Money3 Corporation Limited

ABN: 63 117 296 143

Appendix 4E [Rule 4.3A]

Preliminary Final Report
For the year ended 30 June 2018

Results for Announcement to the Market (All comparisons to 30 June 2017)

Key Financial Information	$'000	up/down	% movement
Revenue from ordinary activities	121,876	Up	11.2%
Profit from ordinary activities after tax attributable to members	32,028	Up	10.1%
Net profit for the period attributable to members	32,028	Up	10.1%

Dividend Information	Amount per share cents	Franked amount per share cents	Tax rate for franking credit
Interim 2018 dividend per share (paid 21 May 2018)	4.50	4.50	30%
Final 2018 dividend per share (to be paid 23 October 2018)	5.00	5.00	30%

Final 2018 Dividend Dates	
Ex-dividend date	27 September 2018
Record date	2 October 2018
Payment date	23 October 2018

The Company's Dividend Reinvestment Plan ("DRP") will apply to of the final 2018 dividend.

	30 Jun 18	30 Jun 17
Net Tangible Assets Per Security	$1.14	$1.04

Additional Appendix 4E disclosure requirements can be found in the Directors' report, financial statements and notes to the financial statements contained in the Money3 Corporation Limited Financial Report for the year ended 30 June 2018. This report is based on the consolidated Financial Report for the year ended 30 June 2018 which has been audited by BDO with the Independent Auditor's Report included in the Consolidated Financial Report.

Money3 Corporation Limited

2018 Consolidated Financial Statements

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Corporate Governance Statement

The statement outlining Money3 Corporation Limited's corporate governance framework and practices in the form of a report against the Australian Securities Exchange Corporate Governance Principles and Recommendations, 3rd Edition, will be available on the Money3 website, www.money3.com.au, under Corporate Governance in the Investors tab in accordance with listing rule 4.10.3 when the 2018 Annual Report is lodged.

Directors' Report

The Board of Directors ("the Board") of Money3 Corporation Limited ("Money3" or "the Company") present the annual financial report on the consolidated entity, consisting of Money3 Corporation Limited and its subsidiaries ("the Group") for the year ended 30 June 2018. In order to comply with the provisions of the Corporations Act 2001, the Directors report as follows:

Directors' Details

The following persons were Directors of the Company during the whole year, unless otherwise stated, and up to the date of this report:

Ray Malone

- Executive Chairman (resigned as Non-Executive Chairman appointed as Executive Chairman on 1 July 2017)

Ray is currently Chief Executive Officer and Executive Chairman of AMA Group Limited ("AMA") and having delivered outstanding shareholder value at AMA over the last 8 years, brings significant strategic experience and track record to Money3.

Other Current Non-Executive Directorships: Nil

Kang Tan ACA (UK) FIPA (Aust)

- Non-Executive Director
- Member of the Remuneration Committee
- Member of the Audit Committee

Kang has been a member of the Institute of Chartered Accountants in England and Wales since 1983 and a fellow of the Institute of Public Accountants in Australia since 1998. Kang spent ten years as an Accountant with La Trobe University Union. Before coming to Australia, in Malaysia Kang was the Group Financial Controller of Tanming Corporation Berhad for four years. Kang established his first small cash loan branch in Glenroy, Victoria in August 2000. Kang held an ownership interest in four of the Money3 trading companies prior to being acquired by Money3.

Other Current Non-Executive Directorships: Nil.

Leath Nicholson B.Ec (Hons) LLB (Hons) LLM (Commercial Law)

- Non-Executive Director
- Chairman of the Remuneration Committee
- Member of the Audit Committee

Leath brings broad commercial and legal experience to Money3, specifically in the area of mergers and acquisitions and corporate governance. He has practised extensively in the consumer credit regulatory sector and has provided legal advice to Money3 in relation to both its corporate and consumer credit obligations since 2010. Leath was a Corporate Partner at a leading national law firm, gaining experience with a breadth of ASX listed entities, before co-founding Nicholson Ryan in 2008.

Other Current Non-Executive Directorships: AMA Group Limited since 23 December 2015 and CCP Technologies Limited (ASX:CT1) as non-executive Chairman since 14 October 2016.

Directors' Report (continued)

Stuart Robertson B.Com ACA FINSIA GAICD MBA

- Non-Executive Director
- Chairman of the Audit Committee

Stuart's background includes broad experience in business advisory, investment banking, alternative investments and funds management, in addition to extensive experience in the consumer finance sector. Stuart currently provides consulting services focused on deal origination and structuring primarily in the unlisted market. Stuart has held senior roles at BT Funds Management, KBC Investments Limited and Zurich Financial Services in Australia, London and New York. He is a qualified Chartered Accountant, a Fellow of the Financial Services Institute of Australasia (FINSIA) and graduate of the Australian Institute of Company Directors. In addition, he holds a Masters of Business Administration from the Macquarie Graduate School of Management.

Other Current Non-Executive Directorships: Ellerston Global Investments Limited since 24 July 2014 and Ellerston Asian Investments Limited since 25 June 2015. Stuart was appointed to the board of Praemium Limited (ASX:PPS) on 12 May 2017.

Scott Baldwin B.Eng. (Hons) MBA GAICD

- Managing Director
- Member of the Remuneration Committee (non-voting)

Joining Money3 in 2008 as the Chief Operating Officer, Scott has a wealth of experience in sales, marketing and technology. Appointed to the board in 2009, Scott established and led the growth of the secured vehicle financing division at Money3. Prior to joining Money3, Scott spent over a decade in a variety of senior roles with General Electric Healthcare, from Sales & Service across Asia to leading infrastructure projects and working on the Asian Mergers and Acquisitions team.

Other Current Directorships: Nil.

Company Secretary's Details

Terri Bakos B.Acc. ACA ACIS

- Company Secretary (appointed on 31 October 2016)

Joining Money3 in October 2016 as Company Secretary, Terri has over 20 years' experience providing company secretarial, financial accounting and compliance services to ASX listed and unlisted public companies in the technology, mining and biotech sectors.

Former Company Secretary's Details

Brett Coventry B.Acc. CPA MBA (resigned 29 March 2018)

- Chief Financial Officer and Joint Company Secretary

Joining Money3 in January 2017 as Chief Financial Officer and Joint Company Secretary, Brett is an experienced CPA and governance professional with nearly two decades of senior finance experience across high growth FMCG and technology spaces. His most recent experience was in senior finance and commercial roles at ASX listed Catapult Group International Limited (CAT) as CFO, responsible for listing CAT on the ASX. Brett has significant experience in financial management, capital raising, acquisitions, commercial operations and governance. Brett resigned in March 2018.

Principal Activities

The principal activities of the Group during the financial year were the provision of financial services specialising in the delivery of secured and unsecured personal loans.

There has been no significant change in the principal activities during the financial year.

Directors' Report (continued)

Dividends – Money3 Corporation Limited

Dividends paid to members during the financial year were as follows:

	2018 $'000	2017 $'000
Final ordinary dividend for year ended 30 June 2017 of 3.15 cents (2016 - 2.5 cents) per fully paid share paid on 27 October 2017	4,993	3,880
Interim ordinary dividend for the year ended 30 June 2018 of 4.5 cents (2017 – 2.5 cents) per fully paid share paid on 21 May 2018	7,203	3,882
Total Dividends Paid	**12,196**	**7,762**

Since the end of the financial year the Directors have declared the payment of a final 2018 ordinary dividend of 5.00 cents per fully paid share. Based on the current number of shares on issue, the dividend payment is expected to be $8.8 m. This dividend will be paid on 23 October 2018 by the Company.

The Board advises that the dividend payout ratio guidance will continue to be 30-50% of underlying NPAT to balance shareholder returns in the form of dividends versus capital growth through reinvestment of profit into the loan book.

Review of Operations

Money3 is pleased to announce full year results for the year ended 30 June 2018 and confirms its record Net Profit After Tax ("NPAT") of $32.0m is in line with its recent updated profit guidance of $32.0m.

Money3 continues to focus on building a profitable and scalable secured automotive lending business through medium term secured loans.

Money3 has a range of sustainable loan products that it offers to consumers who cannot access funding from traditional lenders and who want to move up the financial continuum to financial and social inclusion.

Group Results

Headline achievements for the Group include:

- 31.4% increase in Broker Division Revenue to $73.6m
- 11.2% increase in Group Revenue to $121.9m
- 11.9% increase in Group EBITDA to $56.6m
- 10.1% increase in Group NPAT to $32.0m
- 12.8% increase in Gross Loans Receivable to $308.1m.
- $96m funds available comprising $50m undrawn finance facility and $46m in cash and cash equivalents as at 30 June 2018 to accelerate loan book growth in FY19.
- Final FY18 dividend of 5.00 cents fully franked, taking full year dividend to 9.50 cents fully franked

Money3 delivered a solid financial result in FY18. Revenues were up 11.2% and gross loans receivable increased by 12.8%, despite the lack of additional funding until mid May 2018. In FY18, Money3 continued to focus on improving its quality of originations as well as cost controls contributing to overall growth in performance.

The Company has early adopted AASB 9 Financial Instruments and AASB 15 Revenue from Contracts with Customers effective 1 July 2017. This resulted in changes in accounting policies and adjustments to the amounts recognised in the financial statements. These changes have been applied retrospectively, however, comparative periods have not been restated, rather the differences in the carrying amounts of financial assets and liabilities resulting from this adoption are recognised in retained earnings at 1 July 2017. Accordingly, at 1 July 2017, Retained Earnings has decreased by $10.2m (net of tax). The detailed impact on the results are detailed in Note 1 (f).

The implementation of the new accounting standards has enabled Money3 to align revenue recognition to its cash flows. Since the transition adjustments were applied only from 1 July 2017, the prior period information in the tables in this report is not comparable.

Directors' Report (continued)

The key financial operating results of the Group are outlined in the table below:

	30 Jun 18 $'000	30 Jun 17 $'000	% Change
Total revenue	121,876	109,638	11.2
EBITDA	56,572	50,576	11.9
NPAT	32,028	29,086	10.1
Gross loans receivable	**308,047**	**273,095**	**12.8**
Net loans receivable	**268,305**	**241,644**	**11.0**

Broker Division

The Broker Division of Money3 consists primarily of secured loans (mainly automotive) between $2,000 and $35,000 over periods up to 60 months. Over 15,000 loans were settled in FY18. This is a record number of settlements for the company. All financing under the Broker Division is provided under the All Other Credit ("AOC") Contract, in accordance with the National Consumer Credit Protection Act 2009.

Money3 has over 150 accredited independent broker relationships across Australia, which provides approximately 75% of settled loans, in addition to receiving leads from various websites and referral partners.

The key financial operating results for the Broker division are outlined in the table below:

	30 Jun 18 $'000	30 Jun 17 $'000	% Change
Total revenue	73,618	56,022	31.4
EBITDA	45,887	34,650	32.4
Gross loans receivable	**252,537**	**213,862**	**18.1**
Net loans receivable	**227,116**	**195,916**	**16.4**

The Broker Division was delighted to report the strongest month of settlements in Money3's history was in the month of May 2018 with approximately 1,600 loans.

The Broker Division delivered exceptional revenue and EBITDA growth during the year. Revenue for the year increased by 31.4% to $73.6m, driven by an increase in the number of loans written during the year and improved cash collections. The growth in written loans provides a strong platform for future financial periods.

Branch Division

The Branch Division consists of 49 physical branches located across Australia and provides cash loans to customers ranging from $50 to $8,000, mainly on an unsecured basis. Financing under the Branch Division is provided under either a Small Amount Credit Contract ("SACC"), Medium Amount Credit Contract ("MACC") or an All Other Credit ("AOC") Contract, in accordance with the National Consumer Credit Protection Act 2009.

The key financial operating results for the Branch division are outlined in the table below:

	30 Jun 18 $'000	30 Jun 17 $'000	% Change
Total revenue	34,466	35,127	(1.9)
EBITDA	11,230	14,832	(24.3)
Gross loans receivable	**45,936**	**41,409**	**10.9**
Net loans receivable	**33,889**	**31,520**	**7.5**

The implementation of the new accounting standards has contributed to slower revenue recognition as revenue is aligned with cash receipts from customers. The new accounting standards also resulted in an increase in allowance for impairment losses impacting EBITDA margins significantly.

Directors' Report (continued)

Online Division

Cash Train provides cash loans to customers ranging from $200 to $2,000, mainly on an unsecured basis. Financing under the Online Division is provided under either a Small Amount Credit Contract (“SACC”) or a Medium Amount Credit Contract (“MACC”), in accordance with the National Consumer Credit Protection Act 2009.

The key financial operating results for the Online division are outlined in the table below:

	30 Jun 18 $‘000	30 Jun 17 $‘000	% Change
Total revenue	13,792	18,655	(26.1)
EBITDA	4,843	5,286	(8.4)
Gross loans receivable	**9,574**	**17,824**	**(46.3)**
Net loans receivable	**7,300**	**14,208**	**(48.6)**

Similar to the Branch segment, the Online segment has also been impacted by slower revenue recognition and increased allowance for impairment losses on implementation of the new accounting standards. Furthermore, the gross loans receivable, which primarily comprises SACC loans reduced by 46.3%. This reflects Money3’s focus on originating secured loans.

Strategic Update

Market

Money3 continues to increase its market share of the secured loans market which will see further growth in revenues and profitability over time. Coupled with the expenditure review program it is expected this segment of Money3 will continue to dominate the financial metrics of the overall business.

Funding

In December 2017, Money3 secured a $150m finance facility. During FY18, $100m of the facility was drawn down in two tranches and was used to repay existing debt facilities of $80m. At 30 June 2018, Money3 has $96m of funds available to accelerate loan book growth comprising $46m in cash and cash equivalents and $50m in undrawn finance facility. The business remains conservatively geared and it is expected that future growth of the receivables book will come from debt and not equity funding.

Material Risks

Key strategic risks facing the business include the following:

Risk that the business cannot refinance debt facilities when they expire

Money3 to date has been conservatively geared and has been using a mixture of debt and equity to fund growth. If debt facilities could not be refinanced, lending could be reduced to allow cash receipts to repay debt facilities, a capital raising could be undertaken, or the dividend reduced or eliminated.

