

RentSmart Limited

Annual Report and Financial Statements

For the Year Ended 30 June 2015

Company Number: 03689086

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RENTSMART LIMITED
YEAR ENDED 30 JUNE 2015

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RENTSMART LIMITED
YEAR ENDED 30 JUNE 2015
STRATEGIC REPORT

Development and Performance

Business volumes to June 2015 were up on the same period last year by 33%. This is mainly a result of the growth in the consumer offering 'Upgrade Anytime' launched on 15 May 2014 which has revitalised the product whilst broadening the product range to now include televisions as well as computers and tablets. This combined with solid repeat business (in excess of 30%) is now producing a strong pattern of growth and customer retention.

Turnover to 30 June 2015 includes £2,389,012 (6 months ended 30 June 2014: £1,512,300) 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 intercompany fees of £836,583 were charged in the year to 30 June 2015 (6 months ended 30 June 2014 £1,126,989) to the parent as a result of a review in the Group Transfer Pricing Policy.

Period End Position

The company continues with its policy of expansion and this 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 2015 of £1,309,351 has been transferred to reserves (6 months ended 30 June 2014: £58,796).

There were no dividends proposed at the year ended 30 June 2015 (6 months ended 30 June 2014: £Nil).

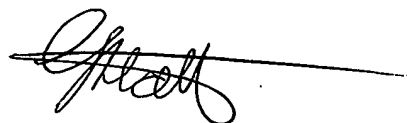
Principal Risks

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.

Change of Financial Year End

The Board of Directors of the ThinkSmart Group resolved to change the Group's financial year end from 31 December to 30 June commencing from 1 January 2014 for all companies controlled by the group. As a result of the year end change the comparative is for the 6 month financial period to 30 June 2014.

By order of the board on 18/12/2015



Gary Halton

Director

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

RENTSMART LIMITED
YEAR ENDED 30 JUNE 2015
REPORT OF THE DIRECTORS

The Directors hereby submit their Report and the accounts for the year ended 30 June 2015.

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.

Going concern

The net asset position is negatively impacted by £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

F. de Vicente (appointed 1/1/15)
D. Twigg (appointed 19/12/14)
K. Jones (resigned 19/12/14)
G. Halton

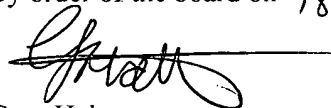
Political and charitable contributions

The company made no political or charitable donations during the year ended 30 June 2015 (2014: £nil).

Disclosure of information to auditor

The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the company's auditor is unaware; and each director has taken all the steps that he/ she ought to have taken as a director to make himself/ herself 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 18/12/2015



Gary Halton

Director

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

RENTSMART LIMITED

YEAR ENDED 30 JUNE 2015

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, 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).

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 judgments 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 2015 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).

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 2015 and of its profit for the period 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 Strategic Report and Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

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.

L. Pomeroy

**Lawrence Pomeroy (Senior Statutory Auditor)
for and on behalf of KPMG LLP , Statutory Auditor**

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

Date 18 December 2015

RENTSMART LIMITED
YEAR ENDED 30 JUNE 2015
PROFIT AND LOSS ACCOUNT

	Note	12 months to June 2015 £	6 months to June 2014 £
Turnover	3	11,745,749	5,162,280
Cost of sales		(5,385,330)	(2,394,536)
Gross profit		6,360,419	2,767,744
Administrative expenses	4	(4,988,482)	(2,764,448)
Other operating income		389,048	225,089
Operating profit		1,760,985	228,385
Interest payable and similar charges	6	(88,335)	(191,151)
Profit on ordinary activities before taxation		1,672,650	37,234
Taxation (charge)/credit	8	(363,299)	21,562
Profit for the financial period	16	<u>1,309,351</u>	<u>58,796</u>

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

The notes on pages 8 to 20 form an integral part of these financial statements.

There are no material differences between the profit on ordinary activities before taxation and the retained profit for the period stated above and their historical cost equivalents.

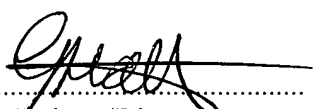
There are no other recognised gains or losses or movements in shareholders' funds for the current or preceding years other than as stated in the profit and loss account.

