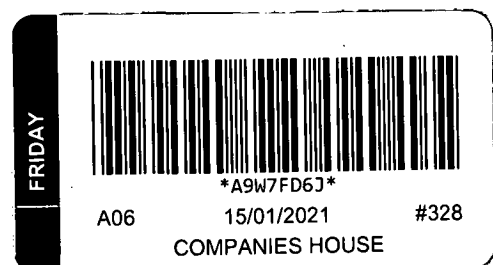


RentSmart Limited

Annual Report and Financial Statements

For the Year Ended 30 June 2020

Company Number: 03689086



RENTSMART LIMITED
YEAR ENDED 30 JUNE 2020

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RENTSMART LIMITED

YEAR ENDED 30 JUNE 2020

REPORT OF THE DIRECTORS

The Directors hereby submit their Report and the accounts for the year ended 30 June 2020.

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 financial statements have been prepared on a going concern basis which the directors consider to be appropriate for the following reasons:

For the year ended 30 June 2020 the Company made a loss after tax of £1,315,277 and held net assets at 30 June 2020 of £3,420,063 including cash and cash equivalents of £507,045.

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. The directors have prepared cash flow forecasts for a period of three years from the date of these financial statements which indicate that the company will have sufficient funds, through its continuing operations to meet its liabilities as they fall due for that period, provided that the existing level of group support, in the form of intragroup loans supported by ultimate parent company (see note 14) are not recalled by the intragroup lender.

ThinkSmart Limited has indicated its intention to continue to make available such funds as are needed by the Company. As with any company placing reliance on other group entities for financial support, the directors acknowledge that there can be no certainty that this support will continue although, at the date of approval of these financial statements, they have no reason to believe that it will not do so.

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.

Directors

The directors who held office during the year and up to the date of this report, were as follows:

G Halton
N Montarello

Political and charitable contributions

The Company made no political or charitable donations during the year ended 30 June 2020 (2019: £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.

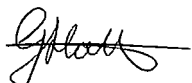
The Directors have also taken advantage of the small companies' exemption from the requirement to prepare a strategic report.

RENTSMART LIMITED
YEAR ENDED 30 JUNE 2020

Auditor

The auditor, BDO LLP, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

By order of the board on



Gary Halton

Director

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

Date: 11 December 2020

RENTSMART LIMITED
YEAR ENDED 30 JUNE 2020

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

The directors are responsible for preparing the 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
- assess the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

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 are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and 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.

RENTSMART LIMITED

YEAR ENDED 30 JUNE 2020

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF RENTSMART LIMITED

Opinion

We have audited the financial statements of RentSmart Limited ("the Company") for the year ended 30 June 2020 which comprise the Statement of Total Comprehensive Income, the Balance Sheet, the Statement of Changes in Equity and the notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 101 *Reduced Disclosure Framework* (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 30 June 2020 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The Directors are responsible for the other information. The other information comprises the information included in the Report of the Directors, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

RENTSMART LIMITED
YEAR ENDED 30 JUNE 2020

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

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Directors' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Directors' report.

We have nothing to report in respect of the following matters in relation to which 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.
- the Directors were not entitled to take advantage of the small companies' exemptions in preparing the Directors' report and from the requirement to prepare a Strategic report.

Responsibilities of Directors

As explained more fully in the Statement of Directors' responsibilities in respect of the Directors' report and the financial statements, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at:

<https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

**RENTSMART LIMITED
YEAR ENDED 30 JUNE 2020**

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

Use of our report

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.



Julien Rye (Senior Statutory Auditor)
For and on behalf of BDO LLP, Statutory Auditor
Manchester, UK
11 December 2020

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

RENTSMART LIMITED
YEAR ENDED 30 JUNE 2020

STATEMENT OF TOTAL COMPREHENSIVE INCOME

	Notes	30 June 2020 £	Restated 30 June 2019 £
Turnover	4	5,529,830	6,517,481
Cost of sales		<u>(1,403,219)</u>	<u>(2,004,093)</u>
Gross profit		4,126,611	4,513,388
Administrative expenses		(5,592,756)	(7,135,949)
Other operating income	4.1	<u>150,868</u>	<u>275,128</u>
Loss on ordinary activities before taxation		(1,315,277)	(2,347,433)
Tax on profit on ordinary activities	8	<u>-</u>	<u>954,544</u>
Loss for the financial year		<u>(1,315,277)</u>	<u>(1,392,889)</u>
Other comprehensive income net of income tax		-	-
Total comprehensive Loss for the financial year		<u>(1,315,277)</u>	<u>(1,392,889)</u>

The loss for the financial year is derived from continuing operations.