Risk that part of the business is subject to an adverse regulatory change or regulatory review

Given the finance industry is heavily regulated, changes in legislation is a significant risk. With increased attention from the media, advocate groups and Environmental and Social Governance (ESG) policies, all financiers including Money3 are coming under increased scrutiny from regulators. Money3 has a diversified range of product offerings that means it is not reliant on any one product. Lending practices are continually monitored and reviewed, to ensure compliance with regulatory requirements.

Risk that there is a downturn in the economy and collections reduce

There is a risk that the economic cycle may result in slowing cash collections and an increase in bad debts. As the business is dealing with customers that are credit impaired, the business is adept at helping customers to manage their repayment obligations around life’s challenges. Money3 knows that it is important to help customers on their journey to financial and social inclusion, and that means being flexible when the customer needs it as well as taking payment when customers have available funds. Money3’s collection practices are built around this premise.

A downturn in the economy could also provide further lending opportunities to Money3 as credit practices of larger financial institutions tighten.

Directors' Report (continued)

Significant Changes in State of Affairs

In the opinion of the Directors, there were no significant changes in the state of affairs of the Group that occurred during the year under review.

Significant Matters Subsequent to the Reporting Date

No matters or circumstances have arisen since the end of the financial year that have significantly affected or may significantly affect the operations of Money3, the results or the state of affairs of the Group.

Likely Developments and Expected Results of Operations

The likely developments in the Group's operations, to the extent that such matters can be commented upon, are covered in the Review of Operations section on pages 3 to 5 of this Financial Report.

Indemnification and Insurance of Directors and Officers

The Group has indemnified the Directors and Officers for costs incurred, in their capacity as a Director or Executive, for which they may be held personally liable, except where there is a lack of good faith.

During the financial year, the Group paid a premium in respect of a contract to insure the Directors and Executives against a liability to the extent permitted by the Corporations Act 2001. The contract of insurance prohibits disclosure of the nature of liability and the amount of the premium.

Non-Audit Services

There were no non-audit services provided by the auditor during the 2018 or 2017 financial years.

Environmental Regulation

The operations of the Group are not subject to any significant environmental regulations under Australian Commonwealth, State or Territory law. The Directors are not aware of any breaches of any environmental regulations.

Proceedings on behalf of the Group

No person has applied to the Court for leave to bring proceedings to which the Group is a party, for taking responsibility on behalf of the Group for all or part of these proceedings.

No proceedings have been brought or intervened in on behalf of the Group with leave of the Court under section 237 of the *Corporations Act 2001*.

Rounding of amounts

The Group is of a kind referred to in ASIC Legislative Instrument 2016/191, relating to the "rounding off" of amounts in the Directors' report. Amounts in the Directors' report have been rounded off in accordance with the instrument to the nearest dollar.

Share Options

As at the date of this report, there were 9,650,000 options to acquire ordinary shares of Money3 Corporation Limited on issue (2017: 26,990,000). On exercise, options convert into one ordinary share of Money3 Corporation Limited. The options carry neither right to dividends nor voting.

Details of unissued ordinary shares in the Group under option at the date of this report are:

Issuing entity	Type	No. of shares under option	Exercise Price $	Expiry Date
Money3 Corporation Ltd	Employee Options	500,000	0.996056	21 October 2018
Money3 Corporation Ltd	Director's Options	1,000,000	1.496056	30 November 2018
Money3 Corporation Ltd	Employee Options	1,000,000	1.496056	30 November 2018
Money3 Corporation Ltd	Employee Options	500,000	1.496056	20 October 2019
Money3 Corporation Ltd	Employee Options	1,650,000	1.696056	14 April 2020
Money3 Corporation Ltd	Directors Options	5,000,000	1.50000	23 November 2021

Directors' Report (continued)

Shares Issued as a Result of the Exercise of Options

During the year, the options holders under the bond facility exercised 14,751,696 options at $1.296056. In addition, other option holders exercised 300,000 options in a cashless conversion at $1.696056 and 2,000,000 options at $1.496056. There were 200,000 employee options forfeited during the year.

Meetings of Directors

The number of meetings of the Board and of other Committee meetings held during the year ended 30 June 2018 and the numbers of meetings attended by each Director were:

Director	Board		Audit Committee		Remuneration Committee	
	Held	Attended	Held	Attended	Held	Attended
Ray Malone	8	8	*	*	*	*
Kang Tan	8	8	2	2	1	1
Leath Nicholson	8	8	2	2	1	1
Stuart Robertson	8	8	2	2	*	*
Scott Baldwin	8	8	*	*	1	1

* Not a member of the relevant committee during the year

Remuneration Report

The information provided in this Remuneration Report has been audited as required by section 308(3C) of the *Corporations Act 2001*.

Key Management Personnel Disclosed in This Report

The Key Management Personnel ("KMP") covered in this Remuneration Report are those people having authority and responsibility for planning, directing and controlling the activities of the Group, directly or indirectly. The table below outlines the KMP at any time during the financial year and unless otherwise indicated, were KMP for the entire year.

Name	Role
Non-Executive Directors ("NED")	
Kang Tan	Non-Executive Director
Leath Nicholson	Non-Executive Director
Stuart Robertson	Non-Executive Director
Executive Directors	
Ray Malone	Executive Chairman (appointed 1 July 2017) (resigned as Non-Executive 1 July 2017)
Scott Baldwin	Managing Director
Executives	
Brett Coventry	Chief Financial Officer and Company Secretary (resigned 29 March 2018)
Siva Subramani	Acting Chief Financial Officer (appointed 29 March 2018)
Craig Harris	General Manager - Broker Division
Michael Rudd	General Manager - Branch and Online Divisions
Rob Camilleri	Chief Information Officer

Remuneration Philosophy

The performance of the Group depends upon the quality of its Directors and Executives. To prosper, the Group must attract, motivate and retain highly skilled directors and executives.

To that end, the Group embodies the following principles in its remuneration framework:

- Provide competitive rewards to attract high calibre executives;
- Focus on creating sustained shareholder value;
- Significant portion of executive remuneration at risk, dependent upon meeting predetermined performance benchmarks; and
- Differentiation of individual rewards commensurate with contribution to overall results and according to individual accountability, performance and potential.

The Remuneration Committee is responsible for determining and reviewing compensation arrangements for the Directors, Managing Director (MD) and the senior management team. The Remuneration Committee assesses the appropriateness of the nature and amount of remuneration of Directors and senior managers on a periodic basis by reference to relevant employment market conditions with the overall objective of ensuring maximum stakeholder benefit from the retention of a high-quality board and executive team.

Remuneration Structure

In line with best practice corporate governance, the structure of NED, MD and senior management remuneration is separate and distinct.

NED Remuneration

The Board seeks to set aggregate remuneration at a level which provides the Group with the ability to attract and retain Directors of the highest calibre.

The Constitution and the ASX Listing Rules specify that the aggregate remuneration of NED's shall be determined from time to time by a general meeting. An amount not exceeding the amount determined is then divided between the NED as agreed. The current approved aggregate remuneration is $500,000 (2017: $500,000).

On 20 December 2017, the board agreed to ask the shareholders to increase the remuneration pool for non-executive directors to $750,000 at the next Annual General Meeting.

Remuneration Report (continued)

Senior Management and MD Remuneration

The Group aims to reward executives with a level and mix of remuneration commensurate with their position and responsibilities to:

- Reward executives for Group level and individual performance against targets set by reference to appropriate benchmarks;
- Align the interests of executives with those of shareholders;
- Link reward with the strategic goals and performance of the Group; and
- Ensure total remuneration is competitive by market standards.

The executive remuneration program is designed to support the Group's reward philosophies and to underpin the Group's growth strategy. The program comprises the following components:

- Fixed remuneration component; and
- Variable remuneration component including short term incentive (“STI”) and long-term incentive (“LTI”).

Fixed Remuneration

The level of fixed remuneration is set to provide a base level of remuneration which is both appropriate to the position and is competitive in the market. Senior managers are given the opportunity to receive their fixed (primary) remuneration in a variety of forms including cash and fringe benefits such as motor vehicles.

Variable Remuneration – STI

The objective of the STI program is to link the achievement of the operational targets with the remuneration received by the executives charged with meeting those targets. The total potential STI available is set at a level to provide sufficient incentive to the senior manager to achieve the operational targets and such that the cost to the Group is reasonable. The individual performance of each executive is also rated and considered when determining the amount, if any, of the short-term incentive pool allocated to each executive. The aggregate of annual STI payments available for executives across the Group are usually delivered in the form of a cash bonus.

Variable Remuneration – LTI

The objective of the LTI plan is to reward senior managers in a manner which aligns this element of remuneration with the creation of shareholder wealth. As such, LTI grants are only made to executives who can influence the generation of shareholder wealth and thus have a direct impact on the Group's performance against relevant long-term performance hurdles. In the 2018 financial year, no options were granted (2017: 5,000,000) to the MD and directors. Performance rights of 344,871 were issued to key executives during the year.

Contract of Employment

All executives of the Group are employed under a letter of appointment. Various notice periods of up to 6 months are required to terminate the appointment. The MD and the Acting Chief Financial Officer (“CFO”) letters of appointment contain specified LTI entitlements. Other executives’ letters of appointment do not contain specified LTI entitlements and are rolling with no fixed term. Key terms of these letters of appointment are outlined below:

Name	Type of agreement	Base salary including superannuation	STI (on target)	Termination notice period
Scott Baldwin	Permanent	$375,000	$375,000	6 months either party
Siva Subramani	Permanent	$200,000	-	1 months either party
Craig Harris	Permanent	$264,990	$132,495	3 months either party
Michael Rudd	Permanent	$210,000	$63,000	1 month either party
Rob Camilleri	Permanent	$210,000	$63,000	1 month either party

Relationship Between Remuneration Policy and Group Performance

All Executive Directors and KMP receive a base salary, superannuation and fringe benefits.

In considering the Group’s performance and creation of shareholder wealth, the Directors have regard to the indices in respect of the current financial year and the previous four financial years. The following table shows revenue, profits, dividends, share price, Earnings per Share (“EPS”) and KMP remuneration at the end of each year.

Remuneration Report (continued)

Financial performance from continuing operations for the past five years is indicated by the following table:

	30 June 2018	30 June 2017	30 June 2016	30 June 2015	30 June 2014
Revenue ($'000)	121,876	109,638	96,661	69,035	43,508
NPAT ($'000)	32,028	29,086	20,134	13,941	7,832
Closing share price	$1.95	$1.28	$1.20	$1.14	$1.08
Price increase/(decrease) $	$0.67	$0.08	$0.06	$0.06	$0.29
Price increase/(decrease) %	52%	7%	5%	6%	37%
Earnings per share	19.91 cents	18.81 cents	14.21 cents	11.82 cents	8.13 cents
Dividend paid per share	9.50 cents	5.65 cents	5.25 cents	5.25 cents	4.50 cents
Total KMP remuneration ($'000)	3,988	2,966	2,450	1,704	1,132

Details of Remuneration

The compensation of each member of the KMP of the Group is set out below:

	Short term employee benefits			Post-employment benefits	Long term benefits		Share based payments	
	Salary & fees $	Bonus $	Annual leave $	Super $	Long service leave $	Termination $	$	Total $
2018								
NED's								
Kang Tan	82,192	-	-	7,808	-	-	-	90,000
Leath Nicholson	121,000	-	-	-	-	-	111,250	232,250
Stuart Robertson	105,024	-	-	9,976	-	-	89,000	204,000
NED's Total	308,216	-	-	17,784	-	-	200,250	526,250
Scott Baldwin	346,710	300,000	36,082	25,000	10,916	-	356,000	1,074,708
Ray Malone ^	300,000	-	-	-	-	-	185,417	485,417
Siva Subramani*	60,169	-	6,647	4,671	50	-	61,545	133,082
Brett Coventry*	175,457	36,301	19,619	20,010	-	-	101,573	352,960
Craig Harris	238,047	79,497	19,260	25,000	4,672	-	150,156	516,632
Michael Rudd	179,241	58,000	16,455	23,219	2,897	-	235,958	515,770
Rob Camilleri	198,372	13,699	15,729	19,411	86	-	135,480	382,777
Executives Total	1,497,996	487,497	113,792	117,311	18,621	-	1,226,129	3,439,605
Total	**1,806,212**	**487,497**	**113,792**	**135,095**	**18,621**	**-**	**1,426,379**	**3,987,596**
2017								
NED's								
Ray Malone	-	-	-	-	-	-	123,611	123,611
Vaughan Webber	21,471	-	-	2,040	-	-	-	23,511
Kang Tan	60,000	-	-	5,700	-	-	-	65,700
Leath Nicholson	70,000	-	-	6,650	-	-	74,167	150,817
Stuart Robertson	67,500	-	-	6,413	-	-	59,333	133,246
NED's Total	218,971	-	-	20,803	-	-	257,111	496,885
Scott Baldwin	336,115	145,096	24,021	30,000	4,280	-	247,611	787,123
Jennifer Martin	105,925	22,500	10,537	8,908	-	21,864	-	169,734
Brett Coventry	94,733	-	7,804	9,325	-	-	90,093	201,955
Craig Harris	226,613	58,080	18,543	30,000	4,999	-	171,688	509,923
Michael Rudd	185,880	46,027	13,391	18,217	2,632	-	327,502	593,649
Michael Kanizay	71,846	8,742	4,308	7,846	-	19,497	-	112,239
Rob Camilleri	80,787	-	6,214	7,675	-	-	-	94,676
Executives Total	1,101,899	280,445	84,818	111,971	11,911	41,361	836,894	2,469,299
Total	**1,320,870**	**280,445**	**84,818**	**132,774**	**11,911**	**41,361**	**1,094,005**	**2,966,184**

* A number of KMP did not hold their roles for the full financial year. Remuneration is only disclosed for the time they were KMP.

^ Ray Malone was appointed as Executive Chairman during the financial year.

