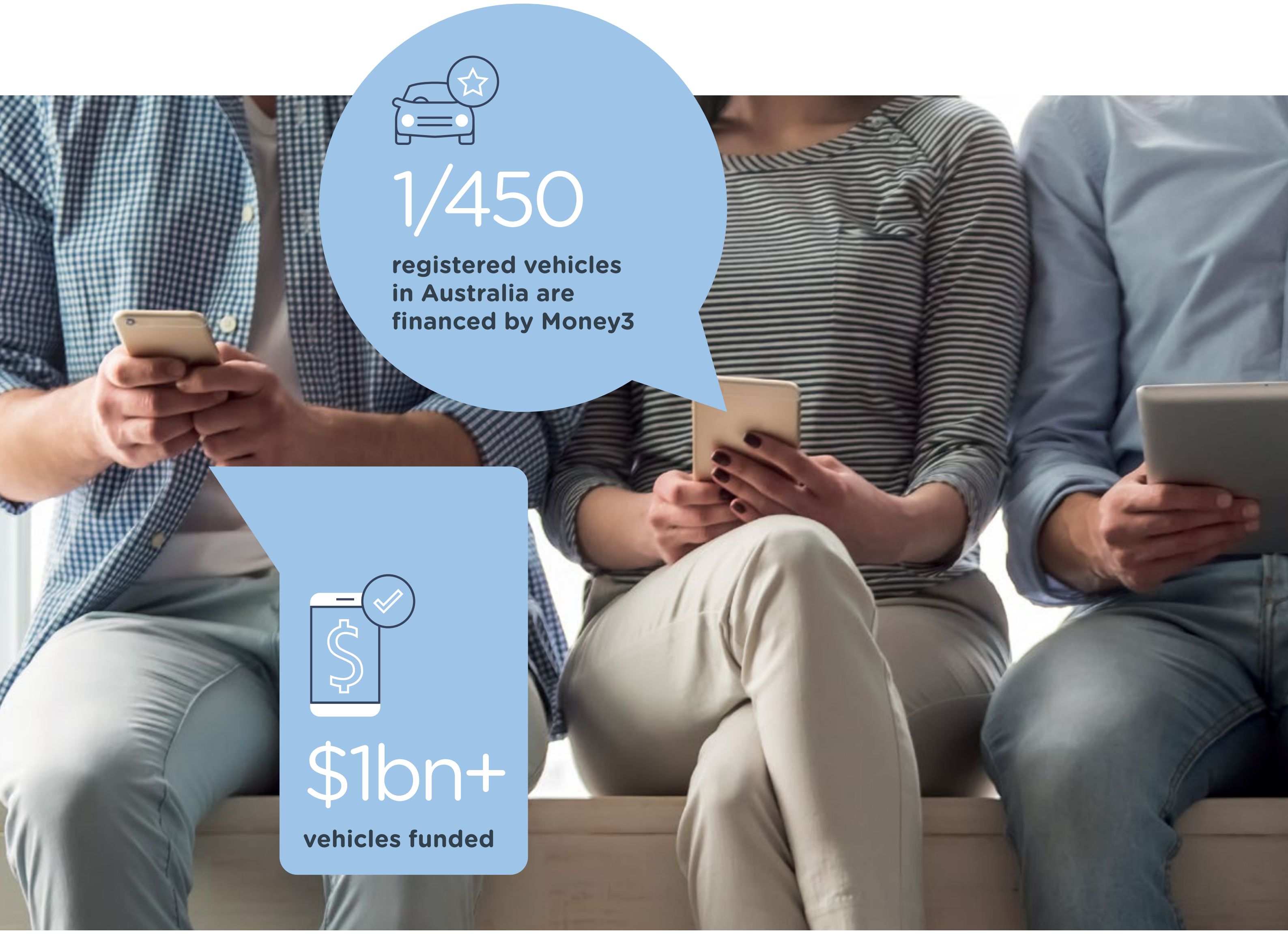
money3

Helping Drive Customer Satisfaction

Money3 Corporation Limited

Annual Report 2020

Through Smarter, Tailored Lending



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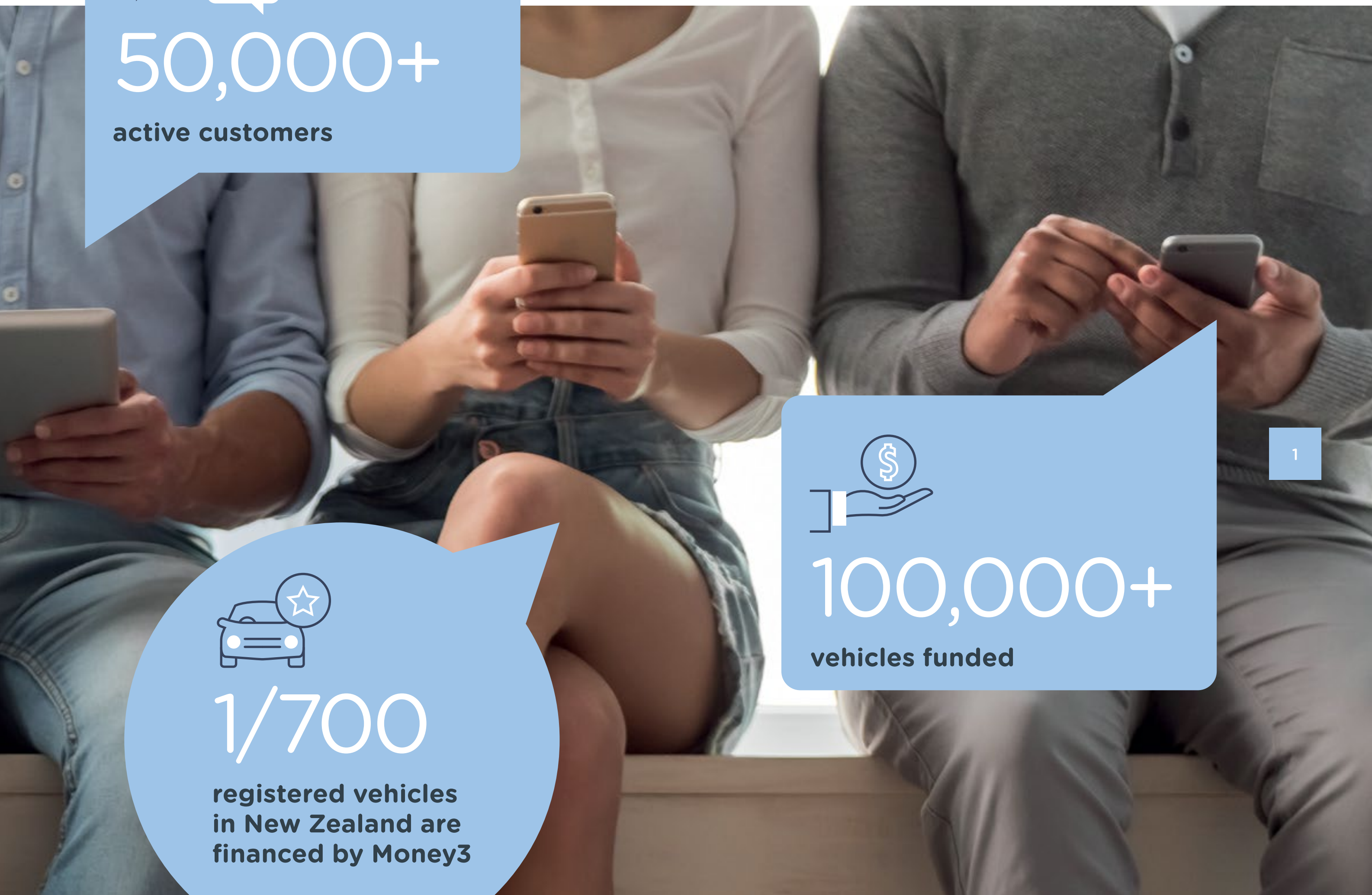


50,000+
active customers

100,000+
vehicles funded

1/700
registered vehicles in New Zealand are financed by Money3

What we do

Money3 is a specialist provider of consumer finance for the purchase and maintenance of a vehicle in Australia and New Zealand. Our business model and unique approach to customer care attracts customers that are underserviced by mainstream banks.

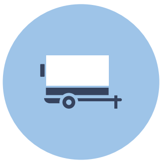
Our Business

Product offering

Money3 offers a range of products to service the needs of our customer base:

Product	Vehicle Loans – Secured		Personal Loans – Secured	Personal Loans – Unsecured
Location	Australia	New Zealand	Australia	Australia
Loan range	up to $75,000	up to $75,000	up to $12,000	up to $8,000
Term	2-5 years	2-5 years	2-3 years	1-2 years

Assets Financed

Security type					
Loan count	45,378	1,473	855	316	173

Of the total vehicles funded, over 500 are new vehicles.

