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 2017
Previous period:	For the half-year ended 31 December 2016

2. Results for announcement to the market

Key information				$
Revenues from ordinary activities	up	34%	to	758,742
Loss from ordinary activities after tax attributable to the owners of DirectMoney Limited	up	12%	to	(3,093,043)
Loss for the half-year attributable to the owners of DirectMoney Limited	up	12%	to	(3,093,043)

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	1.49	2.60

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.

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8. Attachments

Details of attachments (if any):

The Interim Report of DirectMoney Limited for the half-year ended 31 December 2017 is attached.

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9. Signed

Signed ______________________ Date: 28 February 2018

John Nantes
Director
Sydney

DirectMoney Limited

ABN 80 004 661 205

Interim Report – For the half-year ended 31 December 2017

DirectMoney Limited
Directors' report
31 December 2017

The directors present their report, together with the financial statements, on the consolidated entity (referred to hereafter as the 'consolidated entity' or the ‘Group’) 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 2017.

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
Craig Swanger
Christopher Whitehead

Principal activities
During the financial half-year, the Group’s primary activity was writing personal loans for 3 and 5 year maturities to Australian consumers, then on-selling these loans to either the Fund[1] or to institutional and wholesale investors.

Review of operations
The Group reported an increase in revenue of 34% for 2017 compared to 2016. The Group takes a strong approach to credit with credit performance for loans held on balance sheet improving significantly as reflected by a positive net write off result for the period. Overall the Group reported an operating loss of $3.1 million for 2017. While this is 12% higher than for 2016, this result reflects the continued, significant investment the Group is making toward building out its marketplace lending business, including continuing to invest in optimising our proprietary, integrated, end-to-end web-based loan processing platform, including rolling out customer facing initiatives to enhance user experience and leverage the businesses technology skill set. A comment on revenue and expense lines and significant one-off items that have contributed to this result follows below.

The vision remains resolute to become Australia’s most respected and innovative marketplace lender, striving to deliver Australians wiser financial choice and investment outcomes. The scalable foundations are now in place to allow for significant growth in loan origination volumes and revenue in 2018 and beyond.

During the period, the Group finalised a wholesale funding agreement with 255 Finance Investments Pty Ltd (‘255 Finance’). On 13 February 2018, the Company announced an investment by Alceon Group Pty Limited (‘Alceon’) which is consistent with the Company’s strategic approach to capital, partnerships and growth through innovation, supported by the proposed name change to Wisr Limited (ASX: WZR), awaiting approval at the upcoming EGM on 28 February 2018.

<u>Capital</u>
At 31 December 2017, the Group had $1.9m of cash and $5.4m of loan assets on balance sheet. The Group remains committed to protecting the balance sheet and has no bank debt. The wholesale funding agreement with 255 Finance and the Fund along with other well progressed funding opportunities will allow the Group to significantly grow loan volumes while maintaining balance sheet protection.

As detailed in Note 11. Events after the reporting period, on 13 February 2018, the Company announced that Alceon would make a strategic investment in the Company to fund growth and innovation initiatives. The investment was structured thought an initial placement of $600,000 at $0.042 per share (being 14,285,715 new shares), a 56% premium to the price at close of trading on 9 February 2018 and equivalent to a 3.1% shareholding. Alceon were also granted an equal number of call options enabling them to increase their investment in the Company by approximately $1.14 million at $0.08 per share, a 196% premium to the price at close of trading on 9 February 2018.

<u>Governance and senior management</u>
The Board and senior management remained unchanged during the period.

<u>Loan sale facilities</u>
Diversification of funding and the establishment of institutional wholesale funding is a key ongoing objective for the Group. This was delivered through a wholesale funding agreement with 255 Finance structured around the purchase of $50 million in DirectMoney originated loan assets. The agreement was finalised in August 2017 and became operational in October 2017. The Group is continuing to negotiate with other large financial institutions regarding additional loan sale arrangements and expects to finalise at least one of these in 2018.

1: The DirectMoney Personal Loan Fund ARSN 602 325 628 (the “Fund”), issued by One Managed Investment Funds Limited ACN 117 400 987 AFSL 297042 as Responsible Entity of the Fund. Wisr Investment Management Pty Ltd (ACN 604 346 189) is investment manager of the Fund.