Remuneration Report (continued)

The following table shows for the Executive remuneration received in each of the years, the relevant percentages for fixed remuneration, STI and LTI:

	Fixed Remuneration		At risk –STI		At risk –LTI	
	2018	2017	2018	2017	2018	2017
Scott Baldwin	35%	51%	28%	18%	33%	31%
Ray Malone	62%	n/a	n/a	n/a	38%	n/a
Siva Subramani	57%	n/a	n/a	n/a	43%	n/a
Craig Harris	51%	55%	15%	11%	29%	34%
Michael Rudd	41%	37%	12%	8%	46%	55%
Rob Camilleri	57%	100%	4%	n/a	33%	n/a

The following table outlines the percentage of target STI achieved (and forfeited) and the total STI awarded, for each Executive KMP for 2018:

	STI On Target Opportunity $	Achieved %	Forfeited %	STI Awarded $
Scott Baldwin	$375,000	100%	0%	$375,000
Siva Subramani	n/a	n/a	n/a	$30,000
Craig Harris	$132,495	100%	0%	$132,495
Michael Rudd	$63,000	100%	30%	$44,100
Rob Camilleri	$63,000	100%	0%	$63,000

Other Transactions Related to KMP

Raymond Malone entered into a consultancy deed with Shildplex Pty Limited, a company controlled by himself to provide services to Money3 to secure a funding facility. Shildplex Pty Limited was paid $945,000 (2017: NIL) during the year, following the successful drawdown by Money3 of the $150m Fortress Funding Facility negotiated by Shildplex Pty Limited.

Leath Nicholson is a director of Nicholson Ryan lawyers and Panorama Pty Limited which Money3 has engaged to perform legal services and compliance services. Nicholson Ryan has been paid $350,655 (2017: $294,133) and Panorama $52,800 (2017: $Nil) during the year.

Transactions between the Group and these parties are conducted on normal commercial terms.

Loans with KMP

There are currently no loans with KMP.

Remuneration Report (continued)

Value of Options

The value of options is determined at grant date using the Binomial Option Pricing Model considering factors including exercise price, expected volatility and option life and is included in remuneration on a proportional basis from grant date to vesting date.

As the options vest over time, the cost is expensed in accordance with AASB2 *Share Based Payments* over the vesting period. In the 2018 financial year, the expense for KMP was $1,426,379 (2017: $1,094,005). Inputs into the determination of the fair value of options issued to the KMP are set out below:

	Employee-Expire 21/10/2018	Employee-Expire 30/11/2018	Employee-Expire 20/10/2019	Employee-Expire 14/04/2020	Employee/Director-Expire 23/11/2021
Exercise price	$0.996056	$1.496056	$1.496056	$1.696056	$1.50
Grant date	21/10/2013	30/11/2013	20/10/2014	15/04/2015	28/11/2016
Expiry date	21/10/2018	30/11/2018	20/10/2019	14/04/2020	23/11/2021
Share price at grant date	$1.05	$1.00	$1.20	$1.52	$1.69
Expected volatility	32%	32%	31%	31%	37%
Expected dividend yield	4.25%	4.25%	3.5%	3.5%	3.33%
Risk free rate	3.4%	3.4%	1.84%	1.84%	2.125%

Share Based Compensation

The following table discloses terms and conditions of each grant of options provided as compensation, as well as details of options exercised during the year:

Name	Issue Date	Options Granted	Exercise Price	Expiry Date	Vesting Date	Value of options exercised during year $	Maximum total value of issue yet to vest or exercise $
Craig Harris	21 Oct 2013	500,000	$0.996056	21 Oct 2018	21 Oct 2016	-	109,500
Craig Harris	30 Nov 2013	1,000,000	$1.496056	30 Nov 2018	30 Nov 2016	-	74,000
Scott Baldwin	30 Nov 2013	1,000,000	$1.496056	30 Nov 2018	30 Nov 2016	-	74,000
Michael Rudd	20 Oct 2014	500,000	$1.496056	20 Oct 2019	21 Oct 2017	-	7,250
Michael Rudd	15 Apr 2015	200,000	$1.696056	14 April 2020	14 April 2018	-	11,511
Scott Baldwin	28 Nov 2016	2,400,000	$1.50	23 Nov 2021	24 Nov 2019	-	1,068,000
Ray Malone	28 Nov 2016	1,250,000	$1.50	23 Nov 2021	24 Nov 2019	-	556,250
Leath Nicholson	28 Nov 2016	750,000	$1.50	23 Nov 2021	24 Nov 2019	-	333,750
Stuart Robertson	28 Nov 2016	600,000	$1.50	23 Nov 2021	24 Nov 2019	-	267,000

The options will vest if an event occurs which gives rise to a change in control of the Group. Share options carry no rights to dividends and no voting rights. In accordance with the terms of the share option schemes, options may be exercised at any time from the date on which they vest to the date of their expiry, subject to any additional requirements of the allocation.

Performance Rights Granted to KMP

Name	Grant Date	Performance Rights Granted	Issue Price	Expiry Date	Vesting Date	Value of Performance Rights Granted
Rob Camilleri	01/07/2017	194,871	$1.28	30/06/2022	30/06/2021	$222,445
Siva Subramani	01/01/2018	150,000	$1.64	31/12/2022	31/12/2021	$197,288
Total		344,871				$419,733

Performance rights are issued for a four-year vesting period based on specific performance criteria. The performance rights have been valued by reference to the underlying value of ordinary Money3 shares, adjusted for the impact of the vesting conditions, including the rights to dividends, where appropriate.

Remuneration Report (continued)

KMP Equity Holdings

Details of KMP equity holdings of the Group, including their personally related parties are disclosed below.

Name	Balance at 1 July 2017	On exercise of options	Net change other*	Balance as at 30 June 2018
Ray Malone	5,406,421	-	(2,954,196)	2,452,225
Kang Tan	5,385,360	-	2,016	5,387,376
Leath Nicholson	93,727	-	-	93,727
Stuart Robertson	114,392	-	5,446	119,838
Scott Baldwin	3,857,606	-	313,264	4,170,870
Brett Coventry**	50,370	-	N/A	N/A
Siva Subramani	-	-	1,925	1,925
Craig Harris	1,407,354	-	518,456	1,925,810
Michael Rudd	684,087	-	501,960	1,186,047
Total	**16,999,317**	**-**	**(1,611,129)**	**15,337,818**

* Net change other refers to the shares purchased, sold, or issued under the Dividend Reinvestment Plan ("DRP"). This amount may also include a Director or employee's initial shareholding prior to becoming KMP.
** Ceased to be a KMP during the year hence balance not applicable.

Options Over Ordinary Shares in the Group held by KMP

Name	Balance as at 1 July 2017	Options exercised	Options granted	Balance as at 30 June 2018	Total exercisable and vested	Total options unvested
Scott Baldwin	3,400,000	-	-	3,400,000	1,000,000	2,400,000
Craig Harris	1,500,000	-	-	1,500,000	1,500,000	-
Michael Rudd	700,000	-	-	700,000	700,000	-
Ray Malone	1,250,000	-	-	1,250,000	-	1,250,000
Leath Nicholson	750,000	-	-	750,000	-	750,000
Stuart Robertson	600,000	-	-	600,000	-	600,000
Total	8,200,000	-	-	8,200,000	3,200,000	5,000,000

Restricted Shares in the Group held by KMP

Name	Grant Date	Restricted Shares Granted	Issue Price	Expiry Date	Vesting Date	Value of Restricted Shares Granted
Craig Harris	01/07/2016	484,373	$1.03	30/06/2021	30/06/2020	$600,623
Michael Rudd	01/07/2016	484,373	$1.03	30/06/2021	30/06/2020	$600,623
Brett Coventry*	01/07/2016	290,624	$1.03	30/06/2021	30/06/2020	$360,374
Michael Rudd	01/07/2016	193,798	$1.03	30/06/2021	30/06/2020	$251,211
Total		1,453,168				$1,812,829

*Brett Coventry resigned on 29 March 2018 and per his employment agreement elected to keep his shares as part of his termination agreement by paying $168,707 for the future expense portion to vesting date.

The restricted shares have been valued by reference to the underlying value of ordinary Money3 shares, adjusted for the impact of the vesting conditions, including the rights to dividends, where appropriate.

Restricted shares have rights including entitlement to dividends and voting.

End of Remuneration Report (Audited)

Directors' Report (continued)

Auditor's Independence Declaration

The auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 15 of the financial report.

Signed in accordance with a resolution of the Directors.

On behalf of the Directors

Ray Malone
Chairman
Melbourne
Dated 27 August 2018

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DECLARATION OF INDEPENDENCE BY DAVID GARVEY TO THE DIRECTORS OF MONEY3 CORPORATION LIMITED

As lead auditor of Money3 Corporation Limited for the year ended 30 June 2018, 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 audit; and
2. No contraventions of any applicable code of professional conduct in relation to the audit.

This declaration is in respect of Money3 Corporation Limited and the entities it controlled during the period.

David Garvey
Partner

BDO East Coast Partnership

Melbourne, 27 August 2018

Directors' Declaration

The Directors of Money3 Corporation Limited declare that:

1. in the Directors' opinion, the financial statements and the accompanying notes set out on pages 17 to 51 and the Remuneration Report in the Directors' Report set out on pages 8 to 13, are in accordance with the *Corporations Act 2001*, including:

   (a) giving a true and fair view of the consolidated entity's financial position as at 30 June 2018 and of its performance, for the financial year ended on that date; and

   (b) complying with Australian Accounting Standards (including the Australian Accounting Interpretations), Corporations Regulations 2001 and other mandatory professional reporting requirements;

2. the financial report also complies with International Financial Reporting Standards issued by the International Accounting Standards Board (IASB) as disclosed in Note 1; and

3. there are reasonable grounds to believe that the Group will be able to pay its debts as and when they become due and payable.

The Directors have been given the declarations required by Section 295A of the *Corporations Act 2001* by the Managing Director and Chief Financial Officer for the financial year ended 30 June 2018.

Signed in accordance with a resolution of the Directors pursuant to section 295(5) of the *Corporations Act 2001*.

On behalf of the Directors

Ray Malone
Chairman
Melbourne
Dated 27 August 2018

Consolidated Statement of Profit or Loss and Other Comprehensive Income

for the year ended 30 June 2018

	Note	Consolidated 2018 $'000	Consolidated 2017 $'000
Revenue from continuing operations	3	**121,876**	**109,638**
Expenses from operating activities:			
Bad debt expense (net of recoveries)		18,099	12,320
Movement in provision for doubtful debt expense		2,717	4,994
Bank fees and credit checks		2,554	2,373
Employee related expenses		30,660	27,116
Professional fees		2,226	1,636
Occupancy expenses		3,421	3,332
Technology expenses		2,528	2,605
Advertising expenses		2,591	4,119
Administration expenses		388	567
Loss on disposal of assets		120	-
Net finance costs		9,057	7,280
Depreciation and amortisation		840	1,022
Total Expenses		**75,201**	**67,364**
Profit before income tax from continuing operations		**46,675**	**42,274**
Income tax expense	4(a)	(14,647)	(13,188)
Profit after income tax from continuing operations		**32,028**	**29,086**
Total comprehensive income net of tax		**32,028**	**29,086**
Profit attributable to:			
Owners of Money3 Corporation Limited		32,028	29,086
Total comprehensive income attributable to:			
Owners of Money3 Corporation Limited		32,028	29,086
Basic earnings per share (cents)	16	19.91	18.81
Diluted earnings per share (cents)	16	19.45	18.45

The statement of profit or loss and other comprehensive income is to be read in conjunction with the attached notes.

Consolidated Statement of Financial Position

as at 30 June 2018

	Note	Consolidated 2018 $'000	Consolidated 2017 $'000
ASSETS			
Current assets			
Cash and cash equivalents	5	46,308	21,106
Loans receivable	6	130,607	157,609
Current tax receivable		2,222	-
Other assets		348	553
Total current assets		**179,485**	**179,268**
Non-current assets			
Loans receivable	6	116,841	67,358
Other assets		424	438
Property, plant & equipment	7	2,062	2,222
Intangible assets	8	18,722	19,175
Deferred tax assets	4(b)	9,172	6,240
Total non-current assets		**147,221**	**95,433**
Total assets		**326,706**	**274,701**
LIABILITIES			
Current liabilities			
Trade and other payables	9	7,313	5,799
Borrowings	12	-	29,572
Current tax payable		-	5,346
Employee benefit obligations	10	1,622	1,458
Provisions	11	308	308
Total current liabilities		**9,243**	**42,483**
Non-current liabilities			
Borrowings	12	97,825	49,939
Employee benefit obligations	10	303	220
Provisions	11	156	-
Total non-current liabilities		**98,284**	**50,159**
Total liabilities		**107,527**	**92,642**
Net assets		**219,179**	**182,059**
EQUITY			
Share capital	13	153,969	125,761
Reserves	14	4,092	4,816
Retained earnings		61,118	51,482
Total equity		**219,179**	**182,059**

The statement of financial position is to be read in conjunction with the attached notes.

Consolidated Statement of Changes in Equity

for the year ended 30 June 2018

	Note	Issued Capital $'000	Retained Earnings $'000	Reserves $'000	Total $'000
Total equity at 1 July 2016		**123,590**	**30,158**	**2,769**	**156,517**
Profit after income tax expense for the year		-	29,086	-	29,086
Total comprehensive income for the year		-	29,086	-	29,086
Transactions with owners in their capacity as owners:					
Transaction costs arising from share issue		(3)	-	-	(3)
Employee share schemes - value of employee's service		1,265	-	2,047	3,312
Options exercised		77	-	-	77
Dividend paid		**832	(7,762)	-	(6,930)
Closing balance as at 30 June 2017		**125,761**	**51,482**	**4,816**	**182,059**
Total equity at 1 July 2017		**125,761**	**51,482**	**4,816**	**182,059**
Early adoption of accounting policy (net of tax)	1(f)*	-	(10,196)	-	(10,196)
Restated total equity at the beginning of the financial year		**125,761**	**41,286**	**4,816**	**171,863**
Profit after income tax expense for the year		-	32,028	-	32,028
Total comprehensive income for the year		-	32,028	-	32,028
Transactions with owners in their capacity as owners:					
Employee share schemes - value of employee's service		1,420	-	2,071	3,491
Options exercised		24,091	-	(2,795)	21,296
Dividend paid		**2,697	(12,196)	-	(9,499)
Closing balance as at 30 June 2018		**153,969**	**61,118**	**4,092**	**219,179**

*See Note 1 for details regarding the restatement as a result of a change in accounting policy for early adoption of AASB 9 and AASB 15.