Helping people to a better everyday life

Brands

Money3 has a separate brand in each geographic location:

money3	Go Car Finance – Goes way further
Australia	**New Zealand**

Distribution

Money3 goes to market via a number of distribution channels that provides options and flexibility for the customers to access product offerings in the way that best suits them:

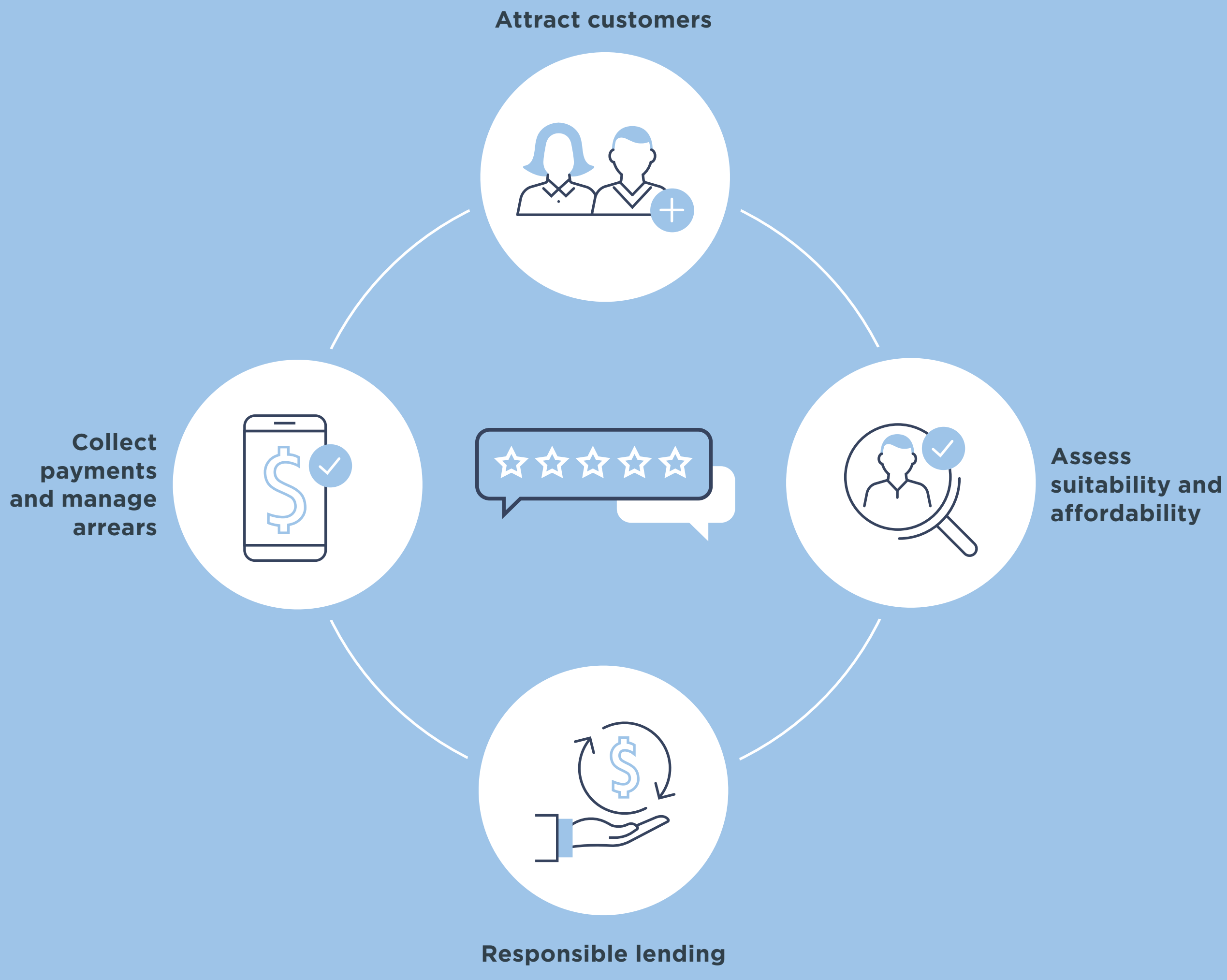
Broker	Australia & New Zealand	Leads from accredited brokers
Dealer	New Zealand	Leads from accredited dealers
D2C*	Australia & New Zealand	Customers who prefer to apply online, millennials

* *Direct to Customers.*

146	**8**	**10**	**7**	**8**

Our Business Model

Money3 has decades of experience and deep knowledge of providing consumers with finance for their vehicles. Our operations in Australia and New Zealand are focused on broker and dealer channels, and increasingly, a strong direct channel to market. Our products are simple and transparent, and our customer centric approach prioritises flexible and tailored repayments that helps our customers service their loans.



Attract customers

We understand our customers and create value by providing tailored products that suit their needs. We reach our customers through both digital and traditional channels including brokers and dealers.

We finance customers across a range of risk profiles which is reflected in our pricing range beginning at 9.95% p.a. We build a strong and enduring relationship with our customers which is evident from 32% of customers returning in FY20 for a new loan or refinancing.

Assess suitability and affordability

Assessment starts by collecting customers' data from their applications and from external sources that digitally feed into our credit assessment engine.

Money3 employs stringent standards of credit assessment and responsible lending built from our experience and in line with the regulatory requirements. Direct engagement with customers is a key part of our decisioning process. This enables Money3 to understand our customers' needs in a better way.

Our partner relationships with our brokers and dealers also play an integral role in delivering suitable products and services to our customers.

Responsible lending

We focus on understanding our customers cash flows and lend well within their affordability.

Collect payments and manage arrears

Customers can make payments in multiple ways including direct debit, BPAY, directly from their employer through salary deductions, debit and credit card payments. More than 99% of our customers opt to pay through direct debit. In FY19, we started offering digital payments to our customers through partnerships.

We allow customers to choose the payment frequency and payment methods that best suit them. We help our customers minimise penalty fees by encouraging them to contact us early in case they foresee difficulty in making repayments. This ensures we update our banking partners accordingly thereby avoiding dishonour fees for our customers from the banks through which automated payment instructions are operated. We are flexible with repayment profiles with the objective of helping our customers repay the loan thereby minimising losses for Money3. We have developed new capabilities to message customers to remind them of upcoming payments.

Should a customer miss a payment, we engage with them early and understand their difficulties with a sympathetic approach. Depending on the nature of difficulty we use a range of forbearance tools to help our customers.

This includes:

- accepting reduced payments;
- reduced interest rates;
- payment holidays; and
- reselling vehicle to assist payments.

These measures are taken to help our customers get back on track with their repayment schedules.

Our differentiation

Profitable Growth

Taking Money3's profitable business model to new customers segments

Growing our addressable market

We are focussed on the consumer finance market through our vehicle and personal finance products. The Group has a long history of strong profitable growth and growing market share in an expanding number of customer segments.

FY21 Focus

- Expanding our product reach into the near prime vehicle finance market;
- Broadening our presence in the sub-prime vehicle finance market via further geographic expansion; and
- Accelerating growth through opportunistic acquisitions.

Money3 is broadening its market share in the near prime segment

Our differentiation

Flexible Lending

Responsible lender with tailored solutions

Tailored solutions

We pride ourselves on understanding customers' needs and their different circumstances by building deep relationships through regular communication right from the point of application stage. We understand income and expense variability and work with customers towards a solution rather than avoiding the customer. We tailor our products to be affordable, suitable and flexible.

FY21 Focus

Continuing our investments in smart technologies for application processing to enhance efficiency and effectiveness.

32% of new origination in FY20 in Australia are from returning customers

Our differentiation

Focus on Customer Care

Providing service where others don't

Customer centric culture

We invest time to understand our customer base enabling us to identify and manage repayment disruptions early. Many customers choose Money3 as their preferred financier because they prefer our flexible repayment approach. For others, it is because Money3 helped them to repair their credit history and pay back loans. These loyal and returning customers reaffirm the significance of our customer care team, particularly as we broaden our service offering to include more new vehicles, larger loans and lower interest rate products.

FY21 Focus

Continue to manage our customers in servicing their loan through the current economic cycle and maintain the quality of the loan book.

36.3% increase in cash collections in FY20

Our differentiation

Financial Resilience

Maximises shareholder returns

Strong capital base and well funded

With a strong equity base and significant headroom in covenants, Money3 is well positioned to handle challenges through the current economic cycle. Money3 is well funded with ~$65m available to deploy into the vehicle finance market. While historically, growth has been primarily funded through equity, with the improving quality of our receivables, Money3 can comfortably sustain a higher gearing ratio.

