



## Money3 Corporation Limited

ABN: 63 117 296 143

# Appendix 4D [Rule 4.2A.3]

For the half year ended 31 December 2018

## Results for Announcement to the Market (All comparisons to half year ended 31 December 2017)

Key Financial Information	\$'000	up/down	% movement
Revenue from ordinary activities	65,984	Up	9.3%
Profit from ordinary activities after tax attributable to members	17,521	Up	13.3%
Net profit for the period attributable to members	17,521	Up	13.3%

Dividend Information	Amount per share cents	Franked amount per share cents	Tax rate for franking credit
Final 2018 dividend per share (paid 23 October 2018)	5.0	5.0	30%
Interim 2019 dividend per share (to be paid 23 May 2019)	5.0	5.0	30%

### Interim 2019 Dividend Dates

Ex-dividend date	5 March 2019
Record date	6 March 2019
Payment date	23 May 2019

The Company's Dividend Reinvestment Plan ("DRP") will apply in respect of the interim 2019 dividend.

	31 Dec 18	31 Dec 17
Net Tangible Assets Per Security	\$1.20	\$1.07

This report is based on the consolidated Financial Report for the half year ended 31 December 2018 which has been reviewed by BDO with the Independent Auditor's Report included in the Financial Report.



Money3 Corporation Limited

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# Half Year Report

31 December 2018



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## Directors' Report

The Board of Directors (“the Board”) of Money3 Corporation Limited (“Money3” or “the Company”) present the following financial report on the consolidated entity, consisting of Money3 Corporation Limited and its subsidiaries (“the Group”) for the financial half year ended 31 December 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 of the financial half year, unless otherwise stated, and up to the date of this report:

- Stuart Robertson
- Leath Nicholson
- Symon Brewis-Weston (appointed 27 November 2018)
- Scott Baldwin
- Ray Malone (former Chairman resigned on 27 November 2018)
- Kang Tan (resigned 27 August 2018)

Upon Ray Malone’s resignation, Stuart Robertson was appointed as Chairman on 27 November 2018.

### Principal Activities

The principal activities of the Group during the financial period 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 half year.

### Results of Operations

Money3 is pleased to announce its results for the half year ended 31 December 2018 and confirms its record Net Profit After Tax (“NPAT”) of \$17.5 million. Money3 is pleased to announce that it will be exiting the SACC business in FY19 and this is further detailed in the ‘subsequent events’ section of this report. Following the exit of the SACC business, Money3 is expected to meet the lower end range of its full year net profit after tax guidance of \$35-\$36 million.

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

### Group Results

Headline achievements for the Group include:

- 9.3% increase in Revenue to \$66.0 million
- 13.2% increase in EBITDA to \$31.1 million
- 13.3% increase in NPAT to \$17.5 million
- 14.3% increase in gross loan book to \$351.9 million
- \$50m available headroom in the finance facility, \$100 million currently drawn
- Interim FY19 dividend of 5.00 cents fully franked

For the half year ended 31 December 2018, Money3 delivered a strong financial result, in line with its objectives for the financial year. The Broker division which primarily originates secured loans continues to grow strongly with revenues increasing 12.2% to \$40.4 million and gross loan book increasing by 23.6% to \$286.8 million.

## Directors' Report (continued)

### Product Mix Continues to Diversify

The Gross loan book of the Broker division comprises \$280.7 million of secured loans and \$6.1 million of unsecured loans. Secured loans have grown 21.0% against December 2017, and now represent 79.8% of the total gross loan book, compared to 79.2% at 31 December 2017. Larger Amount Longer Term Loans represents 10.9% of total gross loan book and Small Amount Credit Contract (SACC) loans represent 9.3% of total gross loan book.

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

	31 Dec 18 \$'000	31 Dec 17 \$'000	% Change
Total revenue	65,984	60,360	9.3%
EBITDA	31,082	27,451	13.2%
NPAT	17,521	15,458	13.3%
<b>Gross loan book</b>	<b>351,959</b>	<b>292,753</b>	<b>20.2%</b>
<b>Loans receivable</b>	<b>306,060</b>	<b>256,035</b>	<b>19.5%</b>

### Strategic Update

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

### Dividends

The Directors have declared an interim dividend of 5.00 cents per share. The dividend will be paid on the 23 May 2019 to those shareholders on the register at the close of business on the 6 March 2019. The Company also intends to pay a fully franked dividend of at least 10.00 cents per annum (5.00 cents per half year) to shareholders for this financial year and the next financial year ending 30 June 2020 subject to Board's discretion.