** Shares issued to shareholders that elected to participate in the DRP.

The statement of changes in equity is to be read in conjunction with the attached notes.

Consolidated Statement of Cash Flows

for the year ended 30 June 2018

	Note	Consolidated 2018 $'000	Consolidated 2017 $'000
Cash flows from operating activities			
Interest, fees and charges from customers		120,243	106,000
Payments to suppliers and employees (GST Inclusive)		(39,667)	(39,360)
Interest received from banks		168	227
Finance costs		(8,420)	(6,494)
Income tax paid		(20,777)	(15,723)
Net cash provided by operating activities before changes in operating assets		51,547	44,650
Loan principal advanced to customers net of repayments		(56,126)	(74,389)
Net cash used in operating activities	17	**(4,579)**	**(29,739)**
Cash flows from investing activities			
Payment for property, plant and equipment		(347)	(754)
Proceeds from disposal of property, plant and equipment		-	18
Net cash used in investing activities		**(347)**	**(736)**
Cash flows from financing activities			
Proceeds from share issue		22,280	1,339
Proceeds from borrowings		97,347	29,989
Repayment of borrowings		(80,000)	-
Dividends paid		(9,499)	(6,930)
Net cash provided by financing activities		**30,128**	**24,398**
Net increase/(decrease) in cash held		**25,202**	**(6,077)**
Cash and cash equivalents at the beginning of the year		21,106	27,183
Cash and cash equivalents at end of the year	5	**46,308**	**21,106**

The statement of cash flows is to be read in conjunction with the attached notes.

Notes to the Consolidated Financial Statements for the year ended 30 June 2018

Introduction

The financial report covers Money3 Corporation Limited (“Money3” or “the Company”) and its controlled entities (“the Group”). Money3 is a company limited by shares whose shares are publicly traded on the Australian Securities Exchange (ASX). Money3 is incorporated and domiciled in Australia. The presentation currency and functional currency of the Group is Australian dollars and amounts are rounded to the nearest thousand dollars, unless otherwise indicated.

The financial report was authorised for issue by the Board of the Company at a Directors meeting on the date shown on the Declaration by the Board attached to the Financial Statements.

1. Summary of Significant Accounting Policies

(a) Basis of accounting

The financial report is a general purpose financial report which has been prepared in accordance with the *Corporations Act 2001*, Australian Accounting Standards and Interpretations and complies with other requirements of the law, as appropriate for profit oriented entities. The financial report comprises the consolidated financial statements of the Group.

The financial statements comply with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

The financial statements have been prepared on an accrual basis and are based on historical costs modified by the revaluation of selected non-current assets, financial assets and financial liabilities for which the fair value basis of accounting has been applied. Where necessary, comparative figures have been adjusted to conform to changes in presentation in the current year.

The financial statements have been prepared in accordance with Australian Accounting Standards, which are based on the Group continuing as a going concern which assumes the realisation of assets and the extinguishment of liabilities in the normal course of business and at the amounts stated in the financial report.

During the year the Group early adopted AASB 9 *Financial Instruments* and AASB15 *Revenue from Contracts with Customers* (refer Note 1(f)) and changed its depreciation policy (refer Note 7).

(b) Principles of consolidation

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of the Group as at 30 June 2018 and the results of all subsidiaries for the year then ended.

Subsidiaries are all those entities over which the Company has control. The Company controls an entity when the consolidated entity is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

Intercompany transactions, balances and unrealised gains on transactions between entities in the Group are eliminated. Unrealised losses are also eliminated unless a transaction provides evidence of impairment to the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

(c) Rounding of amounts

The Group and the Company are of a kind referred to in ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191, issued by the Australian Securities and Investments Commission, relating to the “rounding off” of amounts in the financial report. Amounts in the financial report have been rounded off in accordance with that Instrument to the nearest thousand dollars, unless otherwise indicated.

Notes to the Consolidated Financial Statements for the year ended 30 June 2018 (continued)

1. Summary of significant accounting policies (continued)

(d) Critical accounting estimates, assumptions and judgements

In the application of Australian Accounting Standards, management is required to make judgements, estimates and assumptions about the carrying value of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revisions affect both current and future periods.

Judgements and estimates which are material to the financial report are found in the following notes:

Note 3	Revenue	Page 25
Note 6	Loans receivable	Page 27
Note 8	Intangible assets	Page 30

(e) Notes to the financial statements

The notes to the financial statements were restructured to make the financial report more relevant and readable, with a focus on information that is material to the operations, financial position and performance of the Group. Additional information has also been included where it is important for understanding the Group's performance.

Notes relating to individual line items in the financial statements now include accounting policy information where it is considered relevant to an understanding of these items, as well as information about critical accounting estimates and judgements. Details of the impact of new accounting policies and all other accounting policy information are disclosed at the end of the financial report in Note 26.

(f) Early adoption of new standards adopted by the group

The Group has early adopted AASB 9 *Financial Instruments* and AASB 15 *Revenue from Contracts with Customers* with a date of initial application of 1 July 2017, which resulted in changes in accounting policies and adjustments to the amounts recognised in the financial statements. In accordance with AASB 9 and AASB 15, comparative figures have not been restated. AASB 9 replaces the provisions of AASB 139. The nature and effects of the key changes to the Group's accounting policies resulting from its adoption of AASB 9 are summarised below. The early adoption of AASB 15 has not had any impact on the financial statements.

(i) *Revenue Recognition*

On assessing the nature of the Group's contracts and the requirements of AASB 9, all fees on loan products are now considered to be integral to the loan and are recognised as revenue using the effective interest rate method under AASB 9. Prior to adoption of AASB 9, point in time fees such as arrears, default and variation fees were recognised as revenue when an underlying event occurred.

(ii) *Impairment of financial assets*

AASB 9 replaces the "incurred loss" model in AASB 139 with an 'expected credit loss' (ECL) model. The new impairment model applies to financial assets measured at amortised cost, contract assets and debt investments at Fair Value through Other Comprehensive Income (FVOCI), but not to investments in equity instruments. Under AASB 9, credit losses are recognised earlier than under AASB 139.

(iii) *Transition disclosures*

Changes in accounting policies resulting from the adoption of AASB 9 have been applied retrospectively, however, comparative periods have not been restated, rather the differences in the carrying amounts of financial assets and liabilities resulting from the adoption of AASB 9 are recognised in retained earnings at 1 July 2017. Accordingly, the information presented for 30 June 2018 is not comparable to the information presented in the 30 June 2017 consolidated financial statements. The transition disclosures have been amended since interim reporting at 31 December 2017.

Notes to the Consolidated Financial Statements for the year ended 30 June 2018 (continued)

1. Summary of significant accounting policies (continued)

(f) Early adoption of new standard adopted by the group (continued)

Retained Earnings (Impact of adopting AASB 9 and AASB 15)

	$'000
Retained Earnings	
Balance under AASB 139 as at 30 June 2017	51,482
Changes in application of effective interest rate method – Note 1 (f) (i)	(13,104)
Increase in provision for doubtful debts (expected credit losses) - Note 1 (f) (ii)	(1,463)
Related tax effect	4,371
Restated retained earnings balance in accordance with AASB 9 and AASB 15 as at 1 July 2017	**41,286**

Adjustments made to Statement of Financial Position

	As at 30 June 2017 $'000	Impact of AASB 9 and AASB 15 $'000	As at 1 July 2017 (Restated) $'000
ASSETS			
Current Assets			
Cash and cash equivalents	21,106	-	21,106
Loans receivable	115,517	(11,803)	103,714
Other assets	553	-	553
Total current assets	**137,176**	**(11,803)**	**125,373**
Non-current assets			
Loans receivable	109,450	(2,764)	106,686
Other assets	438	-	438
Property, plant & equipment	2,222	-	2,222
Intangible assets	19,175	-	19,175
Deferred tax asset	6,240	4,371	10,611
Total non-current asset	**137,525**	**1,607**	**139,132**
Total assets	**274,701**	**(10,196)**	**264,505**
LIABILITIES			
Current liabilities			
Trade and other payables	5,799	-	5,799
Borrowings	29,572	-	29,572
Current tax payable	5,346	-	5,346
Employee benefit obligations	1,458	-	1,458
Provisions	308	-	308
Total current liabilities	**42,483**	**-**	**42,483**
Non-current liabilities			
Borrowings	49,939	-	49,939
Employee benefit obligations	220	-	220
Total non-current liabilities	**50,159**	**-**	**50,159**
Total liabilities	**92,642**	**-**	**92,642**
Net assets	**182,059**	**(10,196)**	**171,863**
EQUITY			
Issued capital	125,761	-	125,761
Reserves	4,816	-	4,816
Retained earnings	51,482	(10,196)	41,286
Total equity	**182,059**	**(10,196)**	**171,863**

Notes to the Consolidated Financial Statements for the year ended 30 June 2018 (continued)

2. Segment Information

The Group has identified its operating segments on the basis of internal reports and components of Money3 that are regularly reviewed by the chief operating decision makers in order to allocate resources to the segments and to assess their performance.

Broker

This segment provides lending facilities generally based on the provision of an underlying asset as security, generally referred through a broker.

Branch

This segment provides services and lending facilities generally without the provision of an underlying asset as security through the branch network.

Online

This segment provides lending facilities without the provision of an underlying asset as security through the internet.

Segment profit earned by each segment represents earnings without the allocation of central administration costs and directors' salaries, interest income and expense in relation to corporate facilities, bad debt collection and income tax expense. This is the measure reported to the chief operating decision maker for the purpose of resource allocation and assessment of segment performance. The unallocated assets include various corporate assets held at a corporate level that have not been allocated to the underlying segments.

Consolidated - 2018	Broker $'000	Branch $'000	Online $'000	Unallocated $'000	Total $'000
Segment revenue	73,618	34,466	13,792	-	121,876
EBITDA / Segment result	45,887	11,230	4,843	(5,388)	56,572
Depreciation and amortisation	(159)	(122)	(459)	(100)	(840)
Net finance costs	-	-	-	(9,057)	(9,057)
Profit before tax	**45,728**	**11,108**	**4,384**	**(14,545)**	**46,675**
Income tax expense	-	-	-	-	(14,647)
Profit after tax	-	-	-	-	**32,028**
Net loans receivable	227,116	33,889	7,300	-	268,305

Corporate expenditure is regularly reviewed throughout the year with a view to better align costs to business units.

Consolidated – 2017	Broker $'000	Branch $'000	Online $'000	Unallocated $'000	Total $'000
Segment revenue	56,022	35,127	18,655	(165)	109,638
EBITDA / Segment result	34,650	14,832	5,286	(4,192)	50,576
Depreciation and amortisation	(148)	(239)	(517)	(117)	(1,022)
Net finance costs	1	(12)	2	(7,272)	(7,280)
Profit before tax	**34,503**	**14,581**	**4,771**	**(11,581)**	**42,274**
Income tax expense	-	-	-	-	(13,188)
Profit after tax	-	-	-	-	**29,086**
Net loans receivable	195,916	31,520	14,208	-	241,644

Notes to the Consolidated Financial Statements for the year ended 30 June 2018 (continued)

3. Revenue

	Consolidated 2018 $'000	Consolidated 2017 $'000
Revenue from operating activities		
Interest, fees and charges	121,433	108,934
Cheque cashing fees	443	693
Other	-	11
Total revenue from operating activities	**121,876**	**109,638**

Key Estimate

The deferring of loan fees and charges assumes that the loan will be repaid in line with the repayments already received. This key estimate is regularly reviewed, and it is unlikely any change in the estimate will have a material impact.

Recognition and Measurement

Revenue is measured at fair value of the consideration received or receivable and recognised to the extent that it is probable that the economic benefits will flow to the economic entity and the revenue can be reliably measured.
The Group bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and specifics of each arrangement and contract.

Interest, Fees and Charges

Interest, fees and charges includes interest on loan products, application and credit fees, and other period fees including arrears, default and variation fees. Revenue associated with loans is deferred and recognised over the life of the loans using the effective interest rate method over the loan period. (Also refer Note 1(f)).

Cheque Cashing Fees

Revenue is recognised when the service is performed and there are no unfulfilled service obligations that will restrict the entitlement to receive the consideration.

4. (a) Income Tax

	Consolidated 2018 $'000	Consolidated 2017 $'000
Income tax expense		
Current tax	13,287	15,231
Deferred tax	1,360	(1,923)
Prior year adjustments	-	(120)
	14,647	**13,188**
Deferred tax expense		
Increase/(decrease) in deferred tax assets	1,096	(1,596)
Increase/(decrease) in deferred tax liabilities	264	(327)
Deferred tax expenses	**1,360**	**(1,923)**
Reconciliation of income tax expense to prima facie tax payable		
Profit from continuing operations before income tax expense	46,675	42,274
Tax at the Australian tax rate of 30%	14,003	12,682
Tax effect of amounts which are not deductible/(taxable)		
Share based payments	621	614
Other (deductible expenses)/ (non-assessable income)/non-deductible expenses	23	12
Adjustments recognised in the current year in relation to tax of prior years	-	(120)
Income tax expense	**14,647**	**13,188**

Notes to the Consolidated Financial Statements for the year ended 30 June 2018 (continued)

4.(b) Deferred Tax Assets

	Consolidated 2018 $'000	Consolidated 2017 $'000
Deferred tax balance comprises temporary differences attributable to:		
Employee leave benefits	1,528	1,119
Provision for doubtful debts	7,408	5,003
Accruals and lease incentives	231	211
Borrowings	198	235
Intangibles	(193)	(328)
Net balance disclosed as deferred tax assets	**9,172**	**6,240**

Recognition and Measurement

Current Tax

Current tax is calculated by reference to the amount of income taxes payable or recoverable in respect of the taxable profit or loss for the period. It is calculated using tax rates and tax laws that have been enacted or substantively enacted by the reporting date. Current tax for current and prior periods is recognised as a liability (or asset) to the extent that it is unpaid (or refundable).

Deferred Tax

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to apply when the assets are recovered or liabilities are settled, based on those tax rates which are enacted or substantively enacted for each jurisdiction. The relevant tax rates are applied to the cumulative amounts of deductible and taxable temporary differences to measure the deferred tax asset or liability.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses. Deferred tax assets and liabilities are offset where there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances they relate to are levied by the same taxation authority.