The notes on pages 10 to 25 form an integral part of these financial statements.

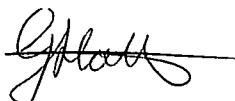
RENTSMART LIMITED
YEAR ENDED 30 JUNE 2020

BALANCE SHEET

	Notes	30 June 2020 £	Restated 30 June 2019 £
Non-current assets			
Intangible assets	9	1,432,300	2,148,107
Contract assets	10	1,430,029	2,032,870
Tangible assets	11	459,248	537,581
Other non-current assets		<u>2,056,303</u>	<u>2,027,014</u>
		5,377,880	6,745,572
Current assets			
Debtors	12	561,109	1,614,594
Cash and cash equivalents		<u>507,045</u>	<u>1,310,429</u>
		1,068,154	2,925,023
Creditors: amounts falling due within one year			
Lease liability - current	15	(93,747)	(85,647)
Creditors	13	(553,310)	(725,025)
Intercompany creditors	14	(944,925)	-
Contract liabilities	16	<u>(594,659)</u>	<u>(771,752)</u>
		(2,186,641)	(1,582,424)
Net current (liabilities)/assets		<u>(1,118,487)</u>	<u>1,342,599</u>
Total assets less current liabilities		<u>4,259,393</u>	<u>8,088,171</u>
Creditors: amounts falling due after more than one year			
Lease liability - non-current	15	(148,113)	(243,626)
Intercompany creditors	14	-	(2,717,745)
Contract liabilities	16	(678,715)	(1,221,274)
Other provisions	17	<u>(12,502)</u>	<u>(6,764)</u>
		(839,330)	(4,189,409)
Net assets		<u><u>3,420,063</u></u>	<u><u>3,898,762</u></u>
Capital and reserves			
Called up share capital	18	4,250,000	4,250,000
Capital contribution		4,634,000	3,800,000
Profit and loss account		<u>(5,463,937)</u>	<u>(4,151,238)</u>
Equity shareholders' surplus		<u><u>3,420,063</u></u>	<u><u>3,898,762</u></u>

The notes on pages 10 to 25 form an integral part of these financial statements.

These financial statements were approved by the board of directors on 11 December 2020 and were signed on its behalf by:



Gary Halton (Director)
Company registered number: 03689086

RENTSMART LIMITED
YEAR ENDED 30 JUNE 2020

STATEMENT OF CHANGES IN EQUITY

	Fully paid ordinary shares	Capital contribution	Accumulated profit	Equity
	£	£	£	£
Balance at 1 July 2018	4,250,000	1,450,000	(2,667,200)	3,032,800
Effects of adoption of IFRS 16	-	-	(89,931)	(89,931)
Restated Balance at 1 July 2018	4,250,000	1,450,000	(2,757,131)	2,942,869
Loss for the financial year	-	-	(1,392,889)	(1,392,889)
Other comprehensive income net of income tax	-	-	-	-
Total comprehensive loss for the financial year	-	-	(1,392,889)	(1,392,889)
Recognition of share-based payments	-	-	(1,218)	(1,218)
Waiver of intercompany debt	-	2,350,000	-	2,350,000
Balance at 30 June 2019	4,250,000	3,800,000	(4,151,238)	3,898,762
 Balance at 1 July 2019	 4,250,000	 3,800,000	 (4,053,209)	 3,996,791
Effects of adoption of IFRS 16	-	-	(98,029)	(98,029)
Restated Balance at 1 July 2019	4,250,000	3,800,000	(4,151,238)	3,898,762
Loss for the financial year	-	-	(1,315,277)	(1,315,277)
Other comprehensive income net of income tax	-	-	-	-
Total comprehensive loss for the financial year	-	-	(1,315,277)	(1,315,277)
Recognition of share-based payments	-	-	2,578	2,578
Waiver of intercompany debt	-	834,000	-	834,000
Balance at 30 June 2020	4,250,000	4,634,000	(5,463,937)	3,420,063

The notes on pages 10 to 25 form an integral part of these financial statements.

RENTSMART LIMITED

YEAR ENDED 30 JUNE 2020

NOTES TO THE FINANCIAL STATEMENTS

1. Accounting Policies

RentSmart Limited (the "Company") is a private company limited by shares incorporated and domiciled in England and Wales. The Company's registered address is 7th Floor Oakland House, Talbot Road, Manchester, Old Trafford, Manchester, M16 0PQ.

These financial statements were prepared in accordance with Financial Reporting Standard 101 *Reduced Disclosure Framework* ("FRS 101").

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.