RENTSMART LIMITED
YEAR ENDED 30 JUNE 2015
BALANCE SHEET

	Note	30 June 2015 £	30 June 2014 £
Fixed assets			
Intangible assets	9	6,106,060	6,531,976
Tangible assets	10	<u>210,230</u>	<u>64,124</u>
		<u>6,316,290</u>	<u>6,596,100</u>
Current assets			
Stock		765,689	654,716
Debtors	11	4,474,331	3,741,317
Cash at bank & in hand		<u>5,252,864</u>	<u>3,672,177</u>
		<u>10,492,884</u>	<u>8,068,210</u>
Creditors: amounts falling due within one year	12	<u>(2,989,098)</u>	<u>(3,397,472)</u>
Net current assets		<u>7,503,786</u>	<u>4,670,738</u>
Total assets less current liabilities		<u>13,820,076</u>	<u>11,266,838</u>
Creditors: payable after one year	13	<u>(8,772,544)</u>	<u>(10,191,780)</u>
Net assets		<u>5,047,532</u>	<u>1,075,058</u>
Capital and reserves			
Called up share capital	17	2,750,000	100,000
Share based payment reserve	16	164,995	151,872
Profit and loss account	16	<u>2,132,537</u>	<u>823,186</u>
Equity shareholders' surplus		<u>5,047,532</u>	<u>1,075,058</u>

The notes on pages 8 to 20 form an integral part of these financial statements.

The financial statements on pages 6 to 20 were approved by the board of directors on 18/12/2015 and were signed on its behalf by:


 Gary Halton (Director)

Company Number 03689086

RENTSMART LIMITED

YEAR ENDED 30 JUNE 2015

NOTES TO THE FINANCIAL STATEMENTS

1. Accounting policies

Basis of preparation

The financial statements have been prepared under the historical cost convention and in accordance with Companies Act 2006 and applicable United Kingdom accounting standards. These financial statements have been prepared on a going concern basis.

Under Financial Reporting Standard No 1: Cash flow statements (revised 1996) (FRS 1), the company is exempt from the requirement to prepare a cash flow statement, on the grounds that it is a wholly owned subsidiary undertaking of ThinkSmart Europe Limited, whose ultimate parent company is ThinkSmart Limited, a company that prepares a consolidated cash flow statement for the ThinkSmart Group.

As the company is a wholly owned subsidiary of ThinkSmart Limited, the company has taken advantage of the exemption contained in FRS 8 and has therefore not disclosed transactions or balances with wholly owned subsidiaries which form part of the group.

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.

Stock

Stock originates from the inertia contracts for which the accounting policy is disclosed on page 9.

Intangible fixed 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.

RENTSMART LIMITED
YEAR ENDED 30 JUNE 2015

NOTES TO THE FINANCIAL STATEMENTS (continued)

1. Accounting policies (continued)

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 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 term. Subsequent to initial recognition the intangible asset is measured at cost. At the end of the hiring term the intangible asset is derecognised and the group recognises the equipment as stock at the corresponding value or, if lower, net realisable value.

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

Taxation

The taxation workings are shown in note 8 and the deferred taxation workings are shown in note 15. 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. Deferred tax is recognised, with discounting, in respect of all timing differences between the treatment of certain items for taxation and accounting purposes which have arisen but not reversed by the balance sheet date, except as otherwise required by FRS 19.

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.

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.

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 2015

NOTES TO THE FINANCIAL STATEMENTS (continued)

2. Financial Risk Management

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.

	30 June 2015 £,000	30 June 2014 £,000
Debt securities (note 19)	4,189	4,094
Cash at bank and in hand	5,253	3,672
Total assets bearing credit risk	<u>9,442</u>	<u>7,766</u>

Currency risk

RentSmart Limited is exposed to currency risk on intercompany loans from the parent ThinkSmart Ltd that are denominated in Australian dollar (AUD). The intercompany liability is translated using the rate of exchange ruling at the balance sheet date and the gains and losses on translation are included in the profit and loss account.

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.

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.

RENTSMART LIMITED

YEAR ENDED 30 JUNE 2015

NOTES TO THE FINANCIAL STATEMENTS (continued)

3. 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.

Funder income

Commissions receivable from funders are recognised at the time finance approval is given, adjusted for an allowance for leases not expected to proceed to contract.