Tax Consolidation

On 1 July 2010, Money3 Corporation Limited ("the head entity") and its wholly-owned Australian controlled entities formed a tax consolidated group under the tax consolidation regime. The head entity and the controlled entities in the tax consolidated group continue to account for their own current and deferred tax amounts. The tax consolidated group has applied the group allocation approach in determining the appropriate amount of taxes to allocate to members of the tax consolidated group.

In addition to its own current and deferred tax amounts, the head entity also recognises the current tax liabilities (or assets) and the deferred tax assets arising from unused tax losses and unused tax credits assumed from controlled entities in the tax consolidated group.

Assets or liabilities arising under tax funding agreements with the tax consolidated entities are recognised as amounts receivable from or payable to other entities in the tax consolidated group. The tax funding arrangement ensures that the intercompany charge equals the current tax liability or benefit of each tax consolidated group member, resulting in neither a contribution by the head entity to the subsidiaries nor a distribution by subsidiaries to the head entity.

Notes to the Consolidated Financial Statements for the year ended 30 June 2018 (continued)

5. Cash and cash equivalents

	Consolidated 2018 $'000	Consolidated 2017 $'000
Cash in hand	548	566
Petty Cash	4	4
Cash at Bank and on call*	35,755	15,536
Term Deposit*	10,001	5,000
Total cash and cash equivalents	**46,308**	**21,106**

*The effective interest rate on term deposits was 2.55% (2017: 2.1%); these deposits have an average maturity of 3 months. The deposits on call (11am) have an effective interest rate of 1.6% (2017: 1.6%).

Recognition and Measurement

For the purpose of presentation in the statement of cash flows, cash and cash equivalents includes cash on hand and deposits held at call with financial institutions and other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to cash and are subject to an insignificant risk of changes in value.

6. Loans Receivable

	Consolidated 2018 $'000	Consolidated 2017 $'000
Loans receivable	**268,305**	**241,644**
Allowance for impairment losses	(20,857)	(16,677)
Total loans receivable	**247,448**	**224,967**
Current loans receivable	130,607	157,609
Non-current loans receivable	116,841	67,358
Total loans receivable	**247,448**	**224,967**

Gross written loans represent cash to be received at balance date. Deferred revenue represents interest, fees and charges accumulated on individual loans which will be recognised as revenue in future periods using the effective interest rate method. Gross written loans less deferred revenue represents the loans receivable calculated in accordance with the accounting policy.

	Consolidated 2018 $'000	Consolidated 2017 $'000
Gross written loans	308,047	273,095
Deferred revenue	(39,742)	(31,451)
Loans receivable	**268,305**	**241,644**

Key Estimate

Recognition of income is in line with the expected repayment profile of loans. There have been changes in the estimates of future cash flows from loans receivable as a result of adoption of AASB 9 *Financial Instruments* resulting in changes to the classification between current and non-current loans. These changes have been applied prospectively.

Recognition and Measurement

Loans and other receivables are non-derivative financial assets, with fixed and determinable payments that are not quoted in an active market. Loans and other receivables are initially recognised at fair value, including direct transaction costs and are subsequently measured at amortised cost using the effective interest method.

Loans and other receivables are due for settlement at various times in line with the terms of their contracts.
The Group applies a three-stage approach to measuring expected credit losses (ECLs) for loans receivable measured at amortised cost. Loans receivable move through the following three stages based on the change in credit risk since initial recognition:

Notes to the Consolidated Financial Statements for the year ended 30 June 2018 (continued)

6. Loans Receivable (continued)

Stage 1: 12-months ECL

The Group collectively assesses ECLs on loans receivable where there has not been a significant increase in credit risk since initial recognition and that were not credit impaired upon origination. For these loans receivable, the Group recognises as a collective provision the portion of the lifetime ECL associated with the probability of default events occurring within the next 12 months. The Group does not conduct an individual assessment of exposures in Stage 1 as there is no evidence of one or more events occurring that would have a detrimental impact on estimated future cash flows.

Stage 2: Lifetime ECL – not credit impaired

The Group collectively assesses ECLs on loans receivable where there has been a significant increase in credit risk since initial recognition but are not credit impaired. For these loans receivable, the Group recognises as a collective provision a lifetime ECL (i.e. reflecting the remaining term of the loans receivable). Like Stage 1, the Group does not conduct an individual assessment on Stage 2 loans receivable as the increase in credit risk is not, of itself, an event that could have a detrimental impact on future cash flows.

Stage 3: Lifetime ECL – credit impaired

The Group identifies, both collectively and individually, ECLs on those exposures that are assessed as credit impaired based on whether one or more events that have a detrimental impact on the estimated future cash flows of that asset have occurred. For exposures that have become credit impaired, a lifetime ECL is recognised as a collective or specific provision.

A loan receivable balance is written off when the customer is unlikely to pay their obligation and the Group determines there is no reasonable expectation of recovery. In assessing whether reasonable expectation of recovery exists, multiple factors are considered including days past due without repayment, recourse available to the Group such as realisability of security, insurance payout and other related factors.

Determining the stage for impairment

At each reporting date, the Group assesses whether there has been a significant increase in credit risk for loans receivable since initial recognition by comparing the risk of default occurring over the remaining expected life from the reporting date and the date of initial recognition. This includes quantitative and qualitative information. Refer to Note 20. Loans receivable will move through the ECL stages as asset quality deteriorates. If, in a subsequent period, asset quality improves and reverses any previously assessed significant increase in credit risk since origination, then the allowance for impairment losses reverts from lifetime ECL to 12-months ECL. Loans receivable that have not deteriorated significantly since origination are considered to have a low credit risk. The allowance for impairment losses for these loans receivable is based on a 12-months ECL. When an asset is uncollectible, it is written off against the related provision. Such assets are written off after all the necessary procedures have been completed and the amount of the loss has been determined. Subsequent recoveries of amounts previously written off reduce the amount of the expense in the income statement.

Measurement of Expected Credit Losses (ECLs)

ECLs are derived from unbiased and probability-weighted estimates of expected loss and incorporate all available information which is relevant to the assessment including information about past events, current conditions and reasonable and supportable forecasts of future events and economic conditions at reporting date.

The Group calculates ECL using three main components, a probability of default (PD), a loss given default (LGD) and the exposure at default (EAD).

Notes to the Consolidated Financial Statements for the year ended 30 June 2018 (continued)

6. Loans Receivable (continued)

The 12-month ECL is calculated by multiplying the 12-month PD, LGD and EAD. Lifetime ECL is calculated using the lifetime PD instead. The 12-month and lifetime PDs represent the probability of default occurring over the next 12 months and the remaining maturity of the instrument respectively. The EAD represents the total value the Group is exposed to when the loan receivable defaults. The LGD represents the unrecovered portion of the EAD taking into account mitigating effect of realisable value of security. For further details on how the Group calculates ECLs including the use of forward looking information, refer to the Credit quality of financial assets section in Note 20.

7. Property, Plant and Equipment

Year ended 30 June 2018	Motor vehicles $'000	Rental Assets $'000	Leasehold Improvements $'000	Furniture, Equipment and Fittings $'000	Total $'000
Gross carrying amount					
Balance at 1 July 2017	62	422	3,260	3,703	7,447
Additions	-	-	16	331	347
Disposals	-	(422)	(295)	(592)	(1,309)
Balance at 30 June 2018	**62**	**-**	**2,981**	**3,442**	**6,485**
Accumulated depreciation					
Balance at 1 July 2017	54	422	2,019	2,730	5,225
Depreciation expense	1	-	123	263	387
Disposals	-	(422)	(241)	(526)	(1,189)
Balance at 30 June 2018	**55**	**-**	**1,901**	**2,467**	**4,423**
Net carrying amount at 30 June 2018	**7**	**-**	**1,080**	**975**	**2,062**

Year ended 30 June 2017	Motor vehicles $'000	Rental Assets $'000	Leasehold Improvements $'000	Furniture, Equipment and Fittings $'000	Total $'000
Gross carrying amount					
Balance at 1 July 2016	92	422	2,941	3,267	6,722
Additions	-	-	319	436	755
Disposals	(30)	-	-	-	(30)
Balance at 30 June 2017	**62**	**422**	**3,260**	**3,703**	**7,447**
Accumulated depreciation					
Balance at 1 July 2016	65	422	1,750	2,479	4,716
Depreciation expense	2	-	269	251	522
Disposals	(13)	-	-	-	(13)
Balance at 30 June 2017	**54**	**422**	**2,019**	**2,730**	**5,225**
Net carrying amount at 30 June 2017	**8**	**-**	**1,241**	**973**	**2,222**

Recognition and Measurement

Property, Plant and Equipment at Cost

Property, plant and equipment is recorded at cost less accumulated depreciation and cumulative impairment charges. Cost includes those costs directly attributable to bringing the assets into the location and working condition necessary for the asset to be capable of operating in the manner intended by management. Additions, renewals and improvements are capitalised, while maintenance and repairs are expensed.

Notes to the Consolidated Financial Statements for the year ended 30 June 2018 (continued)

7. Property, Plant and Equipment (continued)

The carrying values of property, plant and equipment are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amounts may not be recoverable. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with carrying amount.

Depreciation

Depreciation on assets acquired in prior financial years was calculated on a diminishing value basis to write off the cost of the asset over its estimated useful life. Depreciation on assets acquired from 1 July 2017 is calculated using the straight- line method to allocate their cost or revalued amounts, net of their residual values, over their estimated useful lives or, in the case of leasehold improvements and certain plant and equipment, the shorter lease term.
The straight- line method is deemed to be more aligned to the useful life of the assets and hence a more appropriate method of depreciation. The difference in amounts of depreciation with the two methods has been deemed to be immaterial.

Estimates of remaining useful life are made on a regular basis for all assets, with annual reassessments for major items. The expected useful life of plant and equipment is as follows:

Leasehold improvements	2 – 10 years
Furniture, fittings and equipment	3 – 10 years

8. Intangible Assets

	Consolidated 2018 $'000	Consolidated 2017 $'000
Goodwill allocated to:		
Broker	10,295	10,295
Branch	5,068	5,068
Online	2,717	2,717
	18,080	**18,080**
Customer lists	2,265	2,265
Less accumulated amortisation	(1,623)	(1,170)
	642	**1,095**
Net carrying amount at end of year	**18,722**	**19,175**

Reconciliation of the fair values at the beginning and end of the current financial year are set out below:

	Goodwill $'000	Customer lists $'000	Total $'000
Balance at 1 July 2017	18,080	1,095	19,175
Amortisation expense	-	(453)	(453)
Balance at 30 June 2018	**18,080**	**642**	**18,722**

Key Estimate and Judgement

Goodwill is tested annually as to whether it has suffered impairment. The recoverable amounts of Cash Generating Units ("CGU's") have been determined based on value in use calculations. These calculations require the use of assumptions.

Recognition and Measurement

All intangible assets acquired in a business combination are identified and recognised separately from goodwill where they satisfy the definition of an intangible asset and their fair value can be measured reliably.

Notes to the Consolidated Financial Statements for the year ended 30 June 2018 (continued)

8. Intangible Assets (continued)

Goodwill

Goodwill represents the excess of the cost of acquisition over the fair value of the entity's share of the net identifiable assets of the acquired business at the date of acquisition. Goodwill is not amortised. Instead, goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that it might be impaired and is carried at cost less accumulated impairment losses.

Customer Lists

The customer lists acquired in the business combination are amortised on a straight-line basis over the period of their expected benefit, being their estimated life of 5 years.

Impairment

Goodwill is allocated for impairment testing purposes to three CGU's, being Broker, Branch and Online operations. The recoverable amount of the CGU is based on a number of key assumptions as detailed below.

Goodwill Impairment Tests and Key Assumptions Used

The Group tests at least annually whether goodwill and intangible assets with indefinite useful lives have suffered any impairment, and when there is an indication of impairment. The tests incorporate assumptions regarding future events which may or may not occur, resulting in the need for future revisions of estimates. There are also judgements involved in determination of CGU's.

The recoverable amount of Broker, Branch and Online was determined based on a value in use discounted cash flow ("DCF") model. The 'value in use' calculations use cash flow projections based on the 2019 financial budgets extended over the subsequent four-year period ("Forecast Period") and applies a terminal value calculation using estimated growth rates approved by the Board for the business relevant to each CGU. The following are the key assumptions used in determining the recoverable value:

	Broker	Branch	Online
2019 Budget revenue growth	11%	(7%)	(6%)
2019 Budget expense growth/(reduction)	27%	(8%)	(23%)
Terminal value => 5 years	3%	2%	2%
Revenue growth rate > 1 year	5%	2%	2%
Expense growth rate > 1 year	3%	2%	2%
Pre-tax discount rate applied to cash flow	14.86%	15.81%	15.32%

The Directors concluded that, based on these assumptions, the recoverable amount exceeds the carrying amount and as such, there is no impairment of goodwill in the current year (2017: $nil).

Management believe that any reasonable possible change in the key assumptions on which the recoverable amount is based would not cause the carrying amount to exceed the recoverable amount of the CGU's.

9. Trade and other payables

	Consolidated 2018 $'000	Consolidated 2017 $'000
Current liabilities (Unsecured):		
Trade payables	228	500
Accrued expenses	7,085	5,299
Total trade and other payables	**7,313**	**5,799**

Recognition and Measurement

Trade and other payables are recognised when the Group becomes obliged to make future payments resulting from the purchase of goods and services. The amounts are unsecured and are usually paid within 30 days of recognition. All amounts are short term and the carrying values are considered to be a reasonable approximation of fair value.

Notes to the Consolidated Financial Statements for the year ended 30 June 2018 (continued)

10. Employee Benefit Obligations

	Consolidated 2018 $'000	Consolidated 2017 $'000
Current		
Employee leave obligations – current	1,622	1,458
	1,622	1,458
Non-Current		
Employee leave obligations – non-current	303	220
	303	220
Total employee benefit obligations	**1,925**	**1,678**

Recognition and Measurement

The Leave obligations cover the Group's liability for long service and annual leave.

The current portion of this liability includes all the accrued annual leave, the unconditional entitlements to long service leave where employees have completed the required period of service and those where employees are entitled to pro-rata payments in certain circumstances.