The Company's ultimate parent undertaking, ThinkSmart Limited incorporated in Australia and listed on the Alternative Investment Market ("AIM"), a sub-market of the London Stock Exchange includes the Company in its consolidated financial statements. The consolidated financial statements of ThinkSmart Limited are prepared in accordance with Australian Accounting Standards (IFRSs) adopted by the Australian Accounting Standards Board (IFRS) and the Corporation Act 2001. The consolidated financial statements comply with International Financial Reporting Standard (IFRS) adopted by the International Accounting Standards Board (IASB) as well as International Financial Reporting Standards as adopted by the EU ("Adopted IFRSs"). The consolidated financial statements of ThinkSmart Limited 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;
- 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 Limited 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*;
- IFRS 2 *Share Based Payments* in respect of group settled share based payments; and
- IFRS 15 *Revenue from Contracts with Customers* in respect of disaggregation of revenue.

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 2020

NOTES TO THE FINANCIAL STATEMENTS (continued)

1.1 Measurement convention

The Company's functional and presentation currency is GBP. All amounts in these financial statements are rounded to the nearest £1. The financial statements are prepared on the historical cost basis. Non-current are stated at the lower of previous carrying amount and fair value less costs to sell.

1.2 Basis of Preparation

The financial statements have been prepared on a going concern basis which the directors consider to be appropriate for the following reasons. For the year ended 30 June 2020 the Company made a loss after tax of £1,315,277. As at 30 June 2020 the Company had cash and cash equivalents balances of £507,045 and Net Assets of £3,420,063.

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. The directors have prepared cash flow forecasts for a period of three years from the date of these financial statements which indicate that, the company will have sufficient funds, through its continuing operations to meet its liabilities as they fall due for that period, provided that the existing level of group support, in the form of intragroup loans supported by ultimate parent company (see note 14) will continue to be available to the company.

ThinkSmart Limited has indicated its intention to continue to make available such funds as are needed by the company for the foreseeable future. As with any company placing reliance on other group entities for financial support, the directors acknowledge that there can be no certainty that this support will continue although, at the date of approval of these financial statements, they have no reason to believe that it will not do so. 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.

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 Intangible assets

The intangible assets held by the Company are 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.

1.5 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
- Leasehold improvements – the lease term

RENTSMART LIMITED

YEAR ENDED 30 JUNE 2020

NOTES TO THE FINANCIAL STATEMENTS (continued)

1.6 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.

1.7 Taxation

The taxation, including deferred tax, workings are shown in note 8. 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 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.

1.9 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.

2. New or amended Accounting Standards and Interpretations adopted

The Company has adopted all of the new or amended International Financial Reporting Standards that are mandatory for the current reporting period. Any new or amended Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

The following Accounting Standards and Interpretations are most relevant to the Company:

IFRS 16 Leases

The Company has adopted IFRS 16 in the current year applying the full retrospective transition approach with the date of initial application being 1 July 2019. The standard introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. A lessee is required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments. The only operating lease held by the Company which is relevant to IFRS 16 is for its office space at Oakland House, Manchester.

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

In addition to the right of use asset IFRS 16 also requires the Company to recognise a lease liability in respect of the lease payments due to the lessor. Again, the prior year financial statements have been restated to reflect the position as if IFRS 16 had always been in effect. The lease liability has been recognised at the present value of all future lease payments due. As the interest rate implicit in the lease is not readily determinable the

RENTSMART LIMITED

YEAR ENDED 30 JUNE 2020

NOTES TO THE FINANCIAL STATEMENTS (continued)

IFRS 16 Leases (continued)

discount rate of 9.14% used is the Company's incremental borrowing rate being the STB cost of funds using an estimated 10 year interest rate swap at February 2013.

As at 30 June 2020 the effect of the adoption of IFRS 16 is that the Company now holds a right of use lease asset with a value of £184,011 and a corresponding lease liability with a value of £241,859. Including the elimination of accruals and prepayments held under IAS 17 the overall impact as at the date of adoption is a reduction to Net Assets of £96,262. Right of use assets are detailed in note 11 and lease liabilities are detailed in note 15 below.

Reconciliation of operating lease commitments:	£
Operating lease commitments disclosed as at 30 June 2019	359,231
Add: release of initial rent free period benefit deferred under IAS 17	28,270
Less: discount at Company's incremental borrowing rate of 9.14% at lease inception	(58,228)
Lease liabilities recognised at 1 July 2019 (Note 15)	329,273

The impact on the financial performance and position of the Company from the adoption of these Accounting Standards is detailed in note 24.

