

DirectMoney Limited
Appendix 4D
Half-year report

1. Company details

Name of entity:	DirectMoney Limited
ABN:	80 004 661 205
Reporting period:	For the half-year ended 31 December 2016
Previous period:	For the half-year ended 31 December 2015

2. Results for announcement to the market

Key information			\$
Revenues from ordinary activities	up	30% to	567,979
Loss from ordinary activities after tax attributable to the owners of DirectMoney Limited	down	53% to	2,764,893
Loss for the half-year attributable to the owners of DirectMoney Limited	down	53% to	2,764,893

Dividends paid and proposed

There were no dividends declared or paid in the reporting period.

Explanation of key information and dividends

An explanation of the above figures is contained in the "Review of Operations" included within the attached directors' report. The Directors have determined not to pay dividends at this time.

3. Net tangible assets

	Reporting period Cents	Previous period Cents
Net tangible assets per ordinary security	<u>2.60</u>	<u>3.76</u>

4. Control gained over entities

Not applicable.

5. Loss of control over entities

Not applicable.

6. Details of associates and joint venture entities

Not applicable.

7. Audit qualification or review

Details of audit/review dispute or qualification (if any):

The financial statements were subject to a review by the auditors and the review report is attached as part of the Interim Report.

8. Attachments

Details of attachments (if any):

The Interim Report of DirectMoney Limited for the half-year ended 31 December 2016 is attached.

9. Signed

Signed

A handwritten signature in black ink, consisting of a large, stylized 'J' followed by a horizontal line extending to the right.

John Nantes
Director
Sydney

Date: 28 February 2017

DirectMoney Limited

ABN 80 004 661 205

Interim Report – For the half-year ended 31 December 2016

DirectMoney Limited
Directors' report
For the half-year ended 31 December 2016

The directors present their report, together with the financial statements, on the consolidated entity (referred to hereafter as the 'consolidated entity') consisting of DirectMoney Limited (referred to hereafter as the 'company' or 'parent entity') and the entities it controlled at the end of, or during, the half-year ended 31 December 2016.

Directors

The following persons were directors of DirectMoney Limited during the whole of the financial half-year and up to the date of this report, unless otherwise stated:

John Nantes
Stephen Porges (resigned 8 November 2016)
Craig Swanger
Christopher Whitehead

Principal activities

During the financial half-year, the Group's primary activity was writing unsecured personal loans for 3 and 5 year maturities to Australian consumers, then on-selling these loans to either the DirectMoney Personal Loan Fund (ARSN 602 325 628) or to institutional and wholesale investors.

Review of operations

The Company reported an operating loss of \$2.8 million for H1 FY 2017. While this is an improvement on the result for the similar period for FY 2016 this result reflects the continued, significant investment the Company is making in building its position in the personal loan marketplace lending business. A comment on revenue and expense lines and significant one-off items that have contributed to this result follows below.

It is important to highlight that during the period significant steps were taken to re-establish the Company's capital base, implement key Board and senior management change and execute a loan sale agreement, whilst continuing negotiations on others. As a technology company, continued investment into our proprietary technology platform and expansion into market leading customer experience, through the utilisation of machine learning and artificial intelligence, remain priorities for the Company as it builds a highly scalable foundation that allows significant growth in loan origination volumes and revenue in FY 2018.

Capital

In August 2016 DirectMoney closed a 2 for 1 non-renounceable Rights Issue launched on 1 July 2016. This raised \$5.7 million before associated costs. As described in the offer booklet, this capital has allowed the Company to continue to invest in the growth of DirectMoney's marketplace lending business. It is important to note the Board has carefully managed lending activity, choosing to ramp-up loan marketing and lending only when loan sale facilities were in place and operable to accommodate the large loan volumes which DirectMoney has proven it can originate and process effectively.

A total of \$989,509 in new personal loans were written in the period at an average interest rate of 12.6%. The value of loan assets held on balance sheet was ~\$6.57 million as at 31 December 2016. The Company wrote its first secured personal loans in the period and expects to expand this product offering in the future.