Liabilities for unpaid salaries, salary related costs and provisions for annual leave are recorded in the statement of financial position at the salary rates which are expected to be paid when the liability is settled. Obligations for long service leave and other long-term benefits are recognised at the present value of expected future payments to be made. In determining this amount, consideration is given to expected future salary levels and employee service histories. Expected future payments are discounted to their net present value using Milliman corporate bond rates.

Other Employee Obligations – Defined Contribution Superannuation Benefits

All employees of the Group receive defined contribution superannuation entitlements, for which the Group pays the fixed superannuation guarantee contribution (currently 9.5% of the employee's average ordinary salary) to the employee's superannuation fund of choice. All contributions in respect of employees' defined contribution entitlements are recognised as an expense when they become payable. The Group's obligation with respect to employees' defined contribution entitlements is limited to its obligation for any unpaid superannuation guarantee contributions at the end of the reporting period. All obligations for unpaid superannuation guarantee contributions are measured at the (undiscounted) amounts expected to be paid when the obligation is settled and are presented as current liabilities in the Group's statement of financial position. The defined contribution plan expense for the year was $1,708,549 (2017: $1,689,426) and is included in employee expenses.

11. Provisions

	Consolidated 2018 $'000	Consolidated 2017 $'000
Current		
Lease make good	308	308
	308	308
Non-Current		
Lease make good	156	-
	156	-
Total provisions	**464**	**308**

Notes to the Consolidated Financial Statements for the year ended 30 June 2018 (continued)

11. Provisions (continued)

Recognition and Measurement

Provisions

Make good provision

Money3 Corporation Limited and its subsidiaries is required to restore the leased premises of its branches and main headquarters to their original condition at the end of the respective lease terms. A provision has been recognised for the present value of the estimated expenditure required to remove any leasehold improvements. These costs have been capitalised as part of the cost of the leasehold improvements and are amortised over the term of the lease.

Provisions are recognised when the Group has a present obligation (legal, equitable or constructive) as a result of a present or past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at reporting date, considering the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the discounted present value of those cash flows. As that discount is unwound it is expensed in the statement of profit or loss.

Movements in each class of provision during the financial year, other than employee benefits, are set out below

Make Good Provision

	Consolidated 2018 $'000	Consolidated 2017 $'000
Carrying amount at the start of the year	308	369
Charged to profit and loss	179	5
Amounts used during the year	(23)	(66)
Carrying amount at the end of the year	**464**	**308**

12. Borrowings

	Consolidated 2018 $'000	Consolidated 2017 $'000
Current		
Bonds		
-Bonds face value	-	30,000
- Unamortised bond issue and option costs	-	(428)
	-	29,572
Non-current		
Finance facility (net of unamortised costs)	97,825	49,939
	97,825	49,939
Total borrowings	**97,825**	**79,511**

Notes to the Consolidated Financial Statements for the year ended 30 June 2018 (continued)

12. Borrowings (continued)

Recognition and Measurement

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost using the effective interest method including the borrowing costs.

Finance Facility - Fortress

On 1 December 2017, the Group entered into a $150m finance facility. The facility agreement is for 3 years from the date of the initial advance, being 15 December 2017. The facility is subject to a first ranking General Security Agreement (fixed and floating charge) over all present and after acquired assets of the Group, however has the ability for the assets of the Branch and Online Divisions to be released.

Wilbow facility and bonds

The Wilbow facility of $50m was repaid in December 2017. The $30m bonds were repaid in May 2018.

Financing Facilities Available

	Consolidated 2018 $'000	Consolidated 2017 $'000
Finance facility	150,000	50,000
Used at balance date	(100,000)	(50,000)
Unused at balance date	**50,000**	-

Assets Pledged as Security

Under the terms of the financing facility, there is General Security Agreement (fixed and floating charge) over all present and after acquired assets of the Group. The carrying amounts of assets pledged as security for borrowings are:

	Consolidated 2018 $'000	Consolidated 2017 $'000
Current assets		
Floating charge		
- Cash and cash equivalents	46,308	21,106
- Receivables	130,607	157,702
Total current assets pledged as security	176,915	178,808
Non-current assets		
Floating charge		
- Receivables	116,841	67,358
- Plant and equipment	2,062	2,222
- Intangible assets	18,722	19,175
Total non-current assets pledged as security	137,625	88,755
Total assets pledged as security	314,572	267,563

Compliance with Loan Covenants

Money3 Corporation Limited has complied with the financial covenants of its borrowing facilities during the 2018 and 2017 reporting periods.

Notes to the Consolidated Financial Statements for the year ended 30 June 2018 (continued)

13. Share Capital

	Shares 2018	Shares 2017	Consolidated 2018 $'000	Consolidated 2017 $'000
Fully paid ordinary shares	176,264,520	155,889,008	153,969	125,761

Issued and paid up capital is recognised at the fair value of the consideration received by the Company. Transaction costs arising on the issue of ordinary shares are recognised directly in equity as a reduction of the share proceeds received.

Movement in Shares on Issue

Movement in the shares on issue of the Company during the financial year are summarised below:

	Consolidated 2018		Consolidated 2017	
	Number of ordinary shares '000	Value $'000	Number of ordinary shares '000	Value $'000
Balance at the beginning of the financial year	155,889	125,761	152,483	123,590
Issued during the year:				
Share issue costs	-	-	-	(3)
Issue of shares – exercise of options	16,752	24,091	60	77
Issue of shares – employees share scheme	1,950	1,420	2,730	1,265
Issue of shares – DRP	1,674	2,697	616	832
Balance at end of the financial year	**176,265**	**153,969**	**155,889**	**125,761**

Recognition and Measurement

Ordinary Shares

Ordinary shares have the right to receive dividends as declared and in the event of winding up the Company, to participate in the proceeds from the sale of all surplus assets in proportion to the number of and amounts paid up on shares held. Ordinary shares entitle their holder to one vote, either in person or by proxy, at a meeting of the Company. The Company does not have limited authorised capital and issued shares have no par value.

Dividend Reinvestment Plan

Money3 Corporation Limited has established a dividend reinvestment plan under which holders of ordinary shares may elect to have all or part of their dividend entitlements satisfied by issue of new ordinary shares rather than being paid in cash. Shares are issued under the plan at a 5% discount to the market price.

Options

Information relating to the Money3 Employee Option Plan, including details of options issued, exercised and lapsed during the financial year and options outstanding at the end of the year is set out in Note 21.

Notes to the Consolidated Financial Statements for the year ended 30 June 2018 (continued)

14. Reserves

	Consolidated 2018 $'000	Consolidated 2017 $'000
Share option reserve		
Balance at the beginning of the financial year	4,816	2,769
Share based payments expensed for the year	2,071	2,047
Options exercised	(2,746)	-
Forfeiture of options and rights	(49)	-
Balance at the end of the financial year	**4,092**	**4,816**

The share option reserve is used to recognise the grant date fair value of options issued to employees and directors but not exercised, the grant date fair value of shares issued to employees and the grant date fair value of options issued to bond holders but not exercised.

15. Dividends

	2018 Cents per share	2018 $'000	2017 Cents per share	2017 $'000
Recognised amounts				
Fully paid ordinary shares				
Final dividend fully franked at 30% tax rate	3.15	4,993	2.50	3,880
Interim dividend fully franked at 30% tax rate	4.50	7,203	2.50	3,882
Unrecognised amounts				
Fully paid ordinary shares				
Final dividend fully franked at 30% tax rate	5.00	8,813	3.15	4,911

On 24 August 2018, the Directors declared a fully franked final dividend of 5.00 cents per share to the holders of fully paid ordinary shares in respect of the financial year ended 30 June 2018, to be paid to shareholders on 23 October 2018. The dividend will be paid to shareholders on the Register of Members on 2 October 2018. This dividend has not been included as a liability in these financial statements. The total estimated dividend to be paid is $8.8m.

The Group has $38.3m of franking credits at 30 June 2018 (2017: $25.0m).

Notes to the Consolidated Financial Statements for the year ended 30 June 2018 (continued)

16. Earnings per share

	Consolidated 2018 Cents	Consolidated 2017 Cents
a) Basic and diluted earnings per share		
Basic earnings per share (cents per share)	19.91	18.81
Diluted earnings per share (cents per share)	19.45	18.45
b) The earnings and weighted average number of ordinary shares used in the calculation of basic and diluted earnings per share are as follows:		
	$'000	**$'000**
Earnings used in basic and diluted earnings per share (NPAT)	32,028	29,086
	Number ('000)	**Number ('000)**
Weighted average number of ordinary shares for the purpose of basic earnings per share	160,891	154,596
(c) Weighted average number of ordinary and potential ordinary shares used in the calculation of diluted earnings per share as follows:		
Weighted average number of ordinary shares basic	160,891	154,596
Dilutive potential ordinary shares	3,764	3,053
Weighted average number of ordinary shares and potential ordinary shares used in calculation of diluted earnings per share	164,655	157,649

Recognition and Measurement

Basic Earnings per Share

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Company, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year.

Diluted Earnings per Share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares. Options granted to employees and bond holders are considered to be ordinary shares and have been included in the determination of diluted earnings per share to the extent to which they are dilutive.

Notes to the Consolidated Financial Statements for the year ended 30 June 2018 (continued)

17. Reconciliation of Operating Profit after Income Tax to Net Cash Flows used in Operating Activities

	Consolidated 2018 $'000	Consolidated 2017 $'000
Net Profit after tax	32,028	29,086
Non-cash items:		
Depreciation and amortisation expense	840	1,022
Loss/(Profit) on sale of property, plant and equipment	120	(1)
Allowance for impairment losses	2,717	4,994
Amortisation of bond costs	967	889
Share based payments	2,507	2,047
Changes in Movements in assets and liabilities:		
(Increase)/decrease in assets		
Loans receivable	(39,660)	(65,840)
Other receivables	114	-
Deferred tax assets	(2,932)	(1,851)
Increase/(decrease) in liabilities		
Trade and other payables	1,515	541
Current tax payable	(3,198)	(684)
Provisions and employee entitlements	403	58
Net cash used in operating activities	**(4,579)**	**(29,739)**

18. Auditor's Remuneration

	Consolidated 2018 $	Consolidated 2017 $
Auditing and reviewing the financial reports (inclusive of GST)	238,350	176,432

19. Leases

Operating Leases

Operating leases relate to head office in Melbourne, the Cash Train office in Perth and Branch premises throughout Australia, all of which have lease terms of up to 5 years. Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:

	Consolidated 2018 $'000	Consolidated 2017 $'000
Not later than one year	1,661	1,990
Later than one year but not later than five years	2,487	4,024
More than five years	-	-
Total minimum payments	4,148	6,014

Notes to the Consolidated Financial Statements for the year ended 30 June 2018 (continued)

19. Leases (continued)

Recognition and Measurement

The Group as Lessee

Leases where the lessor retains substantially all the risks and benefits of ownership of the asset are classified as operating leases. Payments made under operating leases are charged to the statement of profit or loss and other comprehensive income on a straight-line basis over the term of the lease.

20. Financial Risk Management

The Group is exposed to a variety of financial risks through its use of financial instruments. This note discloses the Group's objectives, policies and processes for managing and measuring these risks.

The Group's overall risk management plan seeks to minimise potential adverse effects due to the unpredictability of financial markets.

The Board ensures that the Group maintains a competent management structure capable of defining, analysing, measuring and reporting on the effective control of risk inherent in the Group's underlying financial activities and the instruments used to manage risk. Key financial risks including interest rate risk and credit risk are reviewed by management on a regular basis and are communicated to the Board so that it can evaluate and impose its oversight responsibility. The Group does not enter or trade financial instruments, including derivative financial instruments, for speculative purposes.

Specific Risks

- Market risk
- Credit risk
- Liquidity risk

Financial Assets/Liabilities Used

The principal categories of financial assets/liabilities used by the Group are:

Financial assets at amortised cost

- Cash and cash equivalents – Note 5
- Loans and other receivables – Note 6

Financial liabilities at amortised cost

- Trade and other payables – Note 9
- Borrowings – Note 12

Objectives, Policies and Processes

The risk management policies of the Group seek to mitigate the above risks and reduce volatility on the financial performance of the Group. Financial risk management is carried out centrally by the Finance Department of the Group.

Capital Risk Management

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance.

The group overall strategy remains unchanged from 2017.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

Notes to the Consolidated Financial Statements for the year ended 30 June 2018 (continued)

20. Financial Risk Management (continued)

Gearing Ratio

The Board reviews the capital structure on a semi-annual basis. As a part of this review the Board considers the cost of capital and the risks associated with each class of capital. Based on recommendations of the Board the Group will balance its overall capital structure through the payment of dividends, new share issues and share buy-backs as well as the issue of new debt or the redemption of existing debt.

	Note	Consolidated 2018 $'000	Consolidated 2017 $'000
Financial assets			
Debt (long term and short term borrowings)	12	97,825	79,511
Cash and cash equivalents	5	(46,308)	(21,106)
Net debt		51,517	58,405
Total equity		219,179	182,059
Debt to equity ratio		23.5%	32.0%

(a) Market Risk

(i) Price risk

The Group does not hold financial assets or liabilities that are subject to price risk.

(ii) Interest Rate Risk

The Group's exposure to market interest rates relates primarily to the Group's short-term deposits held, deposits at call and borrowings. The interest income earned or paid on these balances can vary due to interest rate changes.

The Group policy is to maintain at least 60% of its borrowings at fixed rate. Where necessary, the Group manages its cash flow interest rate risk by using floating to fixed interest rate swaps. During the current year, there did not arise a need to take interest rate swaps.

	Impact on post tax profit		Impact on equity	
	2018 $'000	2017 $'000	2018 $'000	2017 $'000
Interest rates – increase by 100 bps (50 bps)	(376)	(206)	(376)	(206)
Interest rates – decrease by 50 bps (50 bps)	188	206	188	206

(iii) Foreign exchange risk

The Group operates only in Australia and is not exposed to foreign exchange risk.

(b) Credit Risk

Credit risk is managed on a Group basis. Credit risk arises from cash and deposits with banks and financial institutions, as well as credit exposures to outstanding receivables, net of any allowance for impairment losses, as disclosed in the statement of financial position and notes to the financial report.