Loan sale facilities (cont.)
The Group continues to focus on the Fund[1], which as of 31 December 2017 has provided a 7.4% per annum net return to investors since inception in May 2015. The Fund was recently approved by the Association of Independently Owned Financial Professionals for investment by its members. With the Fund moving closer toward its three-year milestone in May 2018, the Group 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') in February 2016 remains in place with Macquarie holding a $2.0 million portfolio of DirectMoney-originated loan assets as at 31 December 2017.

Revenues
The operating revenue result for the current financial half-year period of $758,742 is a 34% increase on 2016 revenue of $567,979. Year-on-year the Group increased earnings from our primary revenue generating activities. Upfront fees earned and recognised from all loans written increased partly due to early crystallisation through loan sales. Management fees and payments from investors who own DirectMoney loans rose in proportion to the growth in loans under management.

Expenses
Expenses for the period of $3.9 million were 16% higher than in 2016. This was predominantly driven by an increase in employee expenses and marketing spend.

Employee expenses for the period of $1.8 million remain a significant item for the Group and are higher than recorded in 2016 as the Group continues to invest in growth initiatives and innovation in the consumer lending space. The Group 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 some management incentive schemes of $133k which is share based and therefore a non-cash item.

Net write offs during the period against personal loans held on the Group's balance sheet for the period were $(5k) which is significantly lower than the 2016 result of $203k and essentially represents an overprovision for doubtful debts. The 2017 result reflects a more mature overall portfolio and reduced impact of the weak performance from loans written by the Group in its initial underwriting period from October 2014 to March 2015. As at 31 December 2017 the Group held $5.4 million of loans on its balance sheet.

The loan loss rate for the period on the DirectMoney-originated personal loan portfolio held on balance sheet, was 0.5%, 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 2017 and 31 December 2017.

Growth and technology
The Group is actively pursuing additional activities aimed at customer acquisition and complementing the strategic vision which sees us fast becoming the wiser choice in personal loans for all Australians. Several projects are in pilot or minimum viable product stage with encouraging early data, and the Group will continue to invest in strengthening its technology roadmap, with several highly innovative technologies, products and projects expected to launch across 2018. These projects are aimed at strengthening the Group's positioning in the Australian consumer lending market

During the period the Group 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; making numerous adjustments to our loan administration portal to increase overall efficiency; and finalisation of a new portfolio management system which includes accommodating the many needs of executing a new loan funding arrangement.

As part of the Group'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. This will result in vastly increased automation of the credit process. Completion of this project is expected in 2018, with improvements across the entire customer journey expected from the start of 2019 onwards.

1: The DirectMoney Personal Loan Fund ARSN 602 325 628 (the "Fund"), issued by One Managed Investment Funds Limited ACN 117 400 987 AFSL 297042 as Responsible Entity of the Fund. Wisr Investment Management Pty Ltd (ACN 604 346 189) is investment manager of the Fund.

DirectMoney Limited
Directors' report
31 December 2017

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 2018
Sydney

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Sydney NSW 2000
Australia

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 2017, 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 2018

Contents

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	Principal place of business
Suite 33, Level 8, 58 Pitt Street Sydney NSW 2000	Suite 33, 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 2018.

DirectMoney Limited
Consolidated statement of profit or loss and other comprehensive income
For the half-year ended 31 December 2017

	Note	31 Dec 2017 $	31 Dec 2016 $
Revenue	2	758,742	567,979
Other income	3	6,000	-
Expenses			
Employee benefits expense		(1,789,370)	(1,442,328)
Depreciation and amortisation expense		(11,254)	(1,403)
Other expenses		(1,742,620)	(1,072,368)
Finance costs		(21,368)	(41,769)
Share based payment expense	9	(55,660)	(131,220)
Funder fee expense	10	(237,513)	(643,784)
Loss before income tax	4	(3,093,043)	(2,764,893)
Income tax expense		-	-
Loss after income tax for the half-year		(3,093,043)	(2,764,893)
Other comprehensive income			
Other comprehensive income for the half-year, net of tax		-	-
Total comprehensive income for the half-year		(3,093,043)	(2,764,893)
		Cents	**Cents**
Basic earnings per share		(0.71)	(0.81)
Diluted earnings per share		(0.71)	(0.81)