3. Critical accounting estimates and judgements

The preparation of the financial statements in conforming to FRS 101 requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amount of assets, liabilities, income and expenses. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that may have a financial impact on the entity and that are believed to be reasonable under the circumstances. The Company makes estimates and assumptions concerning the future. The judgements, estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Revenue from contracts with customers

When recognising revenue in relation to the provision of services to customers, the key performance obligation of the Company is considered to be the point of delivery of the service to the customer, as this is deemed to be the time that the customer obtains the benefits and control of the service.

Principal vs agent

Judgement is exercised in relation to certain services that the Company is providing in relation to leases entered in to by an end customer with the lessor (STB) as to whether the Company is acting as principal in the arrangement or as agent. Management have determined that having regard to the contractual conditions with STB and the rights attaching to consumer contracts for the leases entered in to by the end customer with STB that the Company is acting as agent and records commission income from STB.

Financial guarantee contract

Financial guarantee contracts are initially recognised at fair value and subsequently at the higher of the amount of expected credit losses determined under IFRS 9 and the amount initially recognised less cumulative amortisation. The fair value of the financial guarantee is a key estimate and is determined by way of calculating the present value of the difference in net cash flows between the contractual payments under the debt instrument and the payments that would be required without the guarantee, or the estimated amount that would be payable to a third party for assuming the obligation. This has been determined from historic data and forward looking estimates to determine expected default rates. This fair value determines a financial guarantee premium which is recognised as revenue over the term of the lease between the end customer and STB.

RENTSMART LIMITED

YEAR ENDED 30 JUNE 2020

NOTES TO THE FINANCIAL STATEMENTS (continued)

Determination of variable consideration

Judgement is exercised in estimating variable consideration which is determined having regard to past experience with respect to the expected default rates where the customer (STB) has the right to clawback from the Company's commission income any amount of default on lease payments due from the end customer under the financial guarantee contract. Revenue in respect of this amount of commission income will only be recognised to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised under the contract will not occur when the uncertainty associated with the variable consideration is subsequently resolved.

Contract right income

A contract asset is recognised where the Company acts as agent for the lessor (STB) during an end customer's minimum lease term with STB and the Company has a contractual right to an inertia asset at the end of this minimum lease term. Contract assets are recognised as revenue accruing over the minimum lease term up to the fair value of the inertia asset at the end of that minimum lease term. The fair value is determined based on available market data regarding expected returns for a similar risk asset and discounted using a credit risk rate.

Estimation of useful lives of assets

The Company determines the estimated useful lives and related depreciation and amortisation charges for its property, plant and equipment and finite life intangible assets. The useful lives could change significantly as a result of technical innovations or some other event. The depreciation and amortisation charge will increase where the useful lives are less than previously estimated lives, or technically obsolete or non-strategic assets that have been abandoned or sold will be written off or written down.

Judgements

Information about judgements made in applying accounting policies that have the most significant effects on the amounts recognised in the financial statements is included in the following notes:

Note 4 - commission income: whether the Company acts as an agent in the transaction rather than as principal; and

Assumptions and estimation uncertainties

The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities within the next financial period are discussed below:

Note 10 - measurement of contract asset non-cash consideration;

Note 16 - measurement of contract liabilities

4. 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.

Revenue from contracts with customers

Revenue is recognised at an amount that reflects the consideration to which the Company is expected to be entitled in exchange for transferring goods or services to a customer. For each contract with a customer, the Company: identifies the contract with a customer; identifies the performance obligations in the contract; determines the transaction price which takes into account estimates of variable consideration and the time value of money; allocates the transaction price to the separate performance obligations on the basis of the relative stand-alone selling price of each distinct good or service to be delivered; and recognises revenue when or as each performance obligation is satisfied in a manner that depicts the transfer to the customer of the goods or services promised.

RENTSMART LIMITED

YEAR ENDED 30 JUNE 2020

NOTES TO THE FINANCIAL STATEMENTS (continued)

Revenue from contracts with customers (continued)

Variable consideration within the transaction price, if any, reflects concessions provided to the customer such as discounts, rebates and refunds, any potential bonuses receivable from the customer and any other contingent events. Such estimates are determined using either the 'expected value' or 'most likely amount' method. The measurement of variable consideration is subject to a constraining principle whereby revenue will only be recognised to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur. The measurement constraint continues until the uncertainty associated with the variable consideration is subsequently resolved. Amounts received that are subject to the constraining principle are recognised as a contract liability.

Some forms of revenue fall outside the scope of IFRS 15 – Revenue from Contracts with Customers, of relevance to the Company this includes revenue under IFRS 9 Financial Instruments (previously IAS 39).