Governance and senior management

Important changes were made to the Board and senior management in the period, as presented in the 2016 Annual Report. Mr John Nantes, an existing Director, assumed the role of Executive Chairman of the Board in August 2016, replacing Mr Stephen Porges who, after a brief handover period, resigned in November 2016. Mr Anthony Nantes, previously Chief Operating Officer in a fintech lending business and a highly experienced management and technology executive, was appointed Chief Executive Officer in September 2016, replacing Mr Peter Beaumont who stepped into a Chief Operating Officer role.

Loan sale facilities

The Company announced in October 2016 the signing of a wholesale loan funding agreement with an institutional personal loan investor. This arrangement was bedded down successfully during November and December and has begun to be utilised. This agreement allows DirectMoney to retain a significant share of the income received on the loans sold, while recycling capital effectively. DirectMoney retains the primary risk in relation to loan credit performance. The Company is continuing to negotiate with other large financial institutions regarding additional loan sale arrangements and expects to finalise one or more of these in 2017. These facilities are critical to the Company being able to write the targeted volume of loans and meet the proven demand from Australian consumers for DirectMoney's low-fee, 100% online personal loans and our commitment to excellent levels of customer service.

DirectMoney Limited
Directors' report
31 December 2016

Loan sale facilities (cont.)

The DirectMoney Personal Loan Fund ARSN 602 325 628 (Fund), issued by One Managed Investment Funds Limited ACN 117 400 987 AFSL 297042 as Responsible Entity of the Fund, is an important future source of loan sales for the Company. Since inception on 13 May 2015 to 31 December 2016, the Fund provided investors with a 7.5% per annum return, net of fees and credit provisioning. With the Fund moving closer toward its second anniversary the Company plans to accelerate marketing through advisers and fund distributor channels. Please refer to the PDS for further details about the Fund.

The Loan Sale and Management Agreement established with Macquarie Bank Limited (Macquarie Bank) in February 2016 remains in place (see additional comment below) with Macquarie Bank holding a \$3.5 million portfolio of DirectMoney-originated personal loans. Contrary to the Company's expectations as laid out in the FY 2016 Annual Report, the Company has not on-sold this portfolio of loans to other loan buyers.

Revenues

The revenue result for the current financial half-year period of \$567,979 compares favourably with H1 FY 2016 of \$435,573. Year On Year the Company increased earnings from our primary revenue generating activities. Interest earned from loans held on balance sheet rose consistently due to higher average loan balances. Upfront fees earned and recognised from all loans written also increased. Management fees and payments from investors who own DirectMoney loans rose in proportion to the growth in loans under management. Loans under management as at 31 December 2016 amounted to \$11.8 million. DirectMoney loans are owned by several third parties including the DirectMoney Personal Loan Fund, Macquarie Bank Limited, note holders of subsidiary company DirectMoney Marketplace Limited and the institutional personal loan investor mentioned above.

Expenses

Expenses for the period of \$3.3 million were lower than in the prior period H1 FY 2016. Several large one-off costs influenced the H1 FY 2017 result, including recognition of ~\$0.6 million of expense relating to funder fees expected to be paid to Macquarie Bank in March 2017 in relation to their purchase of a \$5 million loan portfolio in February 2016.

Employee expenses for the period of \$1.4 million remain a significant item for the Company and are higher than recorded in H1 FY 2016. The Company expects to continue with similar staff costs due to its commitment to maintain high levels of compliance, implement technology to innovate business processes and to ensure excellent levels of customer service. It should be noted that the employee expense item includes the value of employee and Director performance rights of \$131,220 which none have been exercised due to the share price levels being below strikes.

Net write offs during the period against personal loans held on the Company's balance sheet for the period were \$202,706 which is higher than the H1 FY 2016 result of \$45,667. The H1 FY 2017 result reflects a more mature overall portfolio. The Company has experienced continued weak performance from loans written by the Company in its initial underwriting period from October 2014 to March 2015. As at 31 December 2016 the Company held ~\$6.57 million of loans on its balance sheet.

The loan loss rate for the period on the entire outstanding DirectMoney-originated personal loan portfolio, was 2.4%, calculated considering all loan write offs net of recoveries in the period against the average of the value of total loans outstanding as at 30 June 2016 and 31 December 2016. Loans written in the period October 2014 to March 2015 accounted for ~75% of this loss percentage.

