses	30,260	35,035
Excess of capital allowances over depreciation	(13,897)	(38,770)
Adjustments in respect for prior period	(19,056)	(36,968)
Total income tax expense	<u>357,060</u>	<u>324,713</u>

The Budget on 8 July 2015 announced changes in the main UK corporation tax rate. The rate (currently 20%) will reduce to 19% from 1 April 2017 and to 18% from 1 April 2020.

8. Intangible assets

Cost	IT Development £	Licences and agreements £	Inertia Contracts £	Total £
At 1 July 2015	727,593	971,176	5,207,593	6,906,362
Additions	1,950,807	178,932	1,690,922	3,820,661
Transfers to inventory	-	-	(1,837,617)	(1,837,617)
Impairment Loss (i)	-	-	(390,293)	(390,293)
Balance at 30 June 2016	<u>2,678,400</u>	<u>1,150,108</u>	<u>4,670,605</u>	<u>8,499,113</u>
Accumulated amortisation				
At 1 July 2015	79,084	721,218	-	800,302
Charge for the period	364,686	190,130	-	554,816
At 30 June 2015	<u>443,770</u>	<u>911,348</u>	<u>-</u>	<u>1,355,118</u>
Net Book Value				
At 30 June 2016	<u>2,234,630</u>	<u>238,760</u>	<u>4,670,605</u>	<u>7,143,995</u>
At 30 June 2015	648,509	249,958	5,207,593	6,106,060

RENTSMART LIMITED

YEAR ENDED 30 JUNE 2016

NOTES TO THE FINANCIAL STATEMENTS (continued)

8. Intangible assets (continued)

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

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

Valuation technique	Significant unobservable inputs	Inter-relationship between key unobservable inputs and fair value measurement
<p>The Company recognises an intangible asset arising if it has the unconditional contractual right to receive income arising from equipment and rights to the hiring agreement (customer hire agreement for goods) at the end of term. This inertia asset is measured at fair value at the inception of the hiring agreement, and is based on discounted cash flows expected to be derived from the sale or hire of the asset at the end of the minimum term. Subsequent to initial recognition the intangible asset is measured at cost.</p> <p>During the hiring term the valuation is impaired for any assets that have been written off.</p> <p>At the end of the hiring term the intangible asset is derecognised and the group recognises the equipment as inventory at the corresponding value.</p>	<p>The fair value is based on current levels of return (25%-30%) less an allowance for cancellations (10%-30%) and expected costs (5%-10%) of realisation.</p> <p>The pre-tax discount rate applied to the fair value is 13.21%.</p>	<p>In order of financial impact the estimated fair value would increase (decrease) if:</p> <ul style="list-style-type: none"> Expected sale value was higher (lower). A 1% reduction in the sale value would create a 1% deduction in the overall value of the asset. Expected secondary hire term was longer (shorter). Expected cancellations/bad debts were lower (higher). Expected realisation costs were lower (higher). Discount rate derived from group cost of capital was lower (higher).

RENTSMART LIMITED
YEAR ENDED 30 JUNE 2016

NOTES TO THE FINANCIAL STATEMENTS (continued)

9. Tangible assets

	Plant and Machinery £	Fixtures and Fittings £	Total £
Cost			
At 1 July 2015	1,932,302	308,268	2,240,570
Additions	131,580	15,390	146,970
At 30 June 2016	2,063,882	323,658	2,387,540
Accumulated depreciation			
At 1 July 2015	1,756,673	273,667	2,030,340
Charge for the period	102,442	8,448	110,890
At 30 June 2016	1,859,115	282,115	2,141,230
Net Book Value			
At 30 June 2016	204,767	41,543	246,310
At 30 June 2015	175,629	34,601	210,230

10. Debtors

	30 June 2016 £	30 June 2015 £
Trade debtors	275,182	617,472
Deposits held by funders*	2,157,934	1,614,809
Intercompany loans	1,047,533	1,500,000
VAT receivable	61,988	-
Prepayments and accrued income	747,029	500,523
Deferred costs	250,229	292,275
	4,539,895	4,525,079

*Deposits held by funders for the servicing and management of their portfolios in the event of default are shown net of any expected future losses. The deposits earn interest at market rates of return for similar instruments

11. Creditors: amounts falling due within one year

	30 June 2016 £	30 June 2015 £
Trade creditors	538,119	549,300
VAT and other taxes payable	19,011	96,036
Other creditors	23,873	39,906
Accruals and deferred income	288,052	389,141
Corporation tax payable	2,477	269,130
Deferred service income	1,297,271	1,645,585
	2,168,803	2,989,098

RENTSMART LIMITED
YEAR ENDED 30 JUNE 2016

NOTES TO THE FINANCIAL STATEMENTS (continued)

12. Creditors: amounts falling due after more than one year

	30 June 2016	30 June 2015
	£	£
Deferred service income (see note 1.5)	818,107	895,249
Intercompany loans	<u>7,535,641</u>	<u>7,877,295</u>
	<u>8,353,748</u>	<u>8,772,544</u>

13. Other provisions

	30 June 2016	30 June 2015
	£	£
Balance at 1 July 2015	45,815	30,704
Provisions made during the year	51,250	87,822
Provisions used during the year	<u>(55,759)</u>	<u>(72,711)</u>
Balance at 30 June 2016	<u>41,306</u>	<u>45,815</u>

Allowances for doubtful debts relates to sale income (see note 2) and these are reviewed and considered for impairment on a periodic basis, based on the number of days outstanding and number of payments in arrears.