### 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 half year under review.

### Significant Matters Subsequent to the Reporting Date

On 22 February 2019, Money3 has entered into an agreement with Commit Co Pty Ltd to sell Money3 Branches Pty Ltd and Money3 Services Pty Ltd. The sale will result in the disposal of the Branch and Online divisions and will enable a complete exit from SACC lending. The sale is expected to be completed in May 2019 and the consideration is based on 76% of the gross loan book at completion.

On 22 February 2019, Money3 has also entered into a Share Purchase Agreement (SPA) to purchase Finance Investment Group Limited (Go Car Finance) for an initial consideration of NZ\$16m. Go Car Finance is an established brand in automotive finance in New Zealand. The founders and management team will remain with the business for the next three years, where they will have the ability to earn additional payments (earnout) up to NZ\$8m should performance hurdles be met.

Other than the above, there are 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 Company.

## Directors' Report (continued)

### Directors Holdings of Shares

The aggregate number of Company fully paid shares held directly, indirectly or beneficially by Directors of the Company at the date of this report is 5,001,328 ordinary shares and 5,750,000 options (30 June 2018: 12,224,036 ordinary shares, 6,000,000 options).

### 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.

### Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out on page 4.

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

On behalf of the directors,



Stuart Robertson  
Chairman  
Melbourne

25 February 2019

## Auditor's Independence Declaration



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### DECLARATION OF INDEPENDENCE BY JAMES MOONEY TO THE DIRECTORS OF MONEY3 CORPORATION LIMITED

As lead auditor for the review of Money3 Corporation Limited for the half-year ended 31 December 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 review; and
2. No contraventions of any applicable code of professional conduct in relation to the review.

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

A handwritten signature in black ink, appearing to read 'J Mooney', is written over a light blue horizontal line.

James Mooney  
Partner

**BDO East Coast Partnership**

Melbourne, 25 February 2019

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# Independent Auditor's Review Report



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## INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of Money3 Corporation Limited

### Report on the Half-Year Financial Report

#### Conclusion

We have reviewed the half-year financial report of Money3 Corporation Limited (the Company) and its subsidiaries (the Group), which comprises the condensed consolidated statement of financial position as at 31 December 2018, the condensed consolidated statement of profit or loss and other comprehensive income, the condensed consolidated statement of changes in equity and the condensed consolidated statement of cash flows for the half-year then ended, and notes comprising a statement of accounting policies and other explanatory information, and the directors' declaration.

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

- (i) Giving a true and fair view of the Group's financial position as at 31 December 2018 and of its financial performance for the half-year ended on that date; and
- (ii) Complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

#### Directors' responsibility for the Half-Year Financial Report

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

#### Auditor's responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Group's financial position as at 31 December 2018 and its financial performance for the half-year ended on that date and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of the Group, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards

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## Independent Auditor's Report (continued)



and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

### Independence

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

### BDO East Coast Partnership

A handwritten signature in black ink, appearing to read 'James Mooney', is written over a faint, stylized 'BDO' logo.

**James Mooney**  
**Partner**

Melbourne, 25 February 2019

## Directors' Declaration

In accordance with a resolution of the Directors of Money3 Corporation Limited, the Directors of the Company declare that:

1. The financial statements and notes set out on pages 8 to 18 are in accordance with the Corporations Act 2001, including:
  - (a) complying with Accounting Standards and Corporation Regulations 2001; and
  - (b) giving a true and fair view of the consolidated entity's financial position as at 31 December 2018 and of its performance for the half-year ended on that date.
2. In the directors' opinion, there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

On behalf of the Directors



Stuart Robertson  
Chairman  
Melbourne

Dated 25 February 2019

## Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

for the half year ended 31 December 2018

		Consolidated half year ended 31 December 2018 \$'000	Consolidated half year ended 31 December 2017 \$'000
Revenue from continuing operations	3	65,984	60,360
<b>Expenses from operating activities:</b>			
Bad debt expense (net of recoveries)		9,766	8,000
Movement in provision for doubtful debt expense		2,163	2,121
Bank fees and credit checks		1,410	1,307
Employee related expenses		16,090	15,738
Professional fees		743	1,303
Occupancy expenses		1,562	1,636
Technology expenses		1,476	1,236
Advertising expenses		1,472	1,328
Administration expenses		211	213
Loss on disposal of assets		9	27
Depreciation and amortisation		401	439
<b>Total operating expenses</b>		<b>35,303</b>	<b>33,348</b>
<b>Operating profit</b>		<b>30,681</b>	<b>27,012</b>
Finance income		316	85
Finance cost		5,451	4,669
<b>Net finance costs</b>		<b>5,135</b>	<b>4,584</b>
<b>Profit before income tax</b>		<b>25,546</b>	<b>22,428</b>
Income tax expense		8,025	6,970
<b>Profit after income tax for the half-year</b>		<b>17,521</b>	<b>15,458</b>
<b>Total comprehensive income for the half-year net of tax</b>		<b>17,521</b>	<b>15,458</b>
<b>Profit and other comprehensive income for the half-year attributable to:</b>			
Owners of Money3 Corporation Limited		17,521	15,458
Basic earnings per share (cents)	6	9.84	9.80
Diluted earnings per share (cents)	6	9.71	9.79