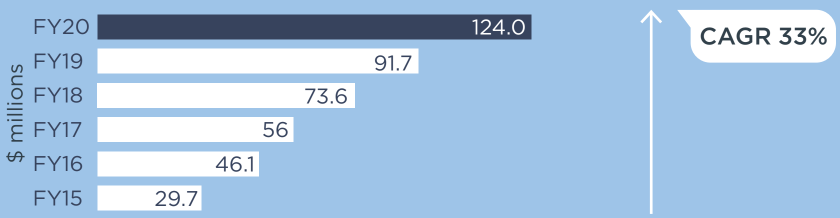
FY21 Focus

Optimising capital structure to support sustained and profitable growth in new customer segments.

Well funded with ~$65m in available funds to support growth

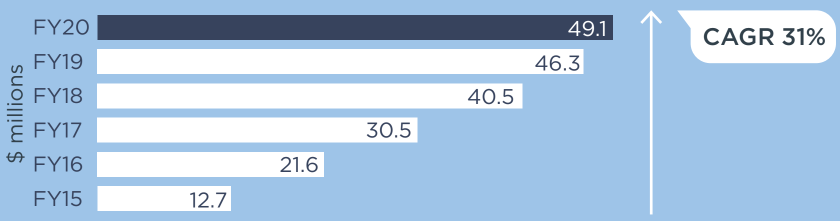
Financial Highlights

Revenue*



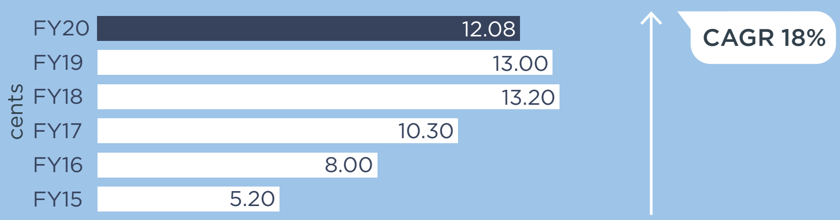
35.3% increase in revenue to $124.0m

EBITDA*



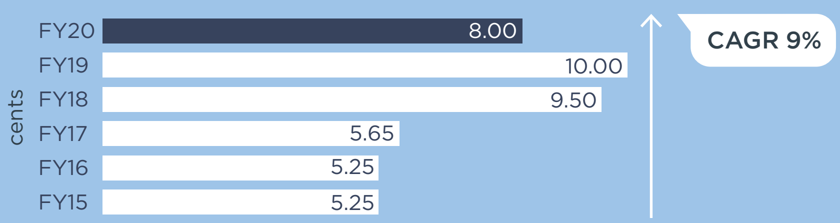
16.4% in loan book growth to $433.8m

EPS*



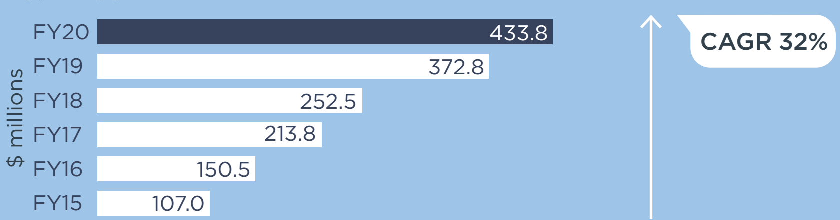
31.1% increase in EBITDA normalised (continuing operations)

Dividends



30.1% increase in NPAT normalised (continuing operations)

Loan Book*

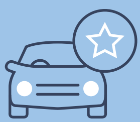


* *From continuing operations.*

Chairman & Managing Directors' Letter

Dear Shareholders,

On behalf of the Board of Directors we are pleased to present you with Money3's FY20 Annual Report.



13.1%

in loan book growth in Australia

This year has seen unprecedented challenges, both locally and globally, facing not only Money3 but our society as a whole.

As we write this, Victoria, where our head office is located, has entered stage four restrictions, with a nightly curfew in place and mandatory closure of the office. To say the world is a very different place to twelve months ago would be an understatement.

These events have changed how we do business and live our lives. In January of this year we watched in awe as bushfires ravaged parts of Australia. In Melbourne, so close were the bushfires to our workplace, we had to close the Bundoora office due to smoke coming from the Plenty Gorge fires, only a few hundred metres from our doorstep. This ensured that we reviewed and updated our business continuity plans, including investment in working from home technology. Little did we know at the time, that the COVID-19 pandemic would be testing our resilience and plans so quickly.

Our thoughts and sympathies go out to those who have been affected by the bush fires and COVID-19 through the loss of their jobs or more personally through illness or the loss of loved ones.

We would also like to thank our staff, who have worked tirelessly, often remotely, and made many sacrifices for the Group and ensured customers continue to receive the level of customer service they have become used too.

It has been an important year for the Group in terms of consolidating our strategy of moving away from a physical branch network providing small amount credit contracts to being a leading provider of vehicle finance through our digital platform, and maintaining our well recognized 'human touch'. In addition, the Group has expanded its product reach and launched products targeting the large near prime market. We believe that not only is the Group extremely well placed to service this market, that it also significantly increases the addressable market in which the Group operates.

Chairman's & Managing Directors' Letter continued

Financials

The consolidation of these transformative actions through the year have helped underpin our solid results, despite the headwinds referred to above.

The transformation into a specialist vehicle and personal finance company in Australia and New Zealand has seen strong growth in the core business. Full year Revenue from continuing operations increased 35.3% to $124.0m, while cash collections grew 36.3% to $277.2m and Gross Loan Book grew 16.4% to $433.8m

In February 2020, the Group confirmed guidance of $30.0m NPAT from continuing operations for FY20. Subsequently, considering the unknown impact, including the duration of COVID-19 would have on the Group's operations, the Board withdrew guidance in March 2020.

During Q4 FY20, the Group suspended loan activities in New Zealand whilst in stage 4 lock-down. Domestically, in light of the uncertain economic environment during stage 3 restrictions, the Group tightened its lending criteria in Australia.

Government stimulus programs in Australia and New Zealand have seen the majority of our clients maintain their pre-pandemic levels of income. This, coupled with the Group's focus on collections and the importance to customers of having access to a vehicle, has led to customers actively reducing their outstanding loan balance through this period.

Collections during the COVID-19 lockdown generated excess cash to operating expenses, enabling the Group to reduce its financing facility while closing the year with a strong balance sheet. This ensures that the Group is well placed to weather any prolonged downturn due to the pandemic and is also well positioned to take advantage of any acquisition opportunities that may present themselves.

Gross Loan Book grew 16.4% during the year to $433.8m, with most of the growth occurring in the first 6 months. With restrictions lifting in New Zealand toward the end of the financial year we saw strong origination growth albeit tightened lending criteria, with July 2020 becoming one of our strongest months of new loan originations on record in New Zealand.

Pleasingly, bad debts have remained within the guided range of 4.5% to 5.5%. Notwithstanding this, the Group has revised its ongoing provisioning given the outlook of the economy and has taken up a one off, non-cash impairment provision on the basis of significant uncertainty and potential for worsening economic conditions.

FY20 Normalised NPAT was $32.3m, an increase of 14.2% on the prior corresponding period when adjusting for the one-off, non-cash economic outlook provision because of COVID-19. Statutory NPAT was $24.2m, down 14.5% on FY19.

COVID-19 impact on results

With an uncertain economic environment presenting itself in FY21 the Board of Directors felt it prudent to stress test numerous scenarios, including a sharp downturn in the economy with significantly increased unemployment levels. This has led to a one-off increase in the impairment provision of approximately 3% of the loans receivable, or a one-off $10.1m expense to the Profit and Loss statement for FY20.

For clarity, under normal conditions, the economic outlook provision would not be required.

Our Staff

There is an old saying that *adversity brings out the best in us*. We have seen this during the year with our staff. I would like to take this opportunity to thank each one of them. They have worked tirelessly and at times under great strain and stress during the Victorian Government's imposed COVID-19 restrictions. Having been able to continue providing the level of service the Group is known for, while producing an outstanding financial result, is largely down to the determination and dedication of our valued staff. We cannot thank them enough for their focus on the customer.

32.4%

loan book growth in New Zealand

Community

During the previous summer many Australians were impacted by the unprecedented bush fires across the country. The fires were of such scale, that our colleagues in Auckland were impacted by the smoke haze traveling across the Tasman. While there were many heroes during this period, on a local note, there were volunteer firefighters who worked tirelessly protecting Melbourne's northern suburbs, including Money3's head office. Money3 was delighted to be able to financially support the local volunteer fire brigades.