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. With the exception of its dealings with core customers, the Group has adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral or other security where appropriate, as a means of mitigating the risk of financial loss from defaults.

Notes to the Consolidated Financial Statements for the year ended 30 June 2018 (continued)

20. Financial Risk Management (continued)

(b) Credit Risk (continued)

(i) Credit quality analysis

The following table sets out information about the credit quality of financial assets measured at amortised cost. Explanation of terms: 12-month ECL, lifetime ECL and credit impaired are included in Note 6.

Loans receivable	Consolidated 2018 $'000				Consolidated 2017 $'000
	12-month ECL	Lifetime ECL – not credit-impaired	Lifetime ECL – credit impaired	Total	Total
Strong	131,851	-	-	131,851	124,683
Good	63,096	-	-	63,096	48,718
Watch list	-	62,779	-	62,779	53,954
Sub-standard	-	4,779	-	4,779	6,809
Credit impaired	-	-	5,800	5,800	7,480
Gross carrying amount, net of deferred revenue	**194,947**	**67,558**	**5,800**	**268,305**	**241,644**
Allowance for impairment	**(12,820)**	**(7,469)**	**(568)**	**(20,857)**	**(16,677)**
Carrying amount	**182,127**	**60,089**	**5,232**	**247,448**	**224,967**

Quality classification definitions

- 'Strong' exposures demonstrate a strong capacity to meet financial commitments, with negligible to low probability of default.
- 'Good' exposures demonstrate a good capacity to meet financial commitments with low default risk.
- 'Watch list' exposures require closer monitoring and a reasonable capacity to meet financial instruments, with moderate default risk.
- 'Sub-standard' exposures require varying degree of attention and default risk is high.
- 'Credit impaired' exposures have been assessed as impaired.

The above credit quality classifications defined above encompasses a range of granular internal credit rating grades.

Cash and cash equivalents

The Group held cash and cash equivalents of $46.3m at 30 June 2018 (2017: $21.1m). The cash and cash equivalents are held with financial institutions that are rated A to AA-, based on Fitch rating.

(ii) Collateral held and other credit enhancements

The Group holds collateral and other credit enhancements against certain of its credit exposures. The nature of collateral held by the Group against loans receivable are motor vehicles and trailers. There were no significant changes in the quality of the collateral subject to normal wear and tear of the underlying vehicles. There are no financial assets where the Group has not recognised a loss allowance because of the collateral.

(iii) Amounts arising from Expected Credit Losses (ECL)

Expected credit loss is measured from the initial recognition of a financial asset. The maximum period considered when measuring ECL is the maximum contractual period over which the Group is exposed to credit risk.

Inputs, assumptions and techniques used for estimating impairment

The Group calculates ECL using three main components, a probability of default (PD), a loss given default (LGD) and the exposure at default (EAD).

Notes to the Consolidated Financial Statements for the year ended 30 June 2018 (continued)

20. Financial Risk Management (continued)

(b) Credit Risk (continued)

PD estimates are determined using statistical models based on internally compiled data on performance, default information on exposures that are segmented into homogenous portfolio, generally by product. LGD is the magnitude of the likelihood of a loss if there is a default. The Group estimates LGD parameters based on the history of recovery rates against defaulted counterparties. The EAD represents the exposure in the event of a default. The EAD of a financial asset is its gross carrying value less deferred revenue. There were no changes to the estimation techniques or significant assumptions made during the reporting period.

Significant increase in credit risk

When determining whether the risk of default has increased significantly since initial recognition, the Group considers both quantitative and qualitative information and analysis based on the Group's historical experience. Each loan receivable is assigned a credit rating at initial recognition. Credit risk is deemed to have increased significantly if the credit rating has significantly deteriorated at the reporting date relative to the credit rating at the date of initial recognition. Deterioration in internal rating is primarily based on number of payment dishonours and but may also consider other qualitative information about the customer such as status of employment, other sources of income, credit score from credit agencies, etc. in line with the Group's credit policies. A backstop approach based on delinquency is not used due to the nature of the customer segment the Group operates in. Money3's core customers are often financially challenged and generally have a bad credit history and are lacking in budgeting ability.

Modified financial assets

The contractual terms of a loan may be modified for a number of reasons. The revised terms usually include extending the maturity, changes to interest rate and changes to the timing of interest and fee payments. A loan that is renegotiated is derecognised as if the existing agreement is cancelled and a new agreement is made on substantially different terms. Loan modifications that do not result in derecognition are considered to be a commercial restructure. The credit risk on these loans are considered to have increased significantly as such modifications are generally due to financial difficulties of the customer.

Forward looking economic inputs

The Group considers reasonable and supportable information that is relevant and available without undue cost or effort for this purpose. The Group incorporates forward looking information in the measurement of ECL as a management overlay. The economic factors that are considered includes but not limited to, gross domestic product, unemployment, interest rates and inflation

The PD, LGD and EAD models which support these determinations are reviewed periodically to compare the loss estimates against actual loss experience. Given the provisions of *AASB 9 Financial Instruments* have been adopted in the current financial year, there is limited evidence available to make these comparisons. Therefore, the underlying models and their calibration, including the impact of forward looking economic conditions remain subject to review and refinement.

Notes to the Consolidated Financial Statements for the year ended 30 June 2018 (continued)

20. Financial Risk Management (continued)

(b) Credit Risk (continued)

Loss allowance

The following table shows the reconciliation of loss allowance between the measurement basis under AASB 139 and its transition to AASB 9.

	As at 30 June 2017 Under AASB 139 $'000	Transition adjustment Under AASB 9	As at 1 July 2017 Under AASB 9 $'000
Loss allowance	16,677	1,462	18,139

The following table shows the reconciliation from the opening to the closing balance of the loss allowance.

Loans receivable	Consolidated 2018 $'000			
	12-month ECL	Lifetime ECL – not credit-impaired	Lifetime ECL – credit impaired	Total
Balance at 1 July 2017	**11,519**	**5,865**	**755**	**18,139**
New originations	14,532	-	-	14,532
Transfer to lifetime ECL – not credit impaired	(2,648)	2,648	-	-
Transfer to lifetime ECL –credit impaired	(132)	-	132	-
Transfer to 12-month expected credit losses	147	(144)	(3)	-
Financial assets derecognised / written off	(10,598)	(1,759)	(611)	(12,968)
Net remeasurement of loss allowance	-	859	295	1,154
Loss allowance at 30 June 2018	**12,820**	**7,469**	**568**	**20,857**

(iv) Concentrations of credit risk

The Group operates across Australia and provides only consumer loans. The Group does not monitor concentration of exposure within the Australian Geography.

(c) Liquidity Risk

Liquidity risk is the risk that the Group will not be able to pay their debts as and when they fall due. The Group has borrowings and the Directors ensure that the cash on hand is sufficient to meet the commitments of the Company and Group at all times.

Liquidity risk arises from the Group's management of working capital and the finance charges and principal repayments on its debt instruments. It is the risk that the Group will encounter difficulty in meeting its financial obligations as they fall due.

Liquidity risk includes the risk that the Group:

- will not have sufficient funds to settle a transaction on the due date;
- will be forced to sell financial assets at a value which is less than what they are worth; and
- may be unable to settle or recover a financial asset at all.

To help reduce these risks where possible, the strategy is to borrow long term and lend short term and maintain adequate cash reserves.

Notes to the Consolidated Financial Statements for the year ended 30 June 2018 (continued)

20. Financial Risk Management (continued)

(c) Liquidity Risk (continued)

Maturity of Financial Liabilities

The Group holds the following financial instruments. Amounts presented below represent the future undiscounted principal and interest cash flows.

2018	Consolidated			
	< 1 year $'000	1-5 years $'000	> 5 years $'000	Total $'000
Financial Liabilities:				
Borrowings	-	100,000	-	100,000
Trade and other payables	7,313	-	-	7,313
Total financial liabilities	**7,313**	**100,000**	**-**	**107,313**

2017	Consolidated			
	< 1 year $'000	1-5 years $'000	> 5 years $'000	Total $'000
Financial Liabilities:				
Borrowings	38,700	53,912	-	92,612
Trade and other payables	5,799	-	-	5,799
Total financial liabilities	**44,499**	**53,912**	**-**	**98,411**

The contractual maturities in the table above reflect gross cash flows, which may differ to the carrying values of the liabilities at the reporting date.

Also, affecting liquidity are cash at bank and non-interest bearing receivables and payables. Liquidity risk associated with these financial instruments is represented by the carrying amounts as shown above.

The carrying amount of financial assets and financial liabilities recorded in the financial statements approximates their net fair values.

The net fair values of financial assets and financial liabilities are determined as follows:

- the net fair value of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market prices; and
- the net fair value of other financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow theory.

Notes to the Consolidated Financial Statements for the year ended 30 June 2018 (continued)

21. Share Based Payments

Options

Movement in the share options of the Group during the financial year are summarised below:

	2018 Number of options	2018 Weighted average exercise price $	2017 Number of options	2017 Weighted average exercise price $
Balance at the beginning of the financial year	26,990,000	1.39	24,800,000	1.28
Granted during the financial period	-	-	5,100,000	1.50
Exercised during the financial period	(17,051,696)	1.58	(2,610,000)	0.51
Forfeited during the financial period	(200,000)	1.70	(300,000)	1.63
Expired during the financial period	(88,304)	1.30	-	-
Balance at the end of the financial year	**9,650,000**	**1.60**	**26,990,000**	**1.39**
Weighted average remaining contractual life	2.52 years	-	1.79 years	-
Exercisable at the end of the financial year	4,650,000	1.62	19,440,000	1.44

Options on issue have the following conditions:

- The options vest in full when an event occurs which gives rise to a change in control of the Company.
- If the Company, after having granted these options, restructures its issued share capital, ASX Listing Rules will apply to the number of shares issued to the option holder on exercise of an option.
- Employee and director options will not be listed on the ASX, but application will be made for quotation of the shares resulting from the exercise of the options.
- Options issued in relation to the bond are listed on the ASX under the ASX code MNYO.
- On issue of the resulting shares, they will rank equally with ordinary shares on issue at that time.
- Share options carry no rights to dividends and no voting rights. In accordance with the terms of the share option schemes, options may be exercised at any time from the date on which they vest to the date of their expiry, subject to any additional specific requirements of the allocation

Consideration received on the exercise of options is recognised as contributed equity. No options expired during the periods covered by the above tables.

Share options outstanding at the end of the year have the following expiry dates and exercise prices:

Grant Date	Expiry Date	Exercise Price	Share Options 2018	Share Options 2017
15 April 2015	16 May 2018	1.29605	-	14,840,000
21 October 2013	21 October 2018	0.996056	500,000	500,000
30 November 2013	30 November 2018	1.496056	2,000,000	4,000,000
20 October 2014	20 October 2019	1.496056	500,000	500,000
15 April 2015	14 April 2020	1.696056	1,650,000	2,150,000
28 November 2016	23 November 2021	1.500000	5,000,000	5,000,000
Total			**9,650,000**	**26,990,000**
Weighted average remaining contractual life of options outstanding at the end of the period			**2.52 years**	**1.79 years**

Notes to the Consolidated Financial Statements for the year ended 30 June 2018 (continued)

21. Share Based Payments (continued)

Restricted Shares in the Company held by KMP

Name	Grant Date	Restricted Shares Granted	Issue Price	Expiry Date	Vesting Date	Value of Restricted Shares Granted
Craig Harris	01/07/2016	484,373	$1.03	30/06/2021	30/06/2020	$600,623
Michael Rudd	01/07/2016	484,373	$1.03	30/06/2021	30/06/2020	$600,623
Brett Coventry*	01/07/2016	290,624	$1.03	30/06/2021	30/06/2020	$360,374
Michael Rudd	01/07/2016	193,798	$1.03	30/06/2021	30/06/2020	$251,211
Total		1,453,168				$1,812,829

*Brett Coventry resigned on 29 March 2018 and per his employment agreement elected to keep his shares as part of his termination agreement by paying $168,707 for the future expense portion to vesting date.

- The restricted shares vest in full on the vesting date when an event occurs which give rise to a change in control of the Company.
- Restricted shares have rights including entitlement to dividends and voting.
- On issue of the restricted shares, they will rank equally with ordinary shares on issue at that time.

Performance Rights

Movement in performance rights issued during the financial year are summarised below:

	2018 Number of rights	2017 Number of rights
Balance at the beginning of the financial year	1,022,028	-
Granted during the financial period	1,587,819	1,022,028
Exercised during the financial period	(240,974)	-
Forfeited during the financial period	(58,125)	-
Balance at the end of the financial year	**2,310,748**	**1,022,028**
Weighted average remaining contractual life	3.24 years	3.50 years
Exercisable at the end of the financial year	-	-

Performance rights granted during the year were subject to the following conditions:

- The performance rights vest in full when an event occurs which give rise to a change in control of the Company.
- If the Company, after having granted these performance rights, restructures its issued share capital, ASX Listing Rules will apply to the number of shares issued to the rights holder on exercise of a right.
- Employee and director performance rights will not be listed on the ASX, but application will be made for quotation of the shares resulting from the exercise of the rights.
- On issue of the resulting shares, they will rank equally with ordinary shares on issue at that time.
- Performance rights carry no rights to dividends and no voting rights. In accordance with the terms of the performance rights schemes, rights are automatically issues on vesting.

Performance rights outstanding at the end of the year have the following vesting dates and expiry dates:

	Vesting Date	Expiry Dates	Performance Rights 2018	Performance Rights 2017
1 July 2016 (Issue 12)	30 June 2020	30 June 2021	722,928	1,022,028
1 July 2017 (Issue 13)	30 June 2021	30 June 2022	272,820	-
1 January 2018 (Issue 14)	31 Dec 2021	31 Dec 2022	1,315,000	-
Total			2,310,748	1,022,028
Weighted average remaining contractual life of rights outstanding at the end of the period			**3.24 years**	**3.0 years**

Notes to the Consolidated Financial Statements for the year ended 30 June 2018 (continued)

21. Share Based Payments (continued)

The fair value of the Performance Rights has been determined by an independent advisor as defined by AASB 2 using the following inputs as at 30 June 2018:

	2018 Issue 14	2018 Issue 13
Grant date	01 Jan 2018	01 July2017
Vesting date	31 Dec 2021	30 June 2021
Expiry date	31 Dec 2022	30 June 2022
Share price at measurement date	1.700	1.440
Dividend yield	4%	4%
Discount rate	13.25	13.25

Recognition and Measurement

Options, restricted shares and performance rights are granted under the Money3 Corporation Limited's Director and Employee Share Option Plan. Options, restricted shares and performance rights are granted under the plan for no consideration. The Board meets to determine eligibility for the granting of options, restricted shares and performance rights and to determine the quantity and terms of options, restricted shares and performance rights that will be granted. The valuation of options, restricted shares and performance rights are determined by an independent expert taking into account the terms and conditions upon which the instruments were granted. The expected price volatility is based on the historical volatility (based on the remaining life of the options), adjusted for any expected changes to future volatility due to publicly available information.