The Company has relationships with retail partners to act as a facilitator and arranger of financing arrangements to allow those retailers to provide technological products to consumers under short/medium term finance contracts. The financing is obtained by the Company from third party funding partners. These contracts result in the Company acting as the agent of the funder (who is then the lessor). Where the Company is acting as the agent it receives the following revenue streams:

Commission income

This includes the upfront cash transaction fee receivable from the funder together with the non-cash consideration between the funder and the end customer (for the contract or inertia asset) which is allocated under IFRS 15 between the inception/brokerage of the lease arrangement, a financial guarantee contract premium over the lease term, a contract liability reflecting the reversal constraint for the potential refund of the transaction fee, and the non-cash consideration contract asset accruing over the lease term.

Extended rental income

Once the contract between the funder and the end 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 2020	30 June 2019
	£	£
Commission income	2,409,283	3,199,462
Intercompany income	100,216	286,583
Extended rental income	1,796,510	2,253,802
Outsourced services	496,379	-
Income earned from sale of inertia assets	727,442	777,634
	<u>5,529,830</u>	<u>6,517,481</u>

RENTSMART LIMITED
YEAR ENDED 30 JUNE 2020

NOTES TO THE FINANCIAL STATEMENTS (continued)

4.1 Other operating income

	30 June 2020	30 June 2019
	£	£
Services income	23,817	35,752
Fee revenue – customers	55,639	82,003
Interest revenue – related entities	1,944	2,179
Interest revenue – other entities	64,257	72,206
Other income	5,211	82,988
	<u>150,868</u>	<u>275,128</u>

5. 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 2020	30 June 2019
Management	9	13
Sales and operations	30	22
Administration	6	14
	<u>45</u>	<u>49</u>

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

	30 June 2020	30 June 2019
	£	£
Payments to employees	1,278,265	1,666,147
Social security costs	106,806	159,315
Employee pension contributions	77,735	105,829
Share-based payment expenses	2,578	(1,218)
	<u>1,465,384</u>	<u>1,930,073</u>

6. Remuneration of directors

	30 June 2020	30 June 2019
	£	£
Directors' remuneration	148,500	148,000
Company contributions to money purchase pension schemes	-	-
	<u>148,500</u>	<u>148,000</u>
Highest paid director	148,500	148,000

Retirement benefits are accruing to the following number of directors

Money purchase schemes	-	-
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RENTSMART LIMITED
YEAR ENDED 30 JUNE 2020

NOTES TO THE FINANCIAL STATEMENTS (continued)

7. Auditors' remuneration

	30 June 2020	30 June 2019
	£	£
Audit of these financial statements	118,875	186,397

The total UK audit fee charged to the ThinkSmart Group is borne by RentSmart.

8. Tax on profit on ordinary activities

Recognised in the profit and loss account

	30 June 2020	30 June 2019
	£	£
<i>UK corporation tax</i>		
Current tax on income for the year	-	(348,014)
Adjustments in respect for prior year	-	(606,530)
Total current tax	-	(954,544)
<i>Deferred tax</i>		
Origination and reversal of temporary differences	-	-
Total deferred tax	-	-
Total tax on (loss) on ordinary activities	-	(954,544)

Reconciliation of effective tax rate

Accounting loss before tax	(1,315,277)	(2,339,335)
Tax using the UK corporation tax rate*	(249,903)	(444,474)
Non-deductible expenses	4,385	6,840
Unprovided deferred tax on temporary differences	91,434	124,404
Group relief surrendered	-	(281,891)
Tax losses carried forward	154,084	247,107
Adjustments in respect for prior year	-	(606,530)
Total income tax expense	-	(954,544)

Temporary differences and losses on which deferred tax not recognised at 30 June 2020 amounted to £4,256,858.

*The Finance Act 2015 reduced the main rate of corporation tax from 20% to 19% from 1 April 2017. The Finance Act 2020 retains the current rate of 19% for financial years starting 1 April 2020 and 1 April 2021.

RENTSMART LIMITED
YEAR ENDED 30 JUNE 2020

NOTES TO THE FINANCIAL STATEMENTS (continued)

9. Intangible assets

Cost	IT Development £	Licences and agreements £	Total £
1 July 2019	5,696,695	1,455,951	7,152,646
Additions	109,230	384,938	494,168
Disposals	(1,436,451)	(1,399,708)	(2,836,159)
Balance at 30 June 2020	4,369,474	441,181	4,810,655
Accumulated amortisation			
Restated at 1 July 2019	3,586,931	1,417,608	5,004,539
Charge for the year	1,152,475	57,501	1,209,976
Disposals	(1,436,451)	(1,399,709)	(2,836,160)
At 30 June 2020	3,302,955	75,400	3,378,355
Net Book Value			
At 30 June 2020	1,066,519	365,781	1,432,300
At 30 June 2019	2,109,764	38,343	2,148,107

Included in Intangible Assets are IT Development costs with a net book value at 30 June 2020 of £1,066,519 (2019: £2,109,764). The company recognises an intangible asset arising if the IT Development is identifiable, non-monetary and controlled by the entity to provide future economic benefit. Where the criteria for capitalising IT Development costs are met these assets are recognised at cost. IT Development is classified as assets with a finite useful life and are therefore amortised over their useful life with no residual value.