During the year, the staff at Money3 also held a gala evening to raise funds for the Big Group Hug, a charity supporting vulnerable families with children experiencing situational hardship or disadvantage. We were delighted to see most of the staff in Melbourne participate in the event.

New Board member

In September 2019 we welcomed Ms Kate Robb to the Board as an Independent Non-Executive Director. Kate was appointed Chair of the Audit, Risk and Compliance Committee, capitalising on her 20+ years' experience in Audit, Compliance & Risk Management.

Investment in digital Technology

The Group continues to invest in technology that allows customers to digitally apply for finance whilst ensuring compliance with our responsible lending obligations.

By investing in further technology enhancements, customers will receive quicker decisions on their applications, whilst the Group continues to improve productivity.

Product Expansion

During the year, the Group completed a strategic review of the market and its product offerings. This resulted in an expansion into the near prime sector, broadening the addressable market of the Group.

Outlook

While we are expecting volatility due to the pandemic, we anticipate loan book growth through FY21 due to expanding market reach and increased product offering.

Finally, I would like to thank you, our shareholders, for your continued support as we continue our transformation into a leading provider of vehicle and personal finance.

Regards

Stuart Robertson
Chairman

Scott Baldwin
Managing Director and Chief Executive Officer

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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, is available on the Money3 website, www.money3.com.au, under Corporate Governance in the Investors tab in accordance with listing rule 4.10.3.

Directors' Report

Your Directors present their report on the consolidated entity consisting of Money3 Corporation Limited ("the Company") and the entities it controlled ("the consolidated entity"/"the Group") at the end of or during the year ended 30 June 2020.

Directors and Company Secretary

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

- Stuart Robertson
- Symon Brewis-Weston
- Scott Baldwin
- Kate Robb (appointed 1 September 2019)
- Leath Nicholson (resigned 15 November 2019)

Terri Bakos is the Company Secretary appointed on 31 October 2016.

Principal Activities

The principal activities of the Group during the financial year were the provision of finance specialising in secured vehicle loans as well as secured and unsecured personal loans. There have been no significant changes to the Group's principal activities during the year.

Dividends – Money3 Corporation Limited

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

	2020 $'000	2019 $'000
Final dividend for the year ended 30 June 2019 of 5.00 cents (2018: 5.00 cents), fully franked at 30% tax rate	9,122	8,895
Interim dividend for the year ended 30 June 2020 of 5.00 cents (2019: 5.00 cents), fully franked at 30% tax rate	9,253	9,012
Total Dividends Paid	**18,375**	**17,907**

Since the end of the financial year the Directors have declared the payment of a final 2020 ordinary dividend of 3.00 cents per fully paid share. Based on the current number of shares on issue, the dividend payment is expected to be $5.6m. This dividend will be paid on 9 October 2020 by the Company.

Directors' Report (continued)

Review of operations

FY20 was another year of strong performance with double digit growth despite COVID-19 impact. The Group achieved a normalised Net Profit After Tax ("NPAT") of $32.3m (in line with the guidance provided to the market). The statutory NPAT is $24.2m and a reconciliation to the normalised NPAT is given below.

	2020 $m
Statutory NPAT	24.2
Economic outlook provision	10.1
One-off write off in New Zealand operations	2.8
COVID-19 technology expenses	0.8
Wage subsidy	(2.1)
Tax on the above	(3.5)
Normalised NPAT	**32.3**

The key financial operating results of the Group's continuing operations are outlined in the table below:

	30 Jun 20 $'000	30 Jun 19 $'000 (Restated)	% Change
Total revenue	124,034	91,703	35.3%
EBITDA	49,081	46,318	6.0%
NPAT	22,192	23,341	(4.9%)
Gross loan book	**433,857**	**372,821**	**16.4%**
Loans receivable	**387,250**	**333,212**	**16.2%**

Segment performance

Australia

	30 Jun 20 $'000	30 Jun 19 $'000 (Restated)	% Change
Total revenue	102,774	84,923	21.0%
EBITDA	48,500	49,858	(2.7%)
Gross loan book	**351,163**	**310,369**	**13.1%**
Loans receivable	**316,507**	**279,202**	**13.4%**

The Australia division consists primarily of secured automotive loans up to $75,000 with terms up to 60 months. All financing under the Australia division is provided under the All Other Credit ("AOC") contract, in accordance with the *National Consumer Credit Protection Act 2009*.

New Zealand

	30 Jun 20 $'000	30 Jun 19 $'000 (Restated)	% Change
Total revenue	21,260	6,780	213.6%
EBITDA	6,397	1,578	305.4%
Gross loan book	**82,694**	**62,452**	**32.4%**
Loans receivable	**70,743**	**54,010**	**31.0%**

Go Car Finance was acquired on 12 March 2019. Go Car Finance has operations across New Zealand and is a provider of secured automotive loans.

Branch and Online segment (Discontinued)

	30 Jun 20 $'000	30 Jun 19* $'000	% Change
Total revenue	–	44,679	–
EBITDA	2,000	16,219	(87.7%)
Gross loans book	**–**	**–**	**–**
Loans receivable	**–**	**–**	**–**

* *The above represents the performance for the period from 1 July 2018 to 20 May 2019 (date of sale).*

With the disposal of Money3 Branches Pty Ltd (Branches) and Money3 Services Pty Ltd (Online) on 20 May 2019, this segment was designated as discontinued.

Significant changes in the state of affairs

The Group continues to transform itself into a specialist automotive finance company in Australia and New Zealand, with remarkable growth in the core business.

During the first half of FY20, the Group recorded $62.7m revenue and $15.7m NPAT. While revenue continued to be in line with expectations in the second half of FY20, COVID-19 has a significant impact on the Gross Loan Book and related impairment provisioning.

COVID-19

Since April 2020, the Group has been significantly impacted by COVID-19. While cash collections continued to be strong during this period which helped to maintain, if not marginally improve the loan book quality, there has been a significant reduction in new loan originations. Lending criteria were tightened including exposure to select industries. The significant uncertainty over the future economic outlook resulted in an increase to the impairment provision by $10.1m (pre-tax).

In March 2020, the Group drew down an additional $40.0m from its Australian facility but repaid $10.0m as a result of strong cash collections. At 30 June 2020, there is approximately $65m in available funds and with significant headroom in the debt covenants, the Group's liquidity is strong and is well placed to weather any prolonged downturn as a result of COVID-19.

Other than the above, there were no significant changes in the state of affairs of the Group.

Directors' Report (continued)

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.

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 in this Report.

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.

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 2020 or 2019 financial years.

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 thousand dollars, or in some cases, to the nearest dollar.

Our Board

Stuart Robertson

Non-Executive Director & Chair of the Board

Qualification

B.Com ACA FINSIA GAICD MBA

Experience

Stuart brings experience in business advisory, investment banking, alternative investments and funds management. Stuart provides consulting services focused on deal origination and structuring primarily in the unlisted market.

Stuart is also a member of the Audit Committee.

Other directorships

- Praemium Limited

Former directorships in last 3 years

- None

Kate Robb

Non-Executive Director & Chair of the Audit Committee

Qualification

B.Acc. ACA GAICD

Experience

Kate brings more than 20 years of governance, internal audit, risk management and compliance experience. She has held senior management roles within a number of ASX-listed companies. In addition to this, Kate also spent seven years with PwC during which she provided governance services to a variety of listed and privately owned entities.

Kate is also a member of the Remuneration & Nomination Committee.

Other directorships

- Sandringham Community Financial Services Limited – Independent Member of Audit Committee

Former directorships in last 3 years

- None

Directors' Report (continued)

Symon Brewis-Weston
Non-Executive Director & Chair of the Remuneration & Nomination Committee

Qualification
B.Econ (Hons), Masters in Applied Finance

Experience
Symon brings extensive international financial services experience and a deep understanding of the consumer finance markets having previously held the senior positions in FlexiGroup Limited, Sovereign Assurance Limited, and the Commonwealth Bank of Australia.

Symon is also a member of the Audit Committee.

Other directorships
- Stockco Australia Pty Ltd
- Relentless Resources Limited

Former directorships in last 3 years
- Managing Director of FlexiGroup from 2017 to 2018

Scott Baldwin
Managing Director & Chief Executive Officer

Qualification
Dip. in Finance, B.Eng (Hons), MBA GAICD

Experience
Mr Baldwin has been an employee of Money3 for over 12 years, a shareholder since listing in 2006, and was appointed to the Board of Directors in 2009 as an Executive Director, in 2015 he assumed the role of Managing Director and Chief Executive Officer. Mr Baldwin has led the strategic transformation of Money3 into a fast growing consumer auto finance business. Prior to joining Money3, Mr Baldwin spent over a decade in a variety of senior roles with General Electric Healthcare.