Growth and technology

As mentioned in the 2016 Annual Report, the Company is actively pursuing additional activities which will add margin to the business of writing and selling personal loans in large volumes. Several projects are in pilot or minimum viable product stage, and the Company will continue to invest in strengthening its technology roadmap.

During the period the Company successfully completed key projects including increasing its analytics and assessment algorithms for all loan applications; improving its back-end architecture in order to support its technology roadmap; various implementations resulting in improving customer experience; and making numerous adjustments to our loan administration portal to increase overall efficiency, include the taking of security against loans and accommodating the many needs of executing with a new loan funding arrangement.

As part of the Company's commitment to developing market leading customer experience, DirectMoney has initiated a project to utilise artificial intelligence and machine learning technology at the very front of customer conversations and experience. Completion of this project is expected in FY 2017, with improvements across the entire customer journey expected from the start of FY 2018 onwards.

DirectMoney Limited
Directors' report
31 December 2016

Growth and technology (cont.)

During the period the Company also made the decision to invest in the complete transition of its existing loan portfolio management system to a third party provider. This move will support future growth and meet the requirements of major loan funding parties. The data merger has commenced and full integration will be completed by March 2017.

Macquarie Loan Sale and Management Agreement

The Company, as part of its Loan Sale and Management Agreement with Macquarie Bank established in February 2016, committed itself to pay various fees to Macquarie Bank over the term of the Agreement. Fees totalling \$0.7 million are expected to be paid in March 2017 and will be in the form of shares. The Company looks forward to having Macquarie Bank as a large shareholder, continuing to work together on strategic partnerships and exploring synergies between the respective businesses.

Significant changes in the state of affairs

There were no significant changes in the state of affairs of the consolidated entity during the financial half-year other than those discussed in the 'Review of operations'.

Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out on the following page.

This report is made in accordance with a resolution of directors, pursuant to section 306(3)(a) of the Corporations Act 2001.

On behalf of the directors



John Nantes
Director

28 February 2017
Sydney

DECLARATION OF INDEPENDENCE BY ARTHUR MILNER TO THE DIRECTORS OF DIRECTMONEY LIMITED

As lead auditor for the review of DirectMoney Limited for the half-year ended 31 December 2016, I declare that, to the best of my knowledge and belief, there have been:

1. No contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
2. No contraventions of any applicable code of professional conduct in relation to the review.

This declaration is in respect of DirectMoney Limited and the entities it controlled during the period.



Arthur Milner
Partner

BDO East Coast Partnership

Sydney, 28 February 2017

DirectMoney Limited
Contents
For the half-year ended 31 December 2016

Contents	Page
Statement of profit or loss and other comprehensive income	2
Statement of financial position	3
Statement of changes in equity	4
Statement of cash flows	5
Notes to the financial statements	6
Directors' declaration	11
Independent auditor's review report to the members of DirectMoney Limited	12

General information

The financial statements cover DirectMoney Limited as a consolidated entity, consisting of DirectMoney Limited and the entities it controlled at the end of, or during, the half-year. The financial statements are presented in Australian dollars, which is DirectMoney Limited's functional and presentation currency.

DirectMoney Limited is a listed public company limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business are:

Registered office

Suite 31, Level 8,
58 Pitt Street
Sydney NSW 2000

Principal place of business

Suite 31, Level 8,
58 Pitt Street
Sydney NSW 2000

A description of the nature of the consolidated entity's operations and its principal activities are included in the directors' report, which is not part of the financial statements.

The financial statements were authorised for issue, in accordance with a resolution of directors, on 28 February 2017.