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 2017

	Note	31 Dec 2017 $	30 Jun 2017 $
Assets			
Current assets			
Cash and cash equivalents		1,853,843	3,479,300
Loan receivables	5	1,200,054	1,727,404
Trade and other receivables		99,443	67,727
Other assets		419,157	287,054
Total current assets		3,572,497	5,561,485
Non-current assets			
Loan receivables	5	4,189,334	4,711,974
Property, plant and equipment		53,836	65,516
Available-for-sale financial assets	6	500,000	500,000
Total non-current assets		4,743,170	5,277,490
Total assets		8,315,667	10,838,975
Liabilities			
Current liabilities			
Trade and other payables		1,090,909	783,918
Employee benefits		166,508	180,620
Convertible notes		523,000	672,000
Total current liabilities		1,780,417	1,636,538
Total liabilities		1,780,417	1,636,538
Net assets		6,535,250	9,202,437
Equity			
Issued capital	8	28,664,725	28,604,725
Reserves		1,760,364	1,394,508
Accumulated losses		(23,889,839)	(20,796,796)
Total equity		6,535,250	9,202,437

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 2017

	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)
Transactions with owners in their capacity as owners:				
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	27,792,038	951,114	(18,130,016)	10,613,136

	Issued Capital $	Reserves $	Accumulated losses $	Total equity $
Balance at 1 July 2017	28,604,725	1,394,508	(20,796,796)	9,202,437
Loss after income tax expense for the half-year	-	-	(3,093,043)	(3,093,043)
Other comprehensive income for the half-year, net of tax	-	-	-	-
Total comprehensive income for the half-year	-	-	(3,093,043)	(3,093,043)
Transactions with owners in their capacity as owners:				
Issue of share capital (Note 8)	60,000	-	-	60,000
Costs of capital raising	-	-	-	-
Share based payments (Note 7 & 9)	-	365,856	-	365,856
Balance at 31 December 2017	28,664,725	1,760,364	(23,889,839)	6,535,250

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 2017

	Note	Consolidated 31 Dec 2017 $	Consolidated 31 Dec 2016 $
Cash flows from operating activities			
Net of lending and repayments		(3,595,785)	669,754
Net proceeds from sale of loans		5,270,802	661,109
Payments to suppliers and employees (inclusive of GST)		(3,208,311)	(2,458,794)
		(1,533,295)	(1,127,931)
Interest received		17,245	21,726
Management fees received		62,554	43,501
Interest and other finance costs paid		(22,961)	(42,351)
Net cash used in operating activities		(1,476,457)	(1,105,055)
Cash flows from investing activities			
Net cash used in investing activities		-	-
Cash flows from financing activities			
Proceeds from issue of shares		-	5,702,641
Costs of raising capital paid		-	(343,104)
Repayment of convertible notes		(149,000)	(70,000)
Net cash (used in) / from financing activities		(149,000)	5,289,537
Net (decrease) / increase in cash and cash equivalents		(1,625,457)	4,184,482
Cash and cash equivalents at the beginning of the financial half-year		3,479,300	1,264,795
Cash and cash equivalents at the end of the financial half-year		1,853,843	5,449,277

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

Note 1. Significant accounting policies

These financial statements for the interim half-year reporting period ended 31 December 2017 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 2017 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 2018.

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 2017	**31 Dec 2016**
	$	**$**
Effective interest income on financial assets	541,864	452,164
Other revenue	195,277	94,089
Interest on cash	4,211	3,893
Interest from investments	17,390	17,833
Revenue	758,742	567,979

Note 3. Other income

	Consolidated	
	31 Dec 2017	**31 Dec 2016**
	$	**$**
Rental income	6,000	-

Note 4. Expenses

	Consolidated	
	31 Dec 2017	31 Dec 2016
	$	$
Losses from ordinary activities before income tax includes the following other specific expenses:		
Property lease costs	50,350	58,330
Superannuation expense	133,747	108,560
Marketing costs	966,085	144,497
Legal expenses		
General legal expenses	49,440	80,961
Write off of loan assets		
Doubtful debts expense	(57,141)	(36,048)
Bad debt expense	51,751	199,879
Loss on sale of loan assets	-	38,875
	(5,391)	202,706
Performance rights expense	55,660	131,220