Other directorships
- None

Former directorships in last 3 years
- None

Terri Bakos
Company Secretary

Qualification
B.Acc. ACA ACIS

Experience
Terri has over 20 years' experience providing company secretarial, financial accounting and compliance services to ASX listed and unlisted public companies in the technology, financial services, automotive, mining and biotech sectors.

Other directorships
- None

Former directorships in last 3 years
- None

Our management team

Craig Harris
GM – Lending (Australia)

Craig has been with Money3 for over 10 years having held the role of Chief Financial Officer prior to heading the Secured Automotive division. Craig brings a wealth of experience working through varied industries including financial services, mining and manufacturing. Craig is instrumental in growing the Broker distribution channel and establishing the online distribution channel.

Siva Subramani
Chief Financial Officer

Siva joined Money3 in November 2017 as the Head of Treasury function before being appointed as the Chief Financial Officer in March 2018. Prior to joining Money3, Siva was a Director with PwC providing assurance and advisory services in the banking and capital markets sector specialising in the asset-finance sector. Siva also brings experience from India, UK and the Middle East.

Michael Neville
Chief Operating Officer

Michael joined Money3 in June 2019 and brings a wealth of experience in team leadership, sales, marketing and business strategy development and execution across several industries. Michael has held senior sales, marketing and commercial roles in leading multinational technology companies including Woodward, GE Healthcare, Becton Dickinson, Mölnlycke Healthcare.

Carly Crowe
Risk and Compliance Manager

Carly re-joined Money3 in April 2020 having worked previously for the business as Compliance Manager for four years up until 2017. For the last three years, Carly has been Compliance Manager with MoneyQuest, a mortgage broking aggregator, specialising in regulatory compliance, training, complaints management and audit and was a member of the Executive Management Team and Chair of the Compliance Committee.

Lisa McRae
Human Resources Manager

Lisa joined Money3 in April 2020 as Human Resources Manager. Most recently, Lisa was HR Director for Kitchen Group and her career has spanned the retail, infrastructure, healthcare, energy and banking sectors. Lisa has been a member of leadership teams in both multi-national and Australian Corporations including Transurban Limited, an ASX20 Company. She brings to Money3 over 10 years financial services experience gained in the banking sector and more recently HR expertise in company acquisitions.

Directors' Report (continued)

Roy Gormley
Director of Go Car Finance (New Zealand)

Roy owned the Go Car Finance group prior to acquisition. Roy was the former Chief Executive Officer for the New Zealand operations. Roy brings extensive experience in the consumer lending sector. Roy also owned an accounting practice before managing Go Car Finance.

Paul Verhoeven
CEO – Go Car Finance (New Zealand)

Paul joined Money3 in February 2020 having enjoyed a wealth of experience in financial institutions in New Zealand, Australia and Europe. Prior to joining us, Paul held Managing Director roles within the Eclipx Group, leading the FleetPartners brand for 6 years in both Australia and New Zealand and taking these businesses through to an ASX listing in 2015. Paul also headed up the Lending teams for UDC Finance over 4 years and enjoyed time as a member of the Executive Committee for the Financial Services Federation.

Meetings of Directors

The number of meetings of the Board and of other Committee meetings held during the year ended 30 June 2020 and the numbers of meetings attended by each Director were:

	Board		Audit Committee		Remuneration & Nomination Committee	
Director	Held	Attended	Held	Attended	Held	Attended
Stuart Robertson	13	13	2	2	3	3
Leath Nicholson	6	6	1	1	*	*
Symon Brewis-Weston	13	13	2	2	3	3
Scott Baldwin	13	13	*	*	*	*
Kate Robb	10	10	1	1	3	3

* *Not a member of the relevant committee during the year.*

Options and Performance Rights

Share options

Unissued ordinary shares under option of Money3 Corporation Limited at the date of this report are given below:

Grant Date	Expiry Date	Exercise Price	Share Options 2020	Share Options 2019
20-Oct-14	20-Oct-19	1.49606	–	500,000
15-Apr-15	14-Apr-20	1.69606	–	920,000
28-Nov-16	23-Nov-21	1.50000	4,180,000	5,000,000
28-Nov-18	27-Nov-23	2.50000	2,000,000	2,000,000
Total			**6,180,000**	**8,420,000**

As at the date of this report, there were 4,180,000 options on issue (2019: 5,750,000) held by the Directors. On exercise, options convert into one ordinary share of Money3 Corporation Limited. The options carry neither right to dividends nor voting.

No options were granted to the directors or any of the five highest remunerated officers of the Group during or since the end of the financial year.

Performance rights

Performance rights of Money3 Corporation Limited on issue at the date of this report are given below:

Grant Date	Vesting Date	Expiry Date	Performance Rights 2020	Performance Rights 2019
1-Jul-16	30-Jun-20	30-Jun-21	173,773	347,546
1-Jul-17	30-Jun-21	30-Jun-22	–	146,154
1-Jan-18	31-Dec-21	31-Dec-22	625,000	975,000
3-Dec-18	02-Dec-21	31-Dec-21	218,786	328,178
1-Jul-19	30-Jun-22	30-Jun-22	150,000	–
Total			**1,167,559**	**1,796,878**

Performance rights granted during the year are given below:

Grant Date	Equity Instrument	Quantity Granted	Vesting Date	Expiry date
01-Jul-19	Rights	150,000	30-Jun-22	30-Sep-22

The above grants were made to staff who are part of the top five highest remunerated officers of the Group. No performance rights were granted to the directors or any of the five highest remunerated officers of the Group since the end of the financial year. Performance rights carry neither right to dividends nor voting.

Directors' Report (continued)

Dear Shareholder

On behalf of the Board and as the Chair of the Remuneration & Nomination Committee ("the Committee"), I am pleased to present the FY20 Remuneration Report over the following pages.

FY20 saw the commencement of Stage 1 of a program to restructure the way we remunerate and incentivise our Key Executives and Management. Stage 2 will commence in FY21.

FY20 Remuneration Outcomes

During the year, the Group implemented a Long Term Incentive ("LTI") program vesting after 3 years with TSR and EPS performance criteria. Although only two Executives received allocations of Performance Rights under the program in FY20, most Executives will be eligible to receive allocations in the coming years. As the Performance Rights vest after 3 years, the first allotment of shares under this program will not occur until FY23.

The Group's historical Short Term incentive ("STI") program continued during the year. Allocations under this program were set by the Board under recommendation from Management and the Remuneration & Nomination committee taking into account industry based salary expectations and negotiations. The award of any STI was subject to a performance gateway and achievement of set financial and non-financial key performance indicators (KPIs).

Due to the impact of COVID-19 on the Group's financial performance for the last 3 months of FY20 and the additional accounting provisions based on economic outlook (non-cash expense), the Group did not achieve the gateway criteria for the STIs to be awarded, although individual KMPs did achieve many of their KPIs for the period.

It was noted by the Board and the Committee that the Group's performance for the 9 months ended 31 March 2020 did exceed the budget for that period. If the Group had continued to perform in line with this performance for the last 3 months of the year, then the Group would have met the performance gateway and all Key Executives and employees would have received their STI awards.

During the COVID-19 pandemic Key Executives and staff continued to perform under extenuating circumstances, while for the good of the Group opting to work a 4 day week, with the 5th day as unpaid or offset against annual leave. The Board, in recognition of employees' commitment and that the economic provision that impacted the P&L was required based on a conservative future view on the economy and not actual performance, agreed to award a one-time bonus in recognition of their efforts during the year. For Key Executives, this equated to 50% of their potential STI allocation for the period.

FY21 Remuneration Program

FY21 will see the implementation of Stage 2 of the Group's Key Executive remuneration restructure.

Executives will be allocated potential STIs and LTIs based on a % mix of their Fixed Remuneration ("FR"). STI performance criteria will be based around financial and non-financial indicators, depending on the position of the KMP or executive, with a greater emphasis on non-financial indicators. The LTI program enacted in FY20 will continue.

The Committee recommended this restructure to the remuneration mix taking into consideration recent implications from COVID-19 and the move in market & industry expectations. The Committee believes that this restructure will continue to align and reward Executives for the delivery of long term shareholder wealth creation.

Yours sincerely

Symon Brewis-Weston
(Chairman, Remuneration & Nomination Committee)

17 August 2020

Remuneration Report

The Directors of Money3 Corporation Limited ("the Company" or "Money3") present the Remuneration Report for the Company and its controlled entities ("the Group") for the financial year ended 30 June 2020 prepared in accordance with the requirements of the *Corporations Act 2001* ("the Act") and audited as required by section 308(3C) of the Act.