Expenses arising from share-based payment transactions

Total expenses arising from share-based payment transactions recognised during the period as part of employee benefit expense were as follows:

	2018 $’000	2017 $’000
Options issued under employee share option plan	632	697
Performance rights issued under employee share plan	873	729
Restricted shares issued employee share plan	566	621
Total	2,071	2,047

Notes to the Consolidated Financial Statements for the year ended 30 June 2018 (continued)

21. Share Based Payments (continued)

Employee Share Scheme

A scheme under which shares may be issued by the Company to employees for no cash consideration was approved. All Australian resident permanent employees (excluding executive directors, other key management personnel of the Group and the Group company secretary) who have been continuously employed by the group for a period of at least one year are eligible to participate in the scheme. Employees may elect not to participate in the scheme.

Under the scheme, eligible employees may be granted up to $1,000 worth of fully paid ordinary shares in Money3 Corporation Limited annually for no cash consideration. The number of shares issued to participants in the scheme is the offer amount divided by the weighted average price at which the Company's shares are traded on the Australian Stock Exchange during the week up to and including the date of grant. The shares are recognised at the closing share price on the grant date (grant date fair value).

Offers under the scheme are at the discretion of the Board.

Shares issued under the scheme rank equally with other fully paid ordinary shares on issue.

Number of shares issued under the scheme on 31 October 2017 to participating employees was 145,734.

Each participant was issued with shares worth $1,000 based on the share price of $1.56. The shares had a grant date fair value of $1.56.

22. Controlled Entities

The consolidated financial statements incorporate the assets, liabilities and results of subsidiaries in accordance with the accounting policy described in Note 1. The subsidiaries of the Company are:

Name	Country of incorporation	Percentage of equity held by the consolidated entity		Acquisition date	Investment	
		2018 %	2017 %		2018 $'000	2017 $'000
Antein Pty Ltd	Australia	100	100	1 July 2006	3,100	3,100
Bellavita Pty Ltd	Australia	100	100	1 July 2006	3,037	3,037
Hallowed Holdings Pty Ltd	Australia	100	100	1 July 2006	2,970	2,970
Kirney Pty Ltd	Australia	100	100	1 July 2006	484	484
Nexia Pty Ltd	Australia	100	100	1 July 2006	1,665	1,665
Pechino Pty Ltd	Australia	100	100	1 July 2006	1,688	1,688
Happy.com.au Pty Ltd	Australia	100	100	1 July 2006	484	484
Tannaster Pty Ltd	Australia	100	100	1 July 2006	2,898	2,898
Tristace Pty Ltd	Australia	100	100	1 July 2006	1,742	1,742
Money3 Branches Pty Ltd*	Australia	100	100	01 November 2006	-	-
Money3 Franchising Pty Ltd*	Australia	100	100	16 April 2007	-	-
Money3 Wodonga Pty Ltd*	Australia	100	100	13 March 2008	-	-
Australian Car Leasing Pty Ltd*	Australia	100	100	03 May 2013	-	-
Money3 Loans Pty Ltd *	Australia	100	100	01 November 2016	-	-
Money3 Services Pty Ltd*	Australia	100	100	01 November 2016	-	-
Total					**18,068**	**18,068**

* The investment in these subsidiaries is less than $1,000

Notes to the Consolidated Financial Statements for the year ended 30 June 2018 (continued)

23. Parent Entity Financial Information

(a) Summary Financial Information

The financial position and results of Money3 Corporation Ltd, the parent entity, are as follows:

	Company 2018 $'000	Company 2017 $'000
ASSETS		
Total current assets	39,499	15,404
Total non-current assets	284,144	209,763
Total assets	**323,643**	**225,167**
LIABILITIES		
Total current liabilities	6,601	10,414
Total non-current liabilities	97,863	79,529
Total liabilities	**104,464**	**89,943**
Net assets	**219,179**	**135,224**
EQUITY		
Issued capital	153,969	127,061
Share option reserve	4,092	4,816
Retained earnings	61,118	3,347
Total equity	**219,179**	**135,224**
Profit from continuing operations	32,028	12,795
Total comprehensive income	32,028	12,795

(b) Guarantees entered by the Parent Entity

The parent entity has not entered into guarantees for any of its subsidiaries.

(c) Contingent Liabilities of the Parent Entity

The parent entity has no contingent liabilities at the time of the report.

(d) Contractual Commitments by the Parent Entity

The parent entity has contractual commitments for leases which are disclosed within Note 19.

Notes to the Consolidated Financial Statements for the year ended 30 June 2018 (continued)

24. Related Party Disclosures

(a) Parent and Ultimate Controlling Entity

The parent and ultimate controlling entity is Money3 Corporation Limited which is incorporated and domiciled in Australia. Interest in subsidiaries are listed in Note 22.

(b) Key Management Personnel Remuneration

The aggregate compensation of the KMPs of the Group is set out below:

	Consolidated 2018 $	Consolidated 2017 $
Short term employee benefits	2,407,501	1,686,133
Post-employment benefits	135,095	132,774
Long term benefits	18,621	11,911
Share based payments	1,426,379	1,094,005
Termination payments	-	41,361
Total	3,987,596	2,966,184

(c) Other Transactions with KMP or their Related Parties

Geoffrey Baldwin holds bonds from the Company to the value of $Nil (2017: $250,000). Geoffrey is the father of Scott Baldwin.

Brian Baldwin holds bonds from the Company to the value of $Nil (2017: $70,000). Brian is the brother of Scott Baldwin.

Lynne Anderson holds bonds from the Company to the value of $Nil (2017: $50,000) Lynne is the sister of Scott Baldwin.

On 15 May 2018, the bonds were redeemed. Prior to redemption all transactions on these bonds were made on normal commercial terms and conditions and at market rates. Interest was charged at a commercial rate of 9%.

There are no loans made by the disclosing entity or any of its subsidiaries to any KMP or their personally related entities.

The financial statements include the following items of expenses that resulted from transactions other than compensation or equity holdings with KMP and their related entities:

Interest paid to:	Consolidated 2018 $	Consolidated 2017 $
Geoffrey Baldwin	23,425	22,423
Brian Baldwin	6,559	6,278
Lynne Anderson	4,685	4,485
Total interest paid	34,669	33,186

Transactions between the Group and these parties are conducted on normal commercial terms.

Raymond Malone entered into a consultancy deed with Shildplex Pty Limited, a company controlled by himself to provide services to Money3 to secure a funding facility. Shildplex Pty Limited was paid $945,000 (2017: NIL) during the year, following the successful drawdown by Money3 of the $150m Fortress Funding Facility negotiated by Shildplex Pty Limited.

Notes to the Consolidated Financial Statements for the year ended 30 June 2018 (continued)

24. Related Party Disclosures (continued)

Leath Nicholson is a director of Nicholson Ryan lawyers and Panorama Pty Limited which Money3 has engaged to perform legal services and compliance services. Nicholson Ryan has been paid $350,655 (2017: $294,133) and Panorama $52,800 (2017: $Nil) during the year.

All transactions with related parties are at arm's length on normal commercial terms and conditions and at market rates.

25. Significant Matters Subsequent to the Reporting Date

No matters or circumstances have arisen since the end of the financial year that have significantly affected or may significantly affect the operations of the Group, the results or the state of affairs of the Group in future years.

26. Other Accounting Policies

Impact of Standards Issued but not yet Applied

Certain new accounting standards and interpretations have been published that are not mandatory for the 30 June 2018 reporting period and have not been early adopted by the Group. The Group's assessment of the impact of these new standards and interpretations is set out below:

Title of standard	Nature of change	Impact	Mandatory application date/Date of adoption by Group
AASB 16 Leases	AASB 16 was issued in February 2016. It will result in almost all leases being recognised on the balance sheet, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item and a financial liability to pay rentals are recognised. The only exceptions are short-term and low value leases.	The standard will affect primarily the accounting for the Group's operating leases. As at the reporting date the Group has non-cancellable operating leases commitments of $4,148,000, see note 19. However, the Group has not yet determined to what extent these commitments will result in the recognition of an asset and a liability for future payments and how this will affect the Group's profit and classification of cash flows. Some of the commitments maybe covered by the exception for short-term and low value leases and some commitments may relate to arrangements that will not qualify as leases under AASB 16.	Mandatory for financial years commencing on or after 1 January 2019. At this stage the Group does not intend to adopt the standard before its effective date.

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INDEPENDENT AUDITOR'S REPORT

To the members of Money3 Corporation Limited

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Money3 Corporation Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 30 June 2018, 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 year then ended, and notes to the financial report, including a summary of significant accounting policies and the directors' declaration.

In our opinion the accompanying financial report of the Group, is in accordance with the *Corporations Act 2001*, including:

(i) Giving a true and fair view of the Group's financial position as at 30 June 2018 and of its financial performance for the year ended on that date; and

(ii) Complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Group in accordance with the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of the Company, would be in the same terms if given to the directors as at the time of this auditor's report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Revenue Recognition

Key audit matter	***How the matter was addressed in our audit***
Refer to note 1(f) and 3 of the accompanying financial statements The Group has early adopted AASB 9 *Financial Instruments and* AASB 15 *Revenue from Contracts with Customers* from 1 July 2017. This has had a significant impact on the recognition of revenue from interest on loan products, application and credit fees, and other period fees including arrears, default and variation fees. The adoption of AASB 9 *Financial Instruments* has impacted the timing of revenue recognition compared to prior financial periods as these fees are required to be recognised using the effective interest rate method. This includes a transitional adjustment to opening retained earnings. As there are a large number of loan contracts and the terms vary by product, significant risk exists that revenue is incorrectly recognised. Revenue recognition is significant to our audit as the Group may inappropriately account for interest and fees potentially leading to revenue and profit not being recognised consistently over the life of a loan contract using the effective interest rate method.	Our procedures, amongst others, included: • Understanding the newly adopted revenue recognition method ensuring it is in accordance with AASB 9 *Financial Instruments* and AASB 15 *Revenue from Contracts with Customers*. • Detailed analysis of deferred fees and charges to ensure they are recognised over the life of a loan using the effective interest rate method in accordance with AASB 9. • Testing the transitional adjustment to opening retained earnings for the adoption of AASB 9. • Our Audit Information Technology specialists were used, in conjunction with other audit procedures, to test the Group's controls over: loan initiation and approval; standard terms, fees and charges; calculation of interest, revenue and deferred revenue in respect of fees and charges; controls for recording transactions in the company's loan systems and the general ledger; and testing for duplicate loans. • Evaluating and testing the controls relevant to the approval and recording of loans to customers. • Testing a sample of loans to ensure accurate recording of the interest, fees and charges revenue using the effective interest rate method. • Detailed analysis of revenue and the timing of its recognition based on expectations derived from our industry knowledge and knowledge of the company's products, fees and charges, following up variances from our expectations. • Reviewing the appropriateness of the related disclosures of revenue recognition and adoption of AASB 9 *Financial Instruments* in the financial statements.

Loans receivable and adequacy of allowance for impairment losses

Key audit matter	*How the matter was addressed in our audit*
Refer to note 1(f) and 6 of the accompanying financial statements The Group has a significant balance of receivables at 30 June 2018 which consist of short term personal loan contracts from customers. The Group adopted AASB 9 *Financial Instruments* during the year which has required a change to the methodology used by the Group to estimate the provision for impairment of receivables. The provision is calculated using an expected credit loss "ECL" model. The assessment of the recoverable value of customer loans using the ECL model requires significant judgement, using both qualitative and quantitative assumptions, to estimate the recoverability of the loans receivable. In our view, correctly estimating the allowance for impairment losses against loans receivable is significant to our audit.	Our procedures amongst others, included: • Understanding the Group's new ECL model to ensure it is in accordance with AASB 9 *Financial Instruments*. • Detailed analysis of management's estimate of the impairment allowance and the adequacy of procedures and processes adopted by management. • Detailed analysis of loans in arrears or subject to special payment terms using prior periods history of loans in these categories subsequently going into default and using this evidence to support the appropriateness of the impairment allowance at year end. • Testing of controls around the aging of debts in the company's loan software system and the appropriateness and application of the business rules for recognising loans in default. • Challenging management's impairment allowance based on expectations derived from our industry knowledge and knowledge of the Groups credit risk and following up variances from our expectations. • Evaluating the adequacy of the disclosures in the financial report.

Other information

The directors are responsible for the other information. The other information comprises the information contained in the Directors' report for the year ended 30 June 2018, but does not include the financial report and our auditor's report thereon, which we obtained prior to the date of this auditor's report, and the Annual Report, which is expected to be made available to us after that date.

Our opinion on the financial report does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

When we read the Annual Report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to the directors and will request that it is corrected. If it is not corrected, we will seek to have the matter appropriately brought to the attention of users for whom our report is prepared.

Responsibilities of the directors for the Financial Report

The directors of the Company are responsible for the preparation of the 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 financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the ability of the group 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 Group or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is 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 the Australian Auditing Standards 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 this financial report.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website (http://www.auasb.gov.au/Home.aspx) at:

http://www.auasb.gov.au/auditors_responsibilities/ar1.pdf

This description forms part of our auditor's report.

Report on the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included on pages 8 to 13 of the directors' report for the year ended 30 June 2018.

In our opinion, the Remuneration Report of Money3 Corporation Limited, for the year ended 30 June 2018, complies with section 300A of the *Corporations Act 2001*.

Responsibilities

The directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

BDO East Coast Partnership

BDO

David Garvey
Partner

Melbourne, 27 August 2018