Included in Intangible Assets are licence and agreements with a net book value at 30 June 2020 of £365,781 (2019: £38,343). The company recognises an intangible asset arising if the licence or agreement is identifiable, non-monetary and controlled by the entity to provide future economic benefit. Where the criteria for capitalising Licence and agreements are met these assets are recognised at cost. Licence and agreements are classified as assets with a finite useful life and are therefore amortised over their useful life with no residual value.

10. Contract assets

	30 June 2020 £	30 June 2019 £
Balance at 1 July	2,032,870	2,739,207
Recognised as revenue in period (i)	857,219	1,207,643
Recognised as customer acquisition cost (ii)	(144,660)	(134,483)
Transferred to Plant & Equipment Operating lease additions	(1,315,400)	(1,779,497)
Balance at 30 June	1,430,029	2,032,870

RENTSMART LIMITED
YEAR ENDED 30 JUNE 2020

NOTES TO THE FINANCIAL STATEMENTS (continued)

Contract assets (continued)

- i) A contract asset is recognised where the Company 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 Company 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.

11. Tangible assets

	Plant and Machinery	Fixtures and Fittings	Office Lease Right of Use Asset	PPE Operating Lease	Total
	£	£	£	£	£
Cost					
At 1 July 2019 (Restated)	2,258,320	342,468	690,043	4,766,238	8,057,069
Additions	14,629	-	-	1,321,091	1,335,720
Disposals	(2,156,532)	(306,675)	-	(5,723,592)	(8,186,799)
At 30 June 2020	116,417	35,793	690,043	363,737	1,205,990
Accumulated depreciation and impairment					
At 1 July 2019 (Restated)	2,188,797	321,653	437,027	4,572,011	7,519,488
Charge for the year	44,740	10,380	69,004	696,045	820,169
Disposals	(2,156,532)	(306,675)	-	(5,129,708)	(7,592,914)
At 30 June 2020	77,005	25,358	506,031	138,348	746,743
Net Book Value					
At 30 June 2020	39,412	10,435	184,012	225,389	459,248
At 30 June 2019 (Restated)	69,523	20,815	253,016	194,227	537,581

The PPE Operating Lease category largely consist of the Contract assets as disclosed in Note 10 above. These contract assets are created as revenue accrues over the minimum lease term in relation to the non-cash consideration.

12. Debtors

	30 June 2020 £	Restated 30 June 2019 £
Trade debtors	394,949	132,271
Intercompany loans	1,337	579,179
Corporation tax receivable	-	539,827
Prepayments and accrued income	164,823	270,875
Deferred costs	-	92,442
	<u>561,109</u>	<u>1,614,594</u>

All amounts shown under Debtors fall due for payment within one year. Amounts owed by group undertakings are stated net of a provision of £Nil (2019: £Nil).

RENTSMART LIMITED
YEAR ENDED 30 JUNE 2020

NOTES TO THE FINANCIAL STATEMENTS (continued)

13. Creditors: amounts falling due within one year

	30 June 2020	Restated 30 June 2019
	£	£
Trade creditors	168,007	192,526
VAT and other taxes payable	14,374	134,125
Other creditors	14,036	44,549
Deferred income	53,030	-
Accruals	303,863	353,825
	<u>553,310</u>	<u>725,025</u>

14. Intercompany creditors

	30 June 2020	30 June 2019
	£	£
Intercompany Thinksmart Europe Limited	549,177	2,717,745
Intercompany Thinksmart Financial Services Limited	395,748	-
	<u>944,925</u>	<u>2,717,745</u>
Intercompany loans due less than one year	944,925	-
Intercompany loans due after more than one year	-	2,717,745
	<u>944,925</u>	<u>2,717,745</u>

The unsecured intercompany loans have no fixed repayment date and are due on demand. The directors of the ultimate parent company, Thinksmart Limited, have indicated that intragroup loans will not be recalled until such time that the borrower is in a position to repay the loan.