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

## Condensed Consolidated Statement of Financial Position

as at 31 December 2018

		Consolidated 31 December 2018 \$'000	Consolidated 30 June 2018 \$'000
	Note		
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents		23,663	46,308
Loans receivable	4	143,162	130,607
Current tax receivables		2,422	2,222
Other assets and receivables		635	348
<b>Total current assets</b>		<b>169,882</b>	<b>179,485</b>
<b>Non-current assets</b>			
Loans receivable	4	139,878	116,841
Property, plant & equipment		2,096	2,062
Intangible assets		18,495	18,722
Deferred tax assets		9,260	9,172
Other assets		430	424
<b>Total non-current assets</b>		<b>170,159</b>	<b>147,221</b>
<b>Total assets</b>		<b>340,041</b>	<b>326,706</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Trade and other payables		5,322	7,313
Employee benefit obligations		1,882	1,622
Provisions		353	308
<b>Total current liabilities</b>		<b>7,557</b>	<b>9,243</b>
<b>Non-current liabilities</b>			
Borrowings	8	98,267	97,825
Employee benefit obligations		392	303
Provisions		111	156
<b>Total non-current liabilities</b>		<b>98,770</b>	<b>98,284</b>
<b>Total liabilities</b>		<b>106,327</b>	<b>107,527</b>
<b>Net assets</b>		<b>233,714</b>	<b>219,179</b>
<b>EQUITY</b>			
Share capital	7	159,071	153,969
Reserves		4,898	4,092
Retained earnings		69,745	61,118
<b>Total equity</b>		<b>233,714</b>	<b>219,179</b>

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

## Condensed Consolidated Statement of Changes in Equity

for the half year ended 31 December 2018

	Share Capital \$'000	Retained Earnings \$'000	Reserves \$'000	Total \$'000
<b>Total equity at 1 July 2017</b>	<b>125,761</b>	<b>51,482</b>	<b>4,816</b>	<b>182,059</b>
Early adoption of accounting policy (net of tax)	-	(10,196)	-	(10,196)
<b>Restated total equity at the beginning of the financial year</b>	<b>125,761</b>	<b>41,286</b>	<b>4,816</b>	<b>171,863</b>
Profit after income tax expense for the half-year	-	15,458	-	15,458
Total comprehensive income for the half-year	-	15,458	-	15,458
<b>Transactions with owners in their capacity as owners:</b>				
Bonus shares issued	527	-	-	527
Employee incentive schemes - value of employee service	-	-	678	678
Options exercised	1,405	-	-	1,405
Dividends paid	*1,338	(4,993)	-	(3,655)
<b>Closing balance as at 31 December 2017</b>	<b>129,031</b>	<b>51,751</b>	<b>5,494</b>	<b>186,276</b>
<b>Total equity at 1 July 2018</b>	<b>153,969</b>	<b>61,118</b>	<b>4,092</b>	<b>219,179</b>
Profit after income tax expense for the half-year	-	17,521	-	17,521
Total comprehensive income for the half-year	-	17,521	-	17,521
<b>Transactions with owners in their capacity as owners:</b>				
Employee incentive schemes - value of employee service	1,621	-	806	2,427
Dividends paid	*3,481	(8,894)	-	(5,413)
<b>Closing balance as at 31 December 2018</b>	<b>159,071</b>	<b>69,745</b>	<b>4,898</b>	<b>233,714</b>