Note 5. Loan receivables

	Consolidated	
	31 Dec 2017	30 Jun 2017
	$	$
Current		
Loan receivables	1,310,203	1,839,049
Less provision for impairment of receivables	(110,149)	(111,645)
	1,200,054	1,727,404
Non-current		
Loan receivables	4,333,369	4,911,654
Less provision for impairment of receivables	(144,035)	(199,680)
	4,189,334	4,711,974

Loan receivables comprise of personal loans between $5,000 to $35,000 with an interest range between 8.5% to 22.75%. The 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 6. Available-for-sale financial assets

	Consolidated	
	31 Dec 2017	30 Jun 2017
	$	$
Non-current		
Investment in DirectMoney Personal Loan Fund	500,000	500,000

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.*

Note 6. Available-for-sale financial assets (cont.)

Valuation Techniques and Inputs Used to Measure Level 2 Fair Values

Description	Fair Value at 31 Dec 2017 $000	Valuation Technique(s)	Inputs Used
Financial assets			
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 7. Contingent liabilities

Macquarie Bank Agreement
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 Group's 2016 Annual Report detailed the various fees payable as tranches under the Agreement.

In accordance with the modification of the Agreement, Tranche 2 funder fee is the only contingent liability remaining under the Agreement and is payable for so long as Macquarie continues to hold an interest in the loan portfolio. As at 31 December 2017 the Company took up a funder fee expense of $161,473 relating to Tranche 2.

255 Finance Agreement
In August 2017, the Company entered into an agreement with 255 Finance structured around the purchase of $50 million in DirectMoney originated loan assets over a multiple year period. The transaction included an issue of shares to 255 Finance and up to $200,000 in options that vest upon certain hurdles being met. As at 31 December 2017, the Company took up a funder fee expense of $16,040 related to these options. $183,960 of options remain contingent on a certain volume of new loan originations being funded.

CEO Short and Long Term Incentives
The following short and long term incentives may be awarded by the Company to the CEO and are noted as contingent liabilities:

- Grant of shares of a value equal to 0.5% of the market capital value of the Company as at the opening of trading on the first business day after 30 June 2018 if agreement of a lending facility, approved by the Board, of greater than $10 million by 30 June 2018 is secured;
- Grant of shares of a value equal to 0.5% of the market capital value of the Company as at the opening of trading on the first business day after 30 June 2018 if new book growth, approved by the Board, of $10 million is achieved by 30 June 2018;
- Grant of shares equivalent to 1% of the market capital value of the Company as at 30 June 2018 and 30 June 2019, up to a maximum value to be determined by the Company in July 2017, but to be between 100% to 200% of base remuneration subject to the discretion of the Board and outcomes to be agreed with the Board, or absent agreement, as determined by the Board;
- Grant of shares equivalent to 0.5% of the market capital value of the Company on achieving a share price of 6c based on the average weighted price of the equity of the Company for a consecutive 30 day period in the 90 days immediately preceding the first day of the Vesting Date being 6c. The Vesting Date being within 20 business days following 30 June 2019; and
- Grant of shares equivalent to 0.5% of the market capital value of the Company on achieving a share price of 12c based on the average weighted price of the equity of the Company for a consecutive 30 day period in the 90 days immediately preceding the first day of the vesting date being 12c. The Vesting Date being within 20 business days following 30 June 2019.

Note 7. Contingent liabilities (cont.)

CEO Short and Long Term Incentives (cont.)
As at 31 December 2017, the Company has accrued $59,255 related to CEO Short Term Incentives.

COO Long Term Incentives
The following long term incentives may be awarded by the Company to the COO and are noted as contingent liabilities:

- Grant of shares equal to 1% market capital value of the Company as at 30 June 2018 and 30 June 2019, up to a maximum value of 50% of total remuneration or $100,000, whichever is the lesser, for each of the relevant years;
- Grant of shares equal to 0.25% of the market capital value of the Company on achieving a share price of 6c based on the average weighted price of the equity of the Company for a consecutive 30 day period in the 90 days immediately preceding the first day of the Vesting Date being 6c. The Vesting Date being within 20 business days following 30 June 2019; and
- Grant of shares equal to 0.25% of the market capital value of the Company on achieving a share price of 12c based on the average weighted price of the equity of the Company for a consecutive 30 day period in the 90 days immediately preceding the first day of the vesting date being 12c. The Vesting Date being within 20 business days following 30 June 2019.