15. Lease liabilities

	30 June 2020	Restated 30 June 2019
	£	£
Balance at 1 July	329,273	405,751
Rental paid in period	(112,700)	(112,700)
Interest charged	25,287	36,222
Balance at 30 June	<u>241,860</u>	<u>329,273</u>
Lease liabilities due within 12 months	93,747	85,647
Lease liabilities due greater than 12 months	148,113	243,626
	<u>241,860</u>	<u>329,273</u>

RENTSMART LIMITED
YEAR ENDED 30 JUNE 2020

NOTES TO THE FINANCIAL STATEMENTS (continued)

16. Contract liabilities

	30 June 2020	30 June 2019
	£	£
Balance at 1 July	1,993,026	2,667,257
Recognised as revenue in period	<u>(719,652)</u>	<u>(674,231)</u>
Balance at 30 June	<u>1,273,374</u>	<u>1,993,026</u>
Contract liabilities due within 12 months	594,659	771,752
Contract liabilities due greater than 12 months	<u>678,715</u>	<u>1,221,274</u>
	<u>1,273,374</u>	<u>1,993,026</u>

17. Other provisions

	30 June 2020	30 June 2019
	£	£
Balance at 1 July	6,764	6,966
Provisions made during the year	10,694	7,544
Provisions used during the year	<u>(4,956)</u>	<u>(7,746)</u>
Balance at 30 June	<u>12,502</u>	<u>6,764</u>

Other provisions relates to the provision of bad debt on income earned from sale of inertia assets (see note 4) 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.

18. Called up share capital

	30 June 2020	30 June 2019
	£	£
<i>Allotted, called up and fully paid</i>		
4,250,000 (2019: 4,250,000) ordinary authorised shares of £1 each (2019: £1 each)	4,250,000	4,250,000
Shares classified in shareholders' funds	4,250,000	4,250,000

19. Commitments and contingent liabilities

	30 June 2020	30 June 2019
	£	£
Leases where Company acts as agent (off balance sheet)	6,028,940	9,587,805
Deposits held by funders	2,056,304	2,027,014

Under the terms of the UK current funding agreement with Secure Trust Bank (STB) where STB is the lessor, the Company 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 a deposit to support future delinquent leases.

RENTSMART LIMITED
YEAR ENDED 30 JUNE 2020

NOTES TO THE FINANCIAL STATEMENTS (continued)

20. Related parties

RentSmart Limited has taken advantage of the exemption under FRS 101 paragraph 8(k) 8(j) not to disclose key management personnel compensation or transactions and amounts due to and from fellow group companies that are wholly owned by the ultimate parent company, ThinkSmart Limited.

21. Ultimate parent undertakings

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

22. Events occurring after balance sheet date

In November 2019 the Company issued a claim against The Carphone Warehouse Ltd (part of the Dixons Carphone plc group (DC)) in respect of the Flexible Leasing contract and its predecessor Upgrade Everytime contract. The Company announced on 10 August 2020 that it had agreed a settlement in relation to these contracts. As part of this settlement, the Company has agreed with DC to the orderly winding up of all its agreements with DC including SmartPlan, Upgrade Anytime and Flexible Leasing.

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 Company, the results of those operations, or the state of affairs of the Company, in future financial years.

23. Contingent Assets

IAS 37 defines a contingent asset as a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity.

On 29 November 2019 the Company issued formal legal proceedings against The Carphone Warehouse Ltd (CPW) for damages for losses estimated at £20m. At 30 June 2020 the outcome of the litigation against CPW was uncertain both from a litigation and settlement perspective with the expectation that it was unlikely that there was a realistic possibility of a resolution being achieved. As such, the settlement of the claim on 7 August 2020 is indicative of conditions that arose after the balance sheet date and is therefore a non-adjusting event.

From an accounting perspective, the Company has not recognised any benefit for this contingent asset in the financial statements for the current year, and this remains the case notwithstanding the post reporting date settlement. The contingent asset only became certain when settlement was reached as announced on 10 August 2020. As such, the Company will recognise the £1.45m asset and income in August 2020 (ie year to 30 June 2021).

RENTSMART LIMITED
YEAR ENDED 30 JUNE 2020

NOTES TO THE FINANCIAL STATEMENTS (continued)

24. Effects of changes in accounting policies

The Company has adopted IFRS 16 in the current year applying the full retrospective transition approach with the date of initial adoption being 1 July 2019 (see Note 2 above for an explanation of the main changes resulting from this). This has resulted in the following restatement of comparatives for the statement of profit or loss and other comprehensive income for the year ended 30 June 2019, and the statement of financial position as at 30 June 2018 and as at 30 June 2019.