1. Key Management Personnel

The Key Management Personnel ("KMP") covered in this Remuneration Report includes Non-Executive Directors ("NED") and those executives who are deemed to have the 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 who unless otherwise indicated, were KMP for the entire year.

Name	Role
Non-Executive Directors	
Stuart Robertson	Independent Non-Executive Chairman
Symon Brewis-Weston	Independent Non-Executive Director
Kate Robb	Independent Non-Executive Director (appointed 1 September 2019)
Leath Nicholson	Non-Executive Director (resigned 15 November 2019)
Executive Directors	
Scott Baldwin	Managing Director and Chief Executive Officer
Executives	
Siva Subramani	Chief Financial Officer
Craig Harris	General Manager – Lending
Rob Camilleri	Chief Information Officer (resigned 17 September 2019)

2. NED Remuneration Structure

The Board seeks to set aggregate remuneration at a level which provides the Group with the ability to attract and retain Non-Executive of the highest calibre. The Constitution and the ASX Listing Rules specify that the aggregate remuneration of NEDs shall be determined from time to time by a general meeting. An amount not exceeding the amount determined is then divided between the NEDs as agreed. The current approved aggregate remuneration is $750,000 (2019: $500,000).

3. Remuneration Framework

The below sections cover the executive Director (Managing Director) and KMP remuneration framework.

3.1 Governance

The Board has established a Remuneration and Nomination Committee that oversees the development and implementation of the remuneration framework. The Committee regularly undertakes remuneration benchmarking for the Managing Director ("MD") and executive KMP.

3.2 Principles and framework

The performance of the Group depends upon the quality of its MD and executive KMP. To prosper, the Group must attract, motivate and retain highly skilled people. The remuneration is structured in such a way that it encourages MD and executive KMP in creating both short term and long term value for the shareholders and achieve strategic objectives of the Group.

The Group regularly benchmarks remunerations against relevant peers, being ASX listed companies of similar size, structure and industry to that of Money3 and current market employment conditions. The remuneration principles and framework are outlined below.

Remuneration Report (continued)

Reward Principals

Attract, retain and engage high performing executives	Align performance to strategy objective execution, including both short term and long term goals	Encourage and motivate executives to maximise shareholder value

Framework

Components	Performance measure	Strategic objective
Fixed Remuneration ("FR")		
Fixed remuneration comprises base salary and statutory superannuation contributions. This may be delivered as a combination of cash and other non-financial benefits as elected by the individual. There is no guaranteed increase in the employment contracts. Fixed remuneration is reviewed annually by the Remuneration and Nomination Committee.	Measured based on the following factors: • Scope and complexity of the role; and • Individual capability and skill, experience, and performance.	The remuneration is set at competitive levels to attract, retain and engage key talent to execute the Group's strategies.
Short Term Incentive ("STI")		
STI is an incentive based on the financial, strategic and operational objectives of the Group. The STI is delivered as cash. The size of the STI opportunity is 100% of the Fixed Remuneration for the MD and up to 30% of the Fixed Remuneration for all other executive KMP.	Measured based on the following factors: • Achievement of financial targets set for the current financial year; and • Achievement of short terms goals as determined by the board.	The STI aligns remunerations with achievement of immediate priorities of the Group which support shareholder value.
Long Term Incentive ("LTI")		
LTI is an equity based plan based on achievement of long term performance conditions measured over a three year period. The size of the LTI opportunity is 100% of the Fixed Remuneration for the MD and up to 30% of the Fixed Remuneration for all other executive KMP. MD and the executive KMP may achieve up to 150% of their LTI allocation should the Group achieve outstanding growth over the performance period.	LTI targets are reviewed on an annual basis by the Remuneration and Nomination Committee and includes the following performance and service conditions: • Composite Total Shareholder Return ("CTSR") consisting of an Absolute and Relative Total Shareholder Return – 50% LTI allocation; • Earnings Per Share ("EPS") growth targets – 50% LTI allocation; and • Remaining employed in the Group through the vesting period. • The LTI allocation for each of the performance measures may vary from time to time. For FY20 LTI Program, the LTI allocation was 50% for each of the performance measures, i.e. 50% for CTSR and 50% for EPS.	LTI incentivises management to deliver outcomes over the long term and is aligned with shareholder interests. The three year vesting period encourages consideration of long term future of the Group. It is important that targets set are both challenging and achievable.

FY20 LTI Program – Payout scale

The payout is represented as a % of Target

EPS hurdles

Growth hurdle	Payout as a % of Target
Below 8%	Nil
8% – 10%	50%
10% – 12.5%	100% (Target)
Above 12.5%	150%

TSR hurdles (composite)

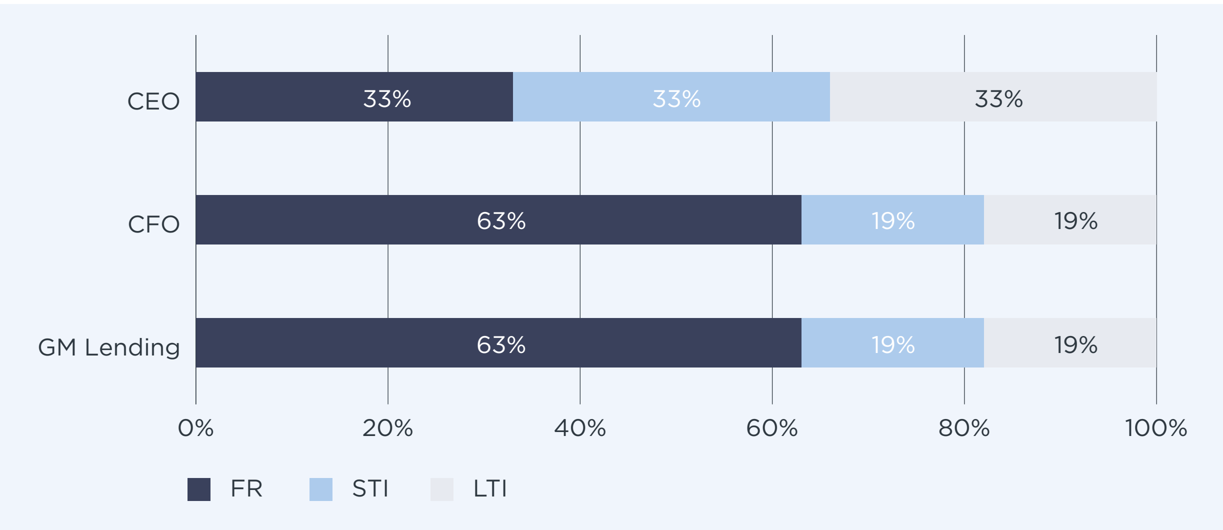
		Absolute TSR Growth			
		<8%	8% – 10%	10% – 12.5%	>12.5%
Relative TSR ASX 200 Financials Index (AXFI)	<25th percentile	Nil	25%	50%	75%
	25th percentile	25%	50%	75%	100% (Target)
	50th percentile	50%	75%	100% (Target)	125%
	75th percentile	75%	100% (Target)	125%	150%

For FY19, LTI allocation was based on financial and operation targets and did not include performance measures based on CTSR and EPS. These performance measures were introduced in FY20.