Unguaranteed residual interest in equipment

At the conclusion of the initial rental period the company is entitled to acquire the equipment from the funders at a nominal value. This transaction allows title of the rental goods to pass from the funders to the company. The company can then immediately dispose of the equipment or continue to rent the asset to third parties.

- Ongoing rental income
Where the asset acquired from the funder is rented to third parties the income from that rental is brought to account when the control of the right to receive this income is attained and can be reliably measured, usually on a monthly basis.
- Sale income
Where the asset is sold the sale proceeds are brought to account at the time of the sale.

Deferred Service income

Income arising on recognition of any intangible inertia asset at the commencement of the lease is deferred and recognised over the lease term on a straight line basis as the services are rendered. For 12 months to 30 June 2015 this income has been recognised at £2,389,012 (6 months ended 30 June 2014: £1,512,300) representing 2, 3 and 4 year contracts facilitated under the STB funding agreement commencing from March 2010.

4. Staff costs

Direct expenses and administrative expenses include the following:

	12 months to June 2015 £	6 months to June 2014 £
Staff costs		
Wages & salaries	2,108,032	976,877
Social security costs	215,726	93,287
Other pension costs	202,204	68,222
	<hr/>	<hr/>
	2,525,962	1,138,386

RENTSMART LIMITED
YEAR ENDED 30 JUNE 2015

NOTES TO THE FINANCIAL STATEMENTS (continued)

4. Staff costs (continued)

The average monthly number of persons (including directors) employed during the financial year to 30 June 2015 was:

	12 months to June 2015	6 months to June 2014
	Number	Number
By activity		
Management	11	10
Sales and operations	46	44
Administration	15	13
	<u>72</u>	<u>67</u>

5. Remuneration of directors

	12 months to June 2015	6 months to June 2014
	£	£
Directors' emoluments	215,625	65,550
Company contributions to money purchase pension schemes	9,438	3,090
Highest paid Director	132,500	65,550

	12 months to June 2015	6 months to June 2014
	Number	Number
Retirement benefits are accruing to the following number of directors		
Money purchase schemes	2	1

RENTSMART LIMITED
YEAR ENDED 30 JUNE 2015

NOTES TO THE FINANCIAL STATEMENTS (continued)

6. Interest payable and similar charges

	12 months to June 2015 £	6 months to June 2014 £
Non-equity dividends on preference shares payable	88,335	106,002
Interest payable on unpaid preference dividends	-	85,149
Interest payable on bank overdraft	-	-
	<u>88,335</u>	<u>191,151</u>

7. Profit on ordinary activities before taxation is stated after charging:

	12 months to June 2015 £	6 months to June 2014 £
(a) Profit on ordinary activities before taxation is stated after charging:		
Depreciation charge for the period:		
Tangible fixed assets - owned assets	64,517	40,885
Intangible assets	238,331	91,057
Operating lease rentals - land and buildings	127,814	50,207
Unrealised exchange (gain)/loss	-	1,096
Intercompany loan write off	15,770	-

(b) Auditor's remuneration

Fees payable to the company's auditor for the audit of the company's accounts	77,500	54,000
Fees payable to the company's auditor and its associates for other services:		
Tax compliance services	5,150	5,000
Other assurance services	-	700
	<u>5,150</u>	<u>5,700</u>

RENTSMART LIMITED

YEAR ENDED 30 JUNE 2015

NOTES TO THE FINANCIAL STATEMENTS (continued)

8. Tax on profit on ordinary activities

(a) Analysis of tax charge in the period

	12 months to June 2015 £	6 months to June 2014 £
Deferred taxation (note 15)	38,586	883
Corporation tax charge/(credit)	361,681	(22,445)
Prior year adjustment	(36,968)	-
	<hr/>	<hr/>
Total tax charge/(credit)	<u>363,299</u>	<u>(21,562)</u>

The 2014 Budget on 21 March 2014 announced that the UK corporation tax rate will reduce to 20% with effect from 1 April 2015. Reductions in the rate from 23% (effective from 1 April 2013), and to 21% (effective from 1 April 2014) were substantively enacted on 3 July 2012 and 17 July 2013 respectively. This will reduce the company's future current tax charge accordingly. The deferred tax asset at 30 June 2015 has been calculated based on the rate of 20% substantively enacted at the balance sheet date.