DirectMoney Limited
Consolidated statement of profit or loss and other comprehensive income
For the half-year ended 31 December 2016

		Consolidated	
	Note	31 Dec 2016	31 Dec 2015
		\$	Restated
			\$
Revenue	2	567,979	435,513
Expenses			
Employee benefits expense		(1,442,328)	(1,007,372)
Depreciation and amortisation expense		(1,403)	(1,399)
Listing expense	6	-	(2,708,757)
Other expenses		(1,072,368)	(1,974,320)
Finance costs		(41,769)	(31,171)
Share based payment expense	9	(131,220)	(623,025)
Funder fee expense	11	(643,784)	-
Loss before income tax	3	(2,764,893)	(5,910,531)
Income tax expense		-	-
Loss after income tax for the half-year		(2,764,893)	(5,910,531)
Other comprehensive income			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Foreign currency translation		-	(1,766)
Other comprehensive income for the half-year, net of tax		-	(1,766)
Total comprehensive income for the half-year		<u>(2,764,893)</u>	<u>(5,912,297)</u>
		Cents	Cents
Basic earnings per share		(0.81)	(2.22)
Diluted earnings per share		(0.81)	(2.22)

The above statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes

DirectMoney Limited
Consolidated statement of financial position
As at 31 December 2016

		Consolidated	
	Note	31 Dec 2016	30 Jun 2016
		\$	\$
Assets			
Current assets			
Cash and cash equivalents		5,449,277	1,264,795
Loan receivables	4	1,510,025	1,554,125
Trade and other receivables		130,230	110,555
Other assets		223,927	292,285
Total current assets		<u>7,313,459</u>	<u>3,221,760</u>
Non-current assets			
Loan receivables	4	5,062,359	6,047,018
Property, plant and equipment		3,144	4,547
Available-for-sale financial assets	5	500,000	500,000
Total non-current assets		<u>5,565,503</u>	<u>6,551,565</u>
Total assets		<u>12,878,962</u>	<u>9,773,325</u>
Liabilities			
Current liabilities			
Trade and other payables		544,476	782,851
Employee benefits		147,566	125,900
Convertible notes		930,000	1,000,000
Funder fee payable	11	643,784	-
Total current liabilities		<u>2,265,826</u>	<u>1,908,751</u>
Total liabilities		<u>2,265,826</u>	<u>1,908,751</u>
Net assets		<u>10,613,136</u>	<u>7,864,574</u>
Equity			
Issued capital	8	27,792,038	22,409,803
Reserves		951,114	819,894
Accumulated losses		(18,130,016)	(15,365,123)
Total equity		<u>10,613,136</u>	<u>7,864,574</u>

The above statement of financial position should be read in conjunction with the accompanying notes

DirectMoney Limited
Consolidated statement of changes in equity
For the half-year ended 31 December 2016

Consolidated	Issued Capital \$	Reserves \$	Accumulated losses \$	Total equity \$
Balance at 1 July 2015	6,106,746	4,210	(6,610,635)	(499,679)
Loss after income tax expense for the half-year as reported in the Interim Report for the half-year ended 31 December 2015	-	-	(5,287,506)	(5,287,506)
Restatement of comparatives (Note 10)	-	-	(623,025)	(623,025)
Restatement of loss for the half-year	-	-	(5,910,531)	(5,910,531)
Other comprehensive income for the half-year, net of tax	-	(1,766)	-	(1,766)
Total comprehensive income for the half-year	-	(1,766)	(5,910,531)	(5,912,297)
<i>Transactions with owners in their capacity as owners:</i>				
Issue of share capital	15,803,057	-	-	15,803,057
Share based payments (Note 10)	-	623,025	-	623,025
Balance at 31 December 2015 (restated)	<u>21,909,803</u>	<u>625,469</u>	<u>(12,521,166)</u>	<u>10,014,106</u>
Consolidated	Issued Capital \$	Reserves \$	Accumulated losses \$	Total equity \$
Balance at 1 July 2016	22,409,803	819,894	(15,365,123)	7,864,574
Loss after income tax expense for the half-year	-	-	(2,764,893)	(2,764,893)
Other comprehensive income for the half-year, net of tax	-	-	-	-
Total comprehensive income for the half-year	-	-	(2,764,893)	(2,764,893)
<i>Transactions with owners in their capacity as owners:</i>				
Issue of share capital (Note 8)	5,702,641	-	-	5,702,641
Costs of capital raising	(320,406)	-	-	(320,406)
Share based payments (Note 9)	-	131,220	-	131,220
Balance at 31 December 2016	<u>27,792,038</u>	<u>951,114</u>	<u>(18,130,016)</u>	<u>10,613,136</u>