3.3 Remuneration Mix

A significant portion of the MD and executive KMP remuneration is linked to short term and long term goals of the Group effectively aligning the staff performance and shareholder value. The relative weightings of the components of the remuneration is given below:

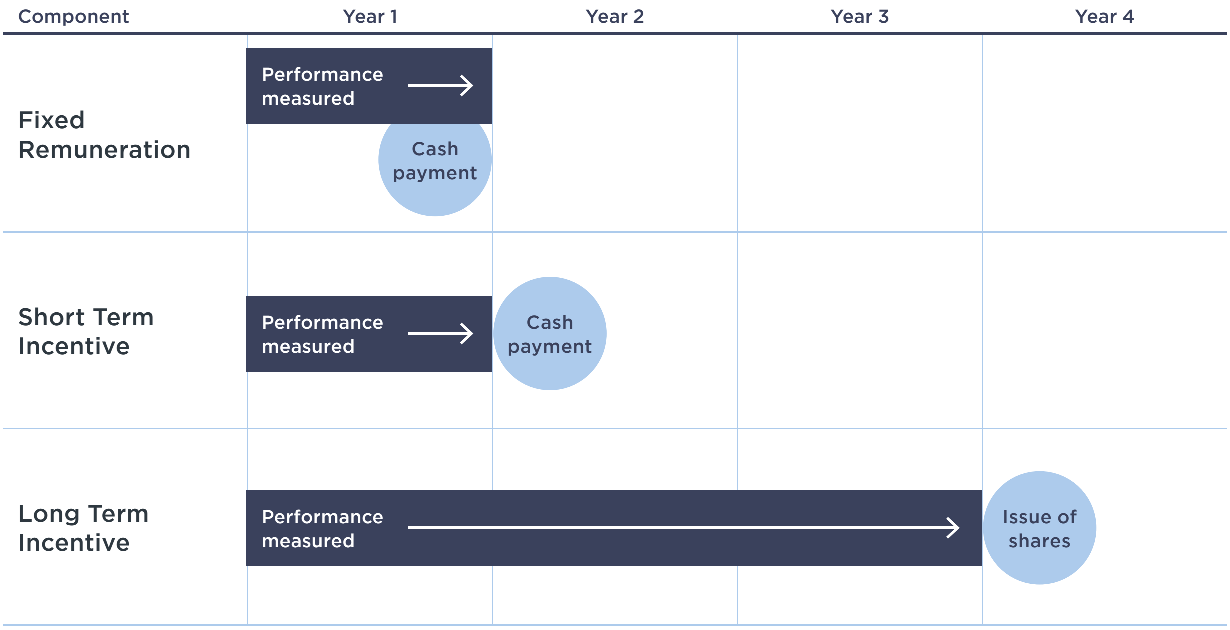
Executive KMP – Remuneration Mix



Remuneration Report (continued)

3.4 Remuneration Delivery

The following table provides a timeline of when the remuneration is delivered.



Until FY19, LTI allocation vest on an annual basis based on financial and operational targets. The above table provides information on LTI plans for FY20 and onwards.

3.5 Contract of employment

All executives of the Group are employed under a letter of appointment with various notice periods from 1 to 6 months required to terminate their appointment.

Key terms of these contracts are given below:

Name	Role	Type of employment	Termination notice period	Base salary including superannuation
Scott Baldwin	Chief Executive Officer	Permanent	6 months	$550,000
Siva Subramani	Chief Financial Officer	Permanent	6 months	$260,000
Craig Harris	General Manager – Lending	Permanent	3 months	$330,000

4. Group Performance and Remuneration Outcomes

4.1 Group Financial Performance

	30 June 2020	30 June 2019 (Restated)	30 June 2018	30 June 2017	30 June 2016
Revenue ($'000)	124,034	136,382	121,876	109,638	96,661
NPAT ($'000)	24,192	28,358	32,028	29,086	20,134
Closing share price	$1.55	$2.12	$1.95	$1.28	$1.20
Price increase/(decrease) $	($0.57)	$0.17	$0.67	$0.08	$0.06
Price increase/(decrease) %	(27%)	9%	52%	7%	5%
Earnings per share (cents)	13.17	15.79	19.91	18.81	14.21
Dividend paid per share (cents)	10.00	10.00	9.50	5.65	5.25

4.2 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		
	Salary & fees $	Bonus $	Super $	Long service leave $	Term-ination $	Share based payments $	Total $
2020							
NEDs							
Stuart Robertson	179,550	–	–	–	–	37,083	216,633
Symon Brewis-Weston	101,791	–	9,670	–	–	–	111,461
Kate Robb	84,018	–	7,982	–	–	–	92,000
Leath Nicholson	40,333	–	–	–	–	46,354	86,687
NEDs Total	**405,692**	**–**	**17,652**	**–**	**–**	**83,437**	**506,781**
Executives							
Scott Baldwin	478,417	275,000	25,000	27,079	–	276,333	1,081,829
Siva Subramani	226,266	39,000	21,950	–	–	244,382	531,598
Craig Harris	284,120	49,500	25,000	13,203	–	220,156	591,979
Rob Camilleri	50,597	–	10,403	–	82,315	–	143,315
Executives Total	**1,039,400**	**363,500**	**82,353**	**40,282**	**82,315**	**740,871**	**2,348,721**
Total	**1,445,092**	**363,500**	**100,005**	**40,282**	**82,315**	**824,308**	**2,855,502**

Remuneration Report (continued)

	Short term employee benefits		Post-employment benefits	Long term benefits			
	Salary & fees $	Bonus $	Super $	Long service leave $	Term-ination $	Share based payments $	Total $
2019							
NEDs							
Stuart Robertson	162,634	–	–	–	–	89,000	251,634
Leath Nicholson	121,000	–	–	–	–	111,250	232,250
Symon Brewis-Weston	58,167	–	5,526	–	–	–	63,693
Kang Tan	17,386	–	1,652	–	–	–	19,038
NEDs Total	**359,187**	**–**	**7,178**	**–**	**–**	**200,250**	**566,615**
Executives							
Scott Baldwin	487,056	427,500	25,000	34,292	–	430,667	1,404,515
Ray Malone	315,000	–	–	–	–	262,674	577,674
Siva Subramani	238,088	67,500	21,690	–	–	146,864	474,142
Craig Harris	273,471	128,250	24,726	8,420	–	150,156	585,023
Rob Camilleri	210,959	62,100	18,639	–	–	58,953	350,651
Michael Rudd	165,228	–	16,808	12,272	–	350,675	544,983
Executives Total	**1,689,802**	**685,350**	**106,863**	**54,984**	**–**	**1,399,989**	**3,936,988**
Total	**2,048,989**	**685,350**	**114,041**	**54,984**	**–**	**1,600,239**	**4,503,603**

The following table shows 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	
	2020	2019	2020	2019	2020	2019
Scott Baldwin	49%	39%	25%	30%	26%	31%
Siva Subramani	47%	55%	7%	14%	46%	31%
Craig Harris	55%	52%	8%	22%	37%	26%

4.3 FY20 Fixed Remuneration Outcomes

In FY20, the Fixed Remunerations of the Managing Director and CEO, the CFO and the General Manager – Lending was increased by 15.8%, 4% and 15.8% respectively, effective from 1 July 2019. All KMP including the NEDs took up to 20% pay cut between April and May 2020 in response to managing the impact of COVID-19 on the Group performance.

4.4 FY20 STI Outcomes

The following table outlines the percentage of target STI achieved (and forfeited) and the total STI awarded, for each Executive KMP for 2020:

	STI On Target Opportunity $	Achieved %	Forfeited %	One-off bonus $
Scott Baldwin	550,000	0%	100%	275,000
Siva Subramani	78,000	0%	100%	39,000
Craig Harris	99,000	0%	100%	49,500

It was noted by the Board and the Committee that the Group's performance for the 9 months to March 2020 did exceed the budget for that period. Due to the impact of COVID-19 on the Group's performance for the last 3 months of FY20 and the additional non-cash accounting provisions that the Group has taken, the Group did not achieve the minimum NPAT gateway criteria for the STIs to be awarded, although individual KMPs did achieve many of their KPIs for the period. During the COVID-19 pandemic, Executives and staff continued to perform under extenuating circumstances. Considering all of the above factors, the Board agreed to award a one-off bonus equivalent to 50% of the potential STI.

4.5 FY20 LTI Outcomes

4.5.1 New Grants in FY20

Name	Equity Instrument	Grant Date	Quantity Granted	Vesting Date	Expiry Date
Craig Harris	Rights	01–Jul–19	100,000	30–Jun–22	30–Sep–22

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.

4.5.2 Historical Grants under previous LTI Schemes to KMP

Name	Equity Instrument	Grant Date	Quantity Granted	Vesting Date	Expiry Date
Siva Subramani	Rights	03–Dec–18	328,178	02–Dec–21	31–Dec–21
Siva Subramani	Rights	01–Jan–18	150,000	31–Dec–21	31–Dec–22
Rob Camilleri*	Rights	01–Dec–17	194,871	30–Jun–21	30–Jun–22
Craig Harris	Restricted shares	01-Jul-16	484,373	30–Jun–20	30–Jun–21

* *Rob Camilleri resigned on 17 September 2019 and paid $102,647 to exercise his unvested performance rights as approved by the Board.*

The LTI Grants were tested for achievement of vesting conditions/hurdles at each of the respective vesting dates. Based on satisfactory achievement of the hurdles, performance rights were converted and issued as ordinary shares to the Executive KMP.