CFO Long Term Incentives
The Company may award the CFO an issue of shares in the Company to a maximum value of $170,000 for each of the financial years to 30 June 2018 and subsequently, annually, subject to the discretion of the CEO and Board, and achievement of outcomes to be agreed with the CEO or absent agreement, as determined by the CEO. This is noted as a contingent liability. As at 31 December 2017, the Company has accrued $73,427 related to CFO Long Term Incentives.

Note 8. Issued capital

	Consolidated	
	31 Dec 2017	**30 June 2017**
	$	**$**
(a) Issued and paid up capital		
Ordinary shares fully paid	28,664,725	28,925,131
Costs of raising capital	-	(320,406)
	28,664,725	28,604,725

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 2017		**31 Dec 2016**	
	Number of shares	**$**	**Number of shares**	**$**
(b) Reconciliation of issued and paid-up capital				
Opening balance as at 1 July	436,925,084	28,604,725	271,954,175	22,409,803
Issue of shares from Rights issue	-	-	135,777,153	5,702,641
Costs of raising capital	-	-	-	(320,406)
Issue of shares as payment of funder fees	2,000,000	60,000	-	-
Closing Balance as at 31 December	438,925,084	28,664,725	407,731,328	27,792,038

Note 9. Share-based payments

The share-based payment expense relating to performance rights during the period totalled $55,660 (2016: $131,220) . $17,908 related to performance rights existing prior to the period.

The Group has awarded its staff an offer to participate in the Group's Long Term Incentive Plan (LTIP) which may result in staff performance rights being granted if the Board determines that specific LTIP performance conditions have been met within the LTIP performance period of 1 July 2017 to 30 June 2018. The Group has taken up a share based performance expense of $37,752 (2016: nil) in accordance with AASB 2 Share-based payment.

Performance rights

	31 December 2017		**31 December 2016**	
	Number of performance rights	**Exercise price**	**Number of performance rights**	**Exercise price**
Opening balance as at 1 July	37,175,000	Nil	32,175,000	Nil
- Granted	6,565,126	Nil	17,500,000	Nil
- Forfeited	-	Nil	(12,500,000)	Nil
- Exercised	-	Nil	-	Nil
Closing balance as at 31 December	43,740,126	Nil	37,175,000	Nil

Note 10. Funder fee expense

The funder fee expense totalling $237,513 is comprised of:

- $161,473 (2016: $643,784) in funder fees up to 31 December 2017 related to an agreement entered into between the Company and Macquarie Bank Limited on 19 February 2016.
- $76,040 in funder fees up to 31 December 2017 related to an agreement entered into between the Company and 255 Finance in August 2017, of which the Company agreed to issue shares to 255 Finance and options that vest upon certain hurdles being met.

Note 11. Events after the reporting period

On 13 February 2018, the Company announced that Alceon Group Pty Limited ('Alceon') would take a strategic investment in the Company to fund growth and innovation initiatives. The investment was structured through an initial placement of $600,000 at $0.042 per share (being 14,285,715 new shares), a 56% premium to the price at close of trading on 9 February 2018 and equivalent to a 3.1% shareholding. Alceon were also granted an equal number of call options enabling them to increase their investment in the Company by approximately $1.14 million at $0.08 per share, a 196% premium to the price at close of trading on 9 February 2018.

DirectMoney Limited
Directors' declaration
For the half-year ended 31 December 2017

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 2017 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 2018
Sydney

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Australia

INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of DirectMoney Limited

Report on the Half-Year Financial Report

Conclusion

We have reviewed the half-year financial report of DirectMoney Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 31 December 2017, 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 then ended, and notes comprising a statement of accounting policies and other explanatory information, and the directors' declaration.

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

(i) Giving a true and fair view of the Group's financial position as at 31 December 2017 and of its financial performance for the half-year ended on that date; and

(ii) Complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001.*

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 Group's financial position as at 31 December 2017 and its financial performance for the half-year ended on that date and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of the Group, 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 the Group, would be in the same terms if given to the directors as at the time of this auditor's review report.

BDO East Coast Partnership

BDO

Arthur Milner
Partner

Sydney, 28 February 2018