The above statement of changes in equity should be read in conjunction with the accompanying notes

DirectMoney Limited
Consolidated statement of cash flows
For the half-year ended 31 December 2016

	Consolidated	
Note	31 Dec 2016	31 Dec 2015
	\$	\$
Cash flows from operating activities		
Net loans to customers	669,754	(2,749,951)
Proceeds from sale of loans	661,109	-
Payments to suppliers and employees (inclusive of GST)	(2,458,794)	(3,846,867)
	<u>(1,127,931)</u>	<u>(6,596,818)</u>
Interest received	21,726	26,193
Management fees received	43,501	2,696
Interest and other finance costs paid	(42,351)	(47,742)
	<u>(1,105,055)</u>	<u>(6,615,671)</u>
Cash flows from investing activities		
Payments for investments	-	(500,000)
	<u>-</u>	<u>(500,000)</u>
Cash flows from financing activities		
Proceeds from issue of shares	5,702,641	11,297,800
Costs of raising capital paid	(343,104)	-
Repayment of convertible notes	(70,000)	(1,000,000)
	<u>5,289,537</u>	<u>10,297,800</u>
Net increase in cash and cash equivalents	4,184,482	3,182,129
Cash and cash equivalents at the beginning of the financial half-year	<u>1,264,795</u>	<u>131,856</u>
Cash and cash equivalents at the end of the financial half-year	<u><u>5,449,277</u></u>	<u><u>3,313,985</u></u>

The above statement of cash flows should be read in conjunction with the accompanying notes

DirectMoney Limited
Notes to the financial statements
For the half-year ended 31 December 2016

Note 1. Significant accounting policies

These financial statements for the interim half-year reporting period ended 31 December 2016 have been prepared in accordance with Australian Accounting Standard AASB 134 'Interim Financial Reporting' and the Corporations Act 2001, as appropriate for for-profit oriented entities. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 'Interim Financial Reporting'.

These financial statements do not include all the notes of the type normally included in annual financial statements. Accordingly, these financial statements are to be read in conjunction with the annual report for the year ended 30 June 2016 and any public announcements made by the company during the interim reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

The principal accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period, unless otherwise stated.

These interim financial statements were authorised for issue on 28 February 2017.

New, revised or amending Accounting Standards and Interpretations adopted

The consolidated entity has adopted all of the new, revised or amending Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period.

Any new, revised or amending Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

Note 2. Revenue

	Consolidated	
	31 Dec 2016	31 Dec 2015
	\$	\$
Effective interest income on financial assets	452,164	356,950
Other revenue from financial assets	94,089	52,370
Interest on cash	3,893	14,049
Interest from investments	17,833	12,144
	<u>567,979</u>	<u>435,513</u>
Revenue		

Note 3. Expenses

	Consolidated	
	31 Dec 2016	31 Dec 2015
	\$	\$
Losses from ordinary activities before income tax includes the following other specific expenses:		
<i>Property lease costs</i>	<u>58,330</u>	<u>77,571</u>
<i>Superannuation expense</i>	<u>108,560</u>	<u>79,407</u>
<i>Marketing costs</i>	<u>144,497</u>	<u>268,967</u>
<i>Legal expenses</i>		
General legal expenses	<u>80,961</u>	<u>105,748</u>
<i>Write off of loan assets</i>		
Doubtful debts expense	(36,048)	(62,355)
Bad debt expense	199,879	4,768
Loss on sale of loan assets	<u>38,875</u>	<u>103,254</u>
	<u>202,706</u>	<u>45,667</u>
<i>Performance rights expense</i>	<u>131,220</u>	<u>623,025</u>

DirectMoney Limited
Notes to the financial statements
For the half-year ended 31 December 2016

Note 4. Loan receivables

	Consolidated	
	31 Dec 2016	30 Jun 2016
	\$	\$
<i>Current</i>		
Loan receivables	1,588,689	1,634,484
Less provision for impairment of receivables	(78,664)	(80,359)
	<u>1,510,025</u>	<u>1,554,125</u>
<i>Non-current</i>		
Loan receivables	5,226,945	6,245,956
Less provision for impairment of receivables	(164,586)	(198,938)
	<u>5,062,359</u>	<u>6,047,018</u>

Loan receivables comprise of unsecured personal loans between \$5,000 to \$35,000 with an interest range between 8.5% to 22.75%. The unsecured personal loans are repayable within the ranges of 3 to 5 years.