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

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

## Condensed Consolidated Statement of Cash Flows

for the half year ended 31 December 2018

	Note	Consolidated half year ended 31 December 2018 \$'000	Consolidated half year ended 31 December 2017 \$'000
<b>Cash flows from operating activities</b>			
Interest, fees and charges from customers		66,332	58,581
Payments to suppliers and employees (GST Inclusive)		(23,686)	(21,145)
Interest received from banks		315	94
Finance costs		(5,035)	(5,809)
Income tax paid		(8,307)	(11,063)
Net cash provided by operating activities before changes in operating assets		29,619	20,658
Loan principal advanced to customers net of repayments		(47,880)	(28,507)
<b>Net cash used in operating activities</b>		<b>(18,261)</b>	<b>(7,849)</b>
<b>Cash flows from investing activities</b>			
Payments for property, plant and equipment		(217)	(71)
<b>Net cash used in investing activities</b>		<b>(217)</b>	<b>(71)</b>
<b>Cash flows from financing activities</b>			
Proceeds from share issue		1,246	1,405
Proceeds from borrowings		-	50,000
Repayment of borrowings		-	(50,000)
Dividends paid		(5,413)	(3,655)
<b>Net cash used in financing activities</b>		<b>(4,167)</b>	<b>(2,250)</b>
<b>Net decrease in cash held</b>		<b>(22,645)</b>	<b>(10,170)</b>
Cash and cash equivalents at the beginning of the half year		46,308	21,106
<b>Cash and cash equivalents at end of the half year</b>		<b>23,663</b>	<b>10,936</b>

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

## Notes to the Condensed Financial Statements for the half year ended 31 December 2018

### Introduction

The interim financial report for the half year ended 31 December 2018 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 interim 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

This condensed consolidated interim financial report for the half-year reporting period ended 31 December 2018 has been prepared in accordance with Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Act 2001.

This condensed consolidated interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for year ended 30 June 2018 and any public announcements made by Money3 Corporation Limited during the interim reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

The accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period, except for the adoption of new standards as set out below.

### (b) 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.

### (c) Impact of standards issued but not yet applied

#### *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 lease commitments of \$3.3 million. 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.

The standard is mandatory for financial years commencing on or after 1 January 2019. The Group does not intend to adopt the standard before its effective date.

## Notes to the Condensed Financial Statements for the half year ended 31 December 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 maker in order to allocate resources to the segments and to assess their performances. Management has determined that the Group has three segments, being Broker, Branch and Online as outlined below:

#### Broker

This segment provides lending facilities 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 Managing Director for 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 half year ended 31 December 2018	Broker	Branch	Online	Unallocated	Total
	\$'000	\$'000	\$'000	\$'000	\$'000
Segment revenue	40,434	19,166	6,384	-	65,984
EBITDA / Segment result	24,918	7,103	1,718	(2,657)	31,082
Depreciation and amortisation	(13)	(43)	(230)	(115)	(401)
Net finance costs	-	-	-	(5,135)	(5,135)
Profit before tax	24,905	7,060	1,488	(7,907)	25,546
Income tax expense					(8,025)
Profit after tax					17,521
Loans receivable	258,136	39,184	8,740	-	306,060

Consolidated half year ended 31 December 2017	Broker	Branch	Online	Unallocated	Total
	\$'000	\$'000	\$'000	\$'000	\$'000
Segment revenue	36,041	16,734	7,585	-	60,360
EBITDA / Segment result	22,373	5,389	3,093	(3,404)	27,451
Depreciation and amortisation	(5)	(73)	(228)	(133)	(439)
Net finance costs	-	-	-	(4,584)	(4,584)
Profit before tax	22,368	5,316	2,865	(8,121)	22,428
Income tax expense	-	-	-	-	(6,970)
Profit after tax	-	-	-	-	15,458
Loans receivable	212,047	34,480	9,508	-	256,035



## Notes to the Condensed Financial Statements for the half year ended 31 December 2018 (continued)

### 3. Revenue

	Consolidated half year ended 31 December 2018 \$'000	Consolidated half year ended 31 December 2017 \$'000
<b>Revenue from operating activities</b>		
Interest, fees and charges on loans receivable	65,855	60,037
Cheque cashing fees	129	323
<b>Total revenue from operating activities</b>	<b>65,984</b>	<b>60,360</b>

### 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.

#### 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. Loans Receivable

	Consolidated 31 December 2018 \$'000	Consolidated 30 June 2018 \$'000
<b>Loans receivable</b>	306,060	268,305
Allowance for impairment losses	(23,020)	(20,857)
<b>Net loans receivable</b>	<b>283,040</b>	<b>247,448</b>
Current loans receivable	143,162	130,607
Non-current loans receivable	139,878	116,841
<b>Net loans receivable</b>	<b>283,040</b>	<b>247,448</b>

## Notes to the Condensed Financial Statements for the half year ended 31 December 2018 (continued)

### 4. Loans Receivable (continued)

Gross loan book 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 loan book less deferred revenue represents the loans receivable calculated in accordance with the accounting policy.