14. Financial instruments

Credit Risk

RentSmart Limited takes on the credit risk on all contracts funded by Secure Trust Bank ('STB') by way of a financial guarantee contract. To allow for this RentSmart sets aside a provision on every contract to provide for the contracts that default. RentSmart regularly reviews the performance of funder portfolios to ascertain the provision is adequate. In addition RentSmart has deposited cash with Secure Trust Bank ('STB') as collateral to support its obligation under the financial guarantee contract.

RentSmart Limited's credit risk exposure to funder deposits is through regulated banking institutions and the credit risk exposure is assessed as low.

Currency Risk

RentSmart Limited is not exposed to any currency risk.

Liquidity Risk

RentSmart Limited's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities including interest payable when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to RentSmart's reputation. Payment terms on intercompany loans can be amended to reduce any liquidity risks.

RENTSMART LIMITED

YEAR ENDED 30 JUNE 2016

NOTES TO THE FINANCIAL STATEMENTS (continued)

14. Financial instruments (continued)

Concentration Risk

RentSmart Limited's main retail distribution partner in the UK is Dixons Carphone PLC and an exclusive contract for both business and consumer sales is in place until 2019. Should Dixons cease trading or terminate the exclusive contract with RentSmart, turnover would be reduced until alternative distribution partners were found. The relationship with Dixons is deemed to be strategically strong and the risk of it being dissolved is small. RentSmart's main funder in the UK is STB, with £60 million facility and a contract until July 2018. Should STB not extend the funding contract or facility limit reached RentSmart would have to find a new funder in order to continue conducting new business. The relationship with STB is deemed to be strategically strong and the risk of it being dissolved is considered small.

15. Obligations under leases and hire purchase contracts

Operating leases relate to office facilities with lease terms of up to 6 years. All operating lease contracts contain market review clauses in the event that the consolidated entity exercises its option to renew. The consolidated entity does not have an option to purchase the leased asset at the expiry of the lease period. No provisions have been recognised in respect of non-cancellable operating leases.

	30 June 2016 £	30 June 2015 £
Land and buildings:		
No later than 1 year	95,795	95,795
Later than 1 year and not later than 5 years	383,180	383,180
More than 5 years	111,761	207,556
	<u>590,736</u>	<u>686,531</u>

The Company leases its premises under a ten year operating lease.

During the year £95,795 was recognised as an expense in the profit and loss account in respect of operating leases (2015: £95,795).

16. Called up share capital

	30 June 2016 £	30 June 2015 £
<i>Allotted, called up and fully paid</i>		
2,750,000 (2015: 2,750,000) ordinary authorised shares of £1 each (2015: £1 each)	2,750,000	2,750,000
Shares classified in shareholders' funds	2,750,000	2,750,000

RENTSMART LIMITED

YEAR ENDED 30 JUNE 2016

NOTES TO THE FINANCIAL STATEMENTS (continued)

17. Employee Share Options

The Company has an ownership-based compensation scheme for certain executives. Each employee share option converts to one ordinary share of ThinkSmart Limited (ultimate parent Company) on exercise and payment of the exercise price. The options carry neither rights or dividends nor voting rights. Options may be exercised at any time within the specified exercise period to the date of their expiry. Options are priced using a monte-carlo pricing model. Expected volatility is based on the historic volatility of the market price of the Company's share and the mean reversion tendency of volatilities. No options were exercised during the year (2015: nil). The terms and conditions of the options are as follows:

Grant Date	Method of settlement	Number of options	Vesting conditions	Contractual life of options
04/07/13	Equity	500,000	25% - share price hurdle of \$0.3802 25% - share price hurdle of \$0.4889 25% - share price hurdle of \$0.5975	4 years
12/12/14	Equity	333,333	25% - share price hurdle of \$0.5527 25% - share price hurdle of \$0.7107 25% - share price hurdle of \$0.8686	4 years

The options outstanding as at 30 June 2016 have an exercise price in the range of \$0.2652 to \$0.3471 and a weighted average contractual life of 2 years and 7 months.

18. Commitments and contingent liabilities

	30 June 2016	30 June 2015
	£	£
Leases where Group acts as agent (off balance sheet)	20,898,760	25,490,907
Gross capital deposited with STB	3,426,049	4,188,972
Less provision for delinquent leases	(1,268,115)	(2,574,163)
Deposits held by funders	<u>2,157,934</u>	<u>1,614,809</u>

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 Company has entered into a financial guarantee contract with STB for which the Company has provided capital to support future delinquent leases and at the same time recognised a provision against this deposit being its estimate of the funded amount of these leases that are likely to become delinquent in the future and will therefore not be recoverable from STB. The Company estimates this amount based on historical loss experience for assets with similar characteristics. The net deposit held by funders is recognised as an asset on the balance sheet within other assets (see note 10).

19. Related parties

RentSmart does not hold any interests in any other subsidiaries, associates, joint ventures or other significant holdings.

20. Ultimate parent undertakings

100% of the share capital of RentSmart Limited is held by ThinkSmart Europe Limited, whose ultimate parent company is ThinkSmart Ltd. ThinkSmart Ltd is incorporated in Australia, and is the largest group in which the results of RentSmart Ltd are included. Copies of these group accounts are available from Suite 5, 531 Hay Street, SUBIACO, WA 6008, Australia.

RENTSMART LIMITED
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NOTES TO THE FINANCIAL STATEMENTS (continued)

21. Events occurring after balance sheet date

On 2 December 2016 the ultimate parent company 'ThinkSmart Ltd' admitted its entire issued ordinary share capital to trading on Alternative Investment Market ('AIM'), a market operated by London Stock Exchange plc. ThinkSmart Ltd is delisting from the Australian Stock Exchange ('ASX') and admitting to AIM in order to better align its listing with its place of business and the delisting from ASX was actioned on 6 December 2016.