(b) Factors affecting tax charge for the period

The current tax charge for the year is lower than the standard rate of corporation tax in the UK of 20.8% (2014: 22%). The differences are explained below.

	12 months to June 2015 £	6 months to June 2014 £
Profit on ordinary activities before tax	<u>1,672,650</u>	<u>37,234</u>
Profit on ordinary activities multiplied by standard rate of Corporation tax in the UK of 20.8% (2014: 22%)	347,086	8,192
<i>Effects of:</i>		
Non equity preference dividends not deductible	18,330	23,320
Other expenses not deductible for tax purposes	35,035	32,117
Group relief at reduced rate	-	(85,149)
Excess of capital allowances over depreciation	(38,770)	(925)
	<hr/>	<hr/>
Total corporation tax charge/(credit)	<u>361,681</u>	<u>(22,445)</u>

RENTSMART LIMITED
YEAR ENDED 30 JUNE 2015

NOTES TO THE FINANCIAL STATEMENTS (continued)

9. Intangible assets

Cost	IT Development £	Licences and agreements £	Inertia Contracts £	Total £
At 1 July 2014	76,207	875,408	6,142,332	7,093,947
Additions	651,386	95,768	2,277,653	3,024,807
Transfers to inventory	-	-	(2,995,632)	(2,995,632)
Impairment Loss	-	-	(216,760)	(216,760)
Balance at 30 June 2015	727,593	971,176	5,207,593	6,906,362
Amortisation				
At 1 July 2014	4,056	557,915	-	561,971
Charge for the period	75,028	163,303	-	238,331
At 30 June 2015	79,084	721,218	-	800,302
Net Book Value				
At 30 June 2015	648,509	249,958	5,207,593	6,106,060
At 30 June 2014	72,151	317,493	6,142,332	6,531,976

10. Tangible assets

	Plant and Machinery £	Fixtures and Fittings £	Total £
Cost			
At 1 July 2014	1,754,615	275,332	2,029,947
Additions	177,687	32,936	210,623
At 30 June 2015	1,932,302	308,268	2,240,570
Depreciation			
At 1 July 2014	1,696,096	269,727	1,965,823
Charge for the period	60,577	3,940	64,517
At 30 June 2015	1,756,673	273,667	2,030,340
Net Book Value			
At 30 June 2015	175,629	34,601	210,230
At 30 June 2014	58,519	5,605	64,124

RENTSMART LIMITED

YEAR ENDED 30 JUNE 2015

NOTES TO THE FINANCIAL STATEMENTS (continued)

11. Debtors

	30 June 2015 £	30 June 2014 £
Trade debtors	2,186,466	2,801,741
Intercompany debtors	1,500,000	338,748
Prepayments and other debtors	500,523	567,175
Deferred costs	292,275	-
Deferred taxation (note 15)	(4,933)	33,653
	<u>4,474,331</u>	<u>3,741,317</u>

12. Creditors: amounts falling due within one year

	30 June 2015 £	30 June 2014 £
Trade creditors	549,300	603,000
VAT	8,677	320,501
Other creditors	39,906	56,519
Accruals and deferred income	389,141	541,951
Corporation tax payable	356,489	20,632
Deferred service income	1,645,585	1,854,869
	<u>2,989,098</u>	<u>3,397,472</u>

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

	30 June 2015 £	30 June 2014 £
Preference shares	-	2,650,000
Accrued non-equity dividends	-	2,252,367
Intercompany creditors	7,877,295	4,392,664
Deferred service income	895,249	896,749
	<u>8,772,544</u>	<u>10,191,780</u>

RENTSMART LIMITED

YEAR ENDED 30 JUNE 2015

NOTES TO THE FINANCIAL STATEMENTS (continued)

14. Obligations under leases and hire purchase contracts

At 30 June 2015 the company had annual commitments under non-cancellable operating leases as follows:

	30 June 2015 £	30 June 2014 £
Land and buildings: Expiring within five years	478,975	478,975

15. Deferred taxation

The full potential asset for deferred taxation, which is provided in full in the financial statements, is as below:

	30 June 2015 £	30 June 2014 £
Deferred tax asset at the beginning of the period	33,653	34,536
Deferred taxation charge for the period	<u>(38,586)</u>	<u>(883)</u>
Deferred tax (liability)/asset at the end of the period	<u>(4,933)</u>	<u>33,653</u>
Excess of capital allowances over depreciation	<u>(4,933)</u>	<u>33,653</u>
Deferred tax (liability)/asset	<u>(4,933)</u>	<u>33,653</u>

RENTSMART LIMITED
YEAR ENDED 30 JUNE 2015

NOTES TO THE FINANCIAL STATEMENTS (continued)

16. Reconciliation of movements in shareholders' funds

	Share capital	Profit and loss account	Share based payment reserve*	Share capital and reserves
	£	£		£
At 1 January 2013	100,000	764,390	143,593	1,007,983
Profit for prior financial period	-	58,796	-	58,796
Charge in relation to share based payment	-	-	8,279	8,279
At 30 June 2014	100,000	823,186	151,872	1,075,058
New share Issue	2,650,000	-	-	2,650,000
Profit for the financial period	-	1,309,351	-	1,309,351
Charge in relation to share based payment	-	-	13,123	13,123
At 30 June 2015	<u>2,750,000</u>	<u>2,132,537</u>	<u>164,995</u>	<u>5,047,532</u>

*Employee share options are expensed in the profit and loss account with an equal adjustment made to the reserves as the share options are granted by the ultimate parent company, ThinkSmart Limited, which is listed in Australia (See note 18).

17. Called up share capital

	30 June 2015 £	30 June 2014 £
<i>Allotted, called up and fully paid</i>		
2,750,000 (2014: 100,000) ordinary shares of £1 each (2014: £1 each)	2,750,000	100,000
Shares classified in shareholders' funds	<u>2,750,000</u>	<u>100,000</u>

During the period 2,650,000 preference shares were cancelled and reclassified as ordinary shares.

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NOTES TO THE FINANCIAL STATEMENTS (continued)

18. 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.

There were 333,333 share options granted in the period to RentSmart Ltd employees. 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.

Below are the inputs used to measure the fair value of the options:

	Issued in 12 months to June 2015	Issued in 6 months to June 2014
Grant date	12/12/2014	-
Fair value at grant date	Determined in a range of AU\$0.053 to AU\$0.08 per share	-
Grant date share price	AU\$0.315	-
Exercise price	AU\$0.3471	-
Expected volatility	50%	-
Option life	4 years	-
Dividend yield	4.7%	-
Risk-free interest rate	2.35%	-

The following reconciles the outstanding share options granted under the employee share option plan to employees of RentSmart Limited at the beginning and end of the financial year:

	12 months to June 2015		6 months to June 2014	
	Number of options	Weighted average exercise price AUS	Number of Options	Weighted average exercise price AUS
Balance at beginning of the period	1,050,000	0.24	1,050,000	0.24
Granted during the period	333,333	0.3471	-	-
Forfeited during the period	(350,000)	0.24	-	-
Balance at end of the period	1,033,333	0.2775	1,050,000	0.24
Exercisable at end of the period	-	-	-	-

RENTSMART LIMITED

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NOTES TO THE FINANCIAL STATEMENTS (continued)

19. Commitments and contingent liabilities

Under the terms of its current UK funding agreement, the Group is obliged to purchase delinquent leases from the funder at the funded amount plus any commission previously received. At 30 June 2015, the total funded amount of all leases funded by the funder is £24,218,636 (30 June 2014: £23,948,298). The Group has entered into a financial guarantee contract with STB for which it has provided a deposit of £4,188,972 (30 June 2014: £4,093,686) as collateral for the obligation under the funding agreement and financial guarantee contract. The Group has provided £2,574,163 (30 June 2014: £2,000,312) which includes some estimation uncertainty as it requires an estimate of the future amount potentially payable for those leases that are likely to become delinquent in the future. The Group estimates this amount based on historical loss experience for assets with similar characteristics.

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.

21. Events occurring after balance sheet date

On 25 August 2015 a dividend of £450,000 was declared and paid to ThinkSmart Europe Limited. In addition, on 5 November 2015 RentSmart Ltd extended its £60m funding agreement with STB Leasing Ltd, a wholly owned subsidiary of Secure Trust Bank Plc, to 1 July 2018.