	Consolidated 31 December 2018 \$'000	Consolidated 30 June 2018 \$'000
Gross loan book	351,959	308,047
Deferred revenue	(45,899)	(39,742)
<b>Loans receivable</b>	<b>306,060</b>	<b>268,305</b>

### Key Estimate

Recognition of income is in line with the expected repayment profile of loans in the ordinary course of business. The loss allowances for loans receivable are based on assumptions about risk of default and expected loss rates. The Group uses judgment in making these assumptions and selecting the inputs to the impairment calculation, based on the Group's history, existing market conditions as well as forward looking estimates at the end of each reporting period.

### 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 receivable 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:

#### *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.

## Notes to the Condensed Financial Statements for the half year ended 31 December 2018 (continued)

### 4. Loans Receivable (continued)

#### *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. 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).

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.

### 5. Dividends

	2018 Cents per share	2018 \$'000	2017 Cents per share	2017 \$'000
<b>The dividends were paid as follows:</b>				
Final dividend paid during the half year ended 31 December - fully franked at 30% tax rate	5.00	8,894	3.15	4,993

## Notes to the Condensed Financial Statements for the half year ended 31 December 2018 (continued)

### 6. Earnings per share

	Consolidated half year ended 31 December 2018 Cents	Consolidated half year ended 31 December 2017 Cents
<b>a) Basic and diluted earnings per share</b>		
Basic earnings per share (cents per share)	9.84	9.80
Diluted earnings per share (cents per share)	9.71	9.79
<b>b) The earnings and weighted average number of ordinary shares used in the calculation of basic and diluted earnings per share are as follows:</b>		
	<b>\$'000</b>	<b>\$'000</b>
Earnings used in basic and diluted earnings per share (NPAT)	17,521	15,458
	<b>Number (‘000)</b>	<b>Number (‘000)</b>
Weighted average number of ordinary shares for basic earnings per share	178,053	157,715
<b>Weighted average number of ordinary and potential ordinary shares used in the calculation of diluted earnings per share as follows:</b>		
Weighted average number of ordinary shares basic	178,053	157,715
Dilutive potential ordinary shares	2,411	173
Weighted average number of ordinary shares and potential ordinary shares used in calculation of diluted earnings per share	180,464	157,888

### 7. Share Capital

	Consolidated 31 December 2018		Consolidated 30 June 2018	
	Number of ordinary shares	\$'000	Number of ordinary shares	\$'000
Balance at the beginning of the period	176,264,520	153,969	155,889,008	125,761
<b>Issued during the period:</b>				
Issue of shares – exercise of options	-	-	16,752,096	24,091
Issue of shares – employees share scheme	1,883,077	1,621	1,949,691	1,420
Issue of shares – DRP	1,770,722	3,481	1,673,725	2,697
<b>Balance at end of the financial year</b>	<b>179,918,319</b>	<b>159,071</b>	<b>176,264,520</b>	<b>153,969</b>

## Notes to the Condensed Financial Statements for the half year ended 31 December 2018 (continued)

### 8. Borrowings

	Consolidated 31 December 2018 \$'000	Consolidated 30 June 2018 \$'000
<b>Non-current</b>		
Finance facility	100,000	100,000
Unamortised costs	(1,733)	(2,175)
<b>Net borrowings</b>	<b>98,267</b>	<b>97,825</b>

#### Finance Facility

On 1 December 2017, the Group entered into a \$150 million 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.

#### Financing Facilities Available

	Consolidated 31 December 2018 \$'000	Consolidated 30 June 2018 \$'000
Finance facility	150,000	150,000
Used at balance date	(100,000)	(100,000)
<b>Unused at balance date</b>	<b>50,000</b>	<b>50,000</b>

### 9. Significant Matters Subsequent to the Reporting Date

On 22 February 2019, Money3 has entered into an agreement with Commit Co Pty Ltd to sell Money3 Branches Pty Ltd and Money3 Services Pty Ltd. The sale will result in the disposal of the Branch and Online divisions and will enable a complete exit from SACC lending. The sale is expected to be completed in May 2019 and the consideration is based on 76% of the gross loan book at completion.

On 22 February 2019, Money3 has also entered into a Share Purchase Agreement (SPA) to purchase Finance Investment Group Limited (Go Car Finance) for an initial consideration of NZ\$16m. Go Car Finance is an established brand in automotive finance in New Zealand. The founders and management team will remain with the business for the next three years, where they will have the ability to earn additional payments (earnout) up to NZ\$8m should performance hurdles be met.

Other than the above, there are 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 Company, the results or the state of affairs of the Group in future years.