The fair value of the loan receivables is considered to approximate the carrying value.

Note 5. Available-for-sale financial assets

	Consolidated	
	31 Dec 2016	30 Jun 2016
	\$	\$
<i>Non-current</i>		
Investment in DirectMoney Personal Loan Fund	<u>500,000</u>	<u>500,000</u>

The consolidated entity has invested \$500,000 into the DirectMoney Personal Loan Fund. The DirectMoney Personal Loan Fund is a registered managed investment scheme where investors' money is pooled and invested into unsecured personal loans acquired from DirectMoney Finance Pty Ltd. The investment is classified as available for sale in accordance with AASB 139 *Financial Instruments: Recognition and Measurement*.

Valuation Techniques and Inputs Used to Measure Level 2 Fair Values

Description	Fair Value at 31 Dec 2016	Valuation Technique(s)	Inputs Used
	\$000		
<i>Financial assets</i>			
Investment in DirectMoney Personal Loan Fund (Fund)	500	Market approach using monthly valuation reports provided by Fund's Investment Manager and Fund's Administrator.	Monthly valuation report provided Fund's Investment Manager and Fund's Administrator.

There were no changes during the period in the valuation techniques used by the Group to determine Level 2 fair values.

Note 6. Acquisition accounting

There were no listing expenses during the half-year ended 31 December 2016.

In the prior half-year ended 31 December 2015, DirectMoney Limited completed its acquisition of 100% of the issued capital of DirectMoney Finance Pty Ltd ("DMF") as part of a reverse acquisition.

The value of the transaction was as follows:

	3 Jul 2015
	\$
Assets and liabilities acquired	
Cash and cash equivalents	2,857
Other current assets	17,806
Trade and other payables	(729,332)
	<u>(708,669)</u>
 Fair value of notional shares that DMF issued to effect the transaction	 2,000,088
 Listing expense	 <u>2,708,757</u>

The fair value of the shares was assessed on the basis of the fair value of the net assets acquired and DirectMoney Limited's listing status.

Note 7. Contingent liabilities

On 19 February 2016, the parent entity entered into a Loan Sale and Management Deed with Macquarie Bank Limited (Agreement) in which Macquarie Bank Limited (Macquarie) agreed to purchase a \$5 million loan portfolio from DirectMoney Finance Pty Ltd and provide certain services to the Company. A \$5 million cash consideration for the \$5 million loan portfolio was paid on 23 February 2016, at which point the loan portfolio was derecognised.

Note 19 of the Annual Report 2016 detailed the various fees payable as tranches under the Agreement.

The Tranche 2 funder fee is the only contingent liability remaining and is payable for so long as Macquarie continues to hold an interest in the loan portfolio.

DirectMoney Limited
Notes to the financial statements
For the half-year ended 31 December 2016

Note 8. Issued capital

	Consolidated	
	31 Dec 2016	30 June 2016
	\$	\$
(a) Issued and paid up capital		
Ordinary shares fully paid	28,112,444	22,409,803
Costs of raising capital	(320,406)	-
	<u>27,792,038</u>	<u>22,409,803</u>

Ordinary shares participate in dividends and the proceeds on winding up the Company. At shareholder meetings, each ordinary share is entitled to one vote when a poll is called. Otherwise, each shareholder has one vote on show of hands.