The following tables show the adjustments recognised for each line item of the financial statements affected (rounded to the nearest £):

	30 June 2019 as originally presented £	IFRS 16 £	Restated 12 Months to 30 June 2019 £
Turnover	6,517,481	-	6,517,481
Cost of Sales	(2,004,093)	-	(2,004,093)
Gross profit	4,513,388	-	4,513,388
Administrative expenses	(7,127,851)	(8,098)	(7,135,949)
Other operating income	275,128	-	275,128
Loss before tax	(2,339,335)	(8,098)	(2,347,433)
Tax on loss on ordinary activities	954,544	-	954,544
Loss for the financial year	(1,384,791)	(8,098)	(1,392,889)
Other comprehensive (loss)/income net of tax	-	-	-
Total comprehensive loss for the year attributable to owners of the Company	(1,384,791)	(8,098)	(1,392,889)

RENTSMART LIMITED
YEAR ENDED 30 JUNE 2020

NOTES TO THE FINANCIAL STATEMENTS (continued)

	30 June 2019 as originally presented £	IFRS 16 £	Restated 30 June 2019 £
Fixed assets			
Intangible assets	2,148,107	-	2,148,107
Contract assets	2,032,870	-	2,032,870
Tangible assets	284,565	253,016	537,581
Other non-current assets	2,027,014	-	2,027,014
	<u>6,492,556</u>	<u>253,016</u>	<u>6,745,572</u>
Current assets			
Debtors	1,622,101	(7,507)	1,614,594
Cash and cash equivalents	1,310,429	-	1,310,429
	<u>2,932,530</u>	<u>(7,507)</u>	<u>2,925,023</u>
Creditors: amounts falling due within one year			
Lease liabilities - current	-	(85,647)	(85,647)
Creditors	(710,760)	(14,265)	(725,025)
Contract liabilities	(771,752)	-	(771,752)
	<u>(1,482,512)</u>	<u>(99,912)</u>	<u>(1,582,424)</u>
Net current assets	1,450,018	(107,419)	1,342,599
Total assets less current liabilities	7,942,574	145,597	8,088,171
Creditors: amounts falling due after more than one year			
Lease liabilities – non-current	-	(243,626)	(243,626)
Creditors	(2,717,745)	-	(2,717,745)
Contract liabilities	(1,221,274)	-	(1,221,274)
Other provisions	(6,764)	-	(6,764)
	<u>(3,945,783)</u>	<u>(243,626)</u>	<u>(4,189,409)</u>
Net assets	<u>3,996,791</u>	<u>(98,029)</u>	<u>3,898,762</u>
Equity			
Called up share capital	4,250,000	-	4,250,000
Capital contribution	3,800,000	-	3,800,000
Profit and loss account	(4,053,209)	(98,029)	(4,151,238)
Total equity	<u>3,996,791</u>	<u>(98,029)</u>	<u>3,898,762</u>

RENTSMART LIMITED
YEAR ENDED 30 JUNE 2020

NOTES TO THE FINANCIAL STATEMENTS (continued)

	30 June 2018 as originally presented £	IFRS 16 £	Restated 30 June 2018 £
Fixed assets			
Intangible assets	3,079,828	-	3,079,828
Contract assets	2,739,207	-	2,739,207
Tangible assets	372,472	322,020	694,492
Other non-current assets	2,305,240	-	2,305,240
	<u>8,496,747</u>	<u>322,019</u>	<u>8,818,767</u>
Current assets			
Debtors	3,675,012	(6,201)	3,668,811
Cash and cash equivalents	1,169,392	-	1,169,392
	<u>4,844,404</u>	<u>(6,201)</u>	<u>4,838,203</u>
Creditors: amounts falling due within one year			
Lease liabilities - current	-	(78,246)	(78,246)
Creditors	(1,167,773)	-	(1,167,773)
Contract liabilities	(1,025,548)	-	(1,025,548)
	<u>(2,193,321)</u>	<u>(78,246)</u>	<u>(2,271,567)</u>
Net current assets	2,651,083	(84,446)	2,566,636
Total assets less current liabilities	11,147,830	237,573	11,385,403
Creditors: amounts falling due after more than one year			
Lease liabilities – non-current	-	(327,505)	(327,505)
Creditors	(6,470,356)	-	(6,470,356)
Contract liabilities	(1,637,708)	-	(1,637,708)
Other provisions	(6,966)	-	(6,966)
	<u>(8,115,030)</u>	<u>(327,505)</u>	<u>(8,442,535)</u>
Net assets	<u>3,032,800</u>	<u>(89,932)</u>	<u>2,942,868</u>
Equity			
Called up share capital	4,250,000	-	4,250,000
Capital contribution	1,450,000	-	1,450,000
Profit and loss account	(2,667,200)	(89,932)	(2,757,132)
Total equity	<u>3,032,800</u>	<u>(89,932)</u>	<u>2,942,868</u>