	31 Dec 2016		31 Dec 2015	
	Number of shares	\$	Number of shares	\$
(b) Reconciliation of issued and paid-up capital				
Opening balance as at 1 July	271,954,175	22,409,803	271,843,978	6,106,746
DirectMoney Finance Pty Ltd shares issued prior to acquisition	-	-	62,203,896	2,505,169
Reversal of existing shares on acquisition	-	-	(334,047,874)	-
Existing DirectMoney Limited shares on issue	-	-	10,000,443	-
Issue of DirectMoney Limited shares on acquisition of DirectMoney Finance Pty Ltd	-	-	199,609,932	2,000,088
Issue of DirectMoney Limited shares post acquisition	-	-	56,489,000	11,297,800
Issue of shares from Rights issue	135,777,153	5,702,641	-	-
Costs of raising capital	-	(320,406)	-	-
Closing Balance as at 31 December	<u>407,731,328</u>	<u>27,792,038</u>	<u>266,099,375</u>	<u>21,909,803</u>

Note 9. Share based payments

The share based payment expense of \$131,220 is a performance rights expense.

Performance rights

	31 December 2016		31 December 2015	
	Number of performance rights	Exercise price	Number of performance rights	Exercise price
Opening balance as at 1 July	32,175,000	Nil	-	Nil
- Granted	17,500,000	Nil	37,175,000	Nil
- Forfeited	(12,500,000)	Nil	(5,000,000)	Nil
- Exercised	-	Nil	-	Nil
Closing balance as at 31 December	<u>37,175,000</u>	<u>Nil</u>	<u>32,175,000</u>	<u>Nil</u>

Note 10. Restatement of comparatives

The Company granted performance rights during the half-year ended 31 December 2015. A share based payments expense of \$623,025 in respect of this was not recognised in the Interim Report for the half-year ended 31 December 2015.

This has been corrected by restating each of the affected financial statement line items for the prior period.

	Consolidated 31 Dec 2015 \$
Impact on equity (no impact)	
Equity	
Reserves reported	2,444
Adjustment for restatement	623,025
Restated reserves	<u>625,469</u>
Net impact on equity	<u>-</u>
Impact on statement of profit or loss (increase in loss)	Consolidated 31 Dec 2015 \$
Expenses	
Share based payment expense	(623,025)
Net impact on loss for the period	<u>(623,025)</u>
Attributable to members	<u>(623,025)</u>

Impact on basic and diluted earnings per share (EPS) ((decrease) in EPS)	Consolidated 31 Dec 2015 cents
EPS	
Basic, earnings per share for the period attributable to members	(0.23)
Diluted, earnings per share for the period attributable to members	(0.23)

The change did not have an impact on the company's operating, investing and financing cash flows.

Note 11. Funder fee expense

In an agreement entered into between the Company and Macquarie Bank Limited on 19 February 2016, the Company agreed to pay funder fees to Macquarie Bank.

The Company has taken up an accrued funder fee expense totalling \$643,784 up to 31 December 2016.

Note 12. Events after the reporting period

There were no significant events subsequent to the end of the reporting period.

DirectMoney Limited
Directors' declaration
For the half-year ended 31 December 2016

In the directors' opinion:

- the attached financial statements and notes comply with the Corporations Act 2001, Australian Accounting Standard AASB 134 'Interim Financial Reporting', the Corporations Regulations 2001 and other mandatory professional reporting requirements;
- the attached financial statements and notes give a true and fair view of the consolidated entity's financial position as at 31 December 2016 and of its performance for the financial half-year ended on that date; and
- there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of directors made pursuant to section 303(5)(a) of the Corporations Act 2001.

On behalf of the directors



John Nantes
Director

28 February 2017
Sydney

INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of DirectMoney Limited

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of DirectMoney Limited, which comprises the consolidated statement of financial position as at 31 December 2016, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the half-year ended on that date, notes comprising a statement of accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the half-year's end or from time to time during the half-year.

Directors' Responsibility for the Half-Year Financial Report

The directors of the company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2016 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of DirectMoney Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of DirectMoney Limited, would be in the same terms if given to the directors as at the time of this auditor's review report.

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of DirectMoney Limited is not in accordance with the *Corporations Act 2001* including:

- (i) Giving a true and fair view of the consolidated entity's financial position as at 31 December 2016 and of its performance for the half-year ended on that date; and
- (ii) Complying with Accounting Standard AASB 134 *Interim Financial Reporting* and *Corporations Regulations 2001*.

BDO East Coast Partnership

A handwritten signature in black ink, appearing to read 'AM', is written over the printed name of Arthur Milner.

Arthur Milner
Partner

Sydney, 28 February 2017