Remuneration Report (continued)

4.5.3 Options over ordinary shares held by KMP

Name	Balance at 1 July 2019	Options granted	Options exercised	Balance on termination	Balance at 30 June 2020	Vested and exercisable	Unvested
Stuart Robertson	600,000	–	(600,000)	–	–	–	–
Leath Nicholson	750,000	–	–	750,000	–	–	–
Scott Baldwin	4,400,000	–	(220,000)	–	4,180,000	2,180,000	2,000,000
Total	**5,750,000**	**–**	**(820,000)**	**750,000**	**4,180,000**	**2,180,000**	**2,000,000**

4.5.4 Rights held by KMP

Name	Balance at 1 July 2019	Rights granted	Rights exercised	Balance at 30 June 2020	Vested and exercisable	Unvested
Craig Harris	–	100,000	–	100,000	–	100,000
Siva Subramani	440,678	–	(146,892)	293,786	–	293,786
Rob Camilleri*	146,154	–	(146,154)	–	–	–
Total	**586,832**	**100,000**	**(293,046)**	**393,786**	**–**	**393,786**

* *Rob Camilleri resigned on 17 September 2019 and paid $102,647 to exercise his unvested performance rights as approved by the Board.*

5. Other information

5.1 KMP Equity Holdings (ordinary shares)

Name	Balance at 1 July 2019	On exercise of options	On vesting of performance rights	Net change other	Balance on termination	Balance as at 30 June 2020
Stuart Robertson	126,057	600,000	–	72,918	–	798,975
Leath Nicholson	93,727	–	–	–	93,727	–
Symon Brewis-Weston	15,387	–	–	25,356	–	40,743
Kate Robb	–	–	–	37,000	–	37,000
Scott Baldwin	4,780,106	220,000	–	99,030	–	5,099,136
Craig Harris	2,831,333	–	–	60,702	–	2,892,035
Siva Subramani	49,710	–	146,892	2,387	–	198,989
Rob Camilleri*	48,717	–	146,154	–	194,871	–
Total	**7,945,037**	**820,000**	**293,046**	**297,393**	**288,598**	**9,066,878**

* *Rob Camilleri resigned on 17 September 2019 and paid $102,647 to exercise his unvested performance rights as approved by the Board.*

5.2 Loans to KMP

There were no loans to KMP during the current financial year or as at 30 June 2020 (2019: Nil).

5.3 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 AASB 2 Share Based Payments over the vesting period. For the year ended 30 June 2020 financial year, the expense for KMP was $359,771 (2019: $893,590). Inputs into the determination of the fair value of options issued to KMP are set out below:

Particulars	Employee Expires 20-Oct-19	Employee Expires 14-Apr-20	Director Expires 23-Nov-21	Director Expires 27-Nov-23
Exercise price	$1.4961	$1.6961	$1.5000	$2.5000
Grant date	20-Oct-14	15-Apr-15	28-Nov-16	28-Nov-18
Expiry date	20-Oct-19	14-Apr-20	23-Nov-21	27-Nov-23
Share price at grant date	$1.2000	$1.5200	$1.6900	$1.6950
Expected volatility	31%	31%	37%	30%
Expected dividend yield	3.50%	3.50%	3.33%	4.40%
Risk free rate	1.84%	1.84%	2.13%	2.29%

5.4 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	Grant date	Options granted	Exercise price	Vesting date	Exercised during the year	Expiry date	Value of unvested/ unexercised options
Stuart Robertson	28-Nov-16	600,000	$1.5000	24-Nov-19	600,000	23-Nov-21	–
Leath Nicholson	28-Nov-16	750,000	$1.5000	24-Nov-19	–	23-Nov-21	333,750
Scott Baldwin	28-Nov-16	2,400,000	$1.5000	24-Nov-19	220,000	23-Nov-21	970,100
Scott Baldwin	28-Nov-18	2,000,000	$2.5000	27-Nov-20	–	27-Nov-23	256,000

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.

Remuneration Report (continued)

5.5 Other Transactions Related to KMP

Money3 engaged with Nicholson Ryan Lawyers and Panorama Pty Limited to perform legal services and compliance services respectively. Both these entities are related to Leath Nicholson (NED until 15 November 2019). Legal expenses for the current period amounted to $66,279 (2019: $670,276) and compliance expenses for the current period amounted to $52,800 (2019: $158,400). Amounts payable at 30 June 2020 was nil (2019: $16,500).

During the year Money3 also engaged with Moses & Pope Pty Ltd which is related to Symon Brewis-Weston (NED) to perform project advisory in the current year amounting to $3,300 (2019: nil). Amounts payable at 30 June 2020 was nil (2019: nil).

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

End of Remuneration Report (Audited)

Directors' Report (continued)

The auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 36 of the financial report.

Signed in accordance with a resolution of the Directors.

On behalf of the Directors

Scott Baldwin
Director

Melbourne
17 August 2020

Auditor's Independence Declaration

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Australia

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

As lead auditor of Money3 Corporation Limited for the year ended 30 June 2020, 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.

James Mooney
Director

BDO Audit Pty Ltd

Melbourne, 17 August 2020

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 38 to 79 and the Remuneration Report in the Directors' Report set out on pages 25 to 34, 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 2020 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 Company will be able to pay its debts as and when they become due and payable.
4. at the date of this declaration, there are reasonable grounds to believe that the entity and the consolidated entities identified in Note 22 to the financial statements will as a consolidated entity be able to meet any liabilities to which they are, or may become subject because of the deed of cross guarantee described in Note 27 to the financial statements.

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 2020.

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

On behalf of the Directors

Scott Baldwin
Director

Melbourne
17 August 2020

Consolidated Statement of Profit or Loss and Other Comprehensive Income

for the year ended 30 June 2020

	Note	Consolidated 2020 $'000	Consolidated 2019 $'000 (Restated)
Revenue from continuing operations	3	**124,034**	**91,703**
Expenses from operating activities:			
Bad debt expense (net of recoveries)		23,625	13,097
Movement in allowance for impairment losses		14,363	2,551
Loan origination and servicing costs		5,454	3,108
Employee related expenses		22,128	21,216
Professional fees		2,677	1,916
Technology expenses		3,963	1,835
Advertising expenses		1,218	572
Loss on disposal of assets		268	25
Finance costs, net		15,060	11,540
Depreciation and amortisation		1,883	625
Other expenses		1,257	1,065
Total expenses		**91,896**	**57,550**
Profit before income tax from continuing operations		**32,138**	**34,153**
Income tax expense	4(a)	9,946	10,812
Profit after income tax from continuing operations		**22,192**	**23,341**
Profit from discontinued operations (attributable to equity holders of the Company)	21(b)	2,000	5,017
Profit for the year		**24,192**	**28,358**
Profit attributable to:			
Owners of Money3 Corporation Limited		24,192	28,358
Other comprehensive income/(loss)			
Items that may be reclassified to profit or loss			
Exchange differences on translation of foreign operations		(252)	19
Other comprehensive income/(loss) for the year, net of tax		(252)	19
Total comprehensive income for the year		**23,940**	**28,377**
Total comprehensive income for the year is attributable to:			
Owners of Money3 Corporation Limited		23,940	28,377
Total comprehensive income for the year attributable to owners of Money3 Corporation Limited arises from:			
Continuing operations		21,940	23,360
Discontinued operations		2,000	5,017
		23,940	**28,377**
Earnings per share for profit from continuing operations attributable to the ordinary equity holders of the Company			
Basic earnings per share (cents)	17	12.08	13.00
Diluted earnings per share (cents)	17	11.97	12.81
Earnings per share for profit attributable to the ordinary equity holders of the Company			
Basic earnings per share (cents)	17	13.17	15.79
Diluted earnings per share (cents)	17	13.05	15.56

The consolidated 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 2020

	Note	Consolidated 2020 $'000	Consolidated 2019 $'000 (Restated)
ASSETS			
Current assets			
Cash and cash equivalents	5	44,474	36,308
Loans receivable	6	145,835	129,440
Receivable from sale of subsidiaries		–	7,725
Other assets		2,551	435
		192,860	**173,908**
Non-current assets			
Loans receivable	6	210,587	187,307
Property, plant & equipment	7(a)	1,845	1,853
Right-of-use assets	7(b)	1,913	–
Intangible assets	8	22,849	23,572
Deferred tax assets	4(b)	11,243	6,502
Other assets		264	180
		248,701	**219,414**
Total assets		**441,561**	**393,322**
LIABILITIES			
Current liabilities			
Trade and other payables	9	7,387	7,165
Borrowings	12	1,336	3,437
Current tax payable		4,920	2,058
Lease Liabilities	7(b)	749	–
Employee benefit obligations	10	1,510	1,412
Contingent consideration	20(b)	1,740	1,783
Derivative financial instruments		31	–
Provisions	11	116	285
		17,789	**16,140**
Non-current liabilities			
Borrowings	12	168,422	132,570
Employee benefit obligations	10	273	248
Lease liabilities	7(b)	1,533	–
Contingent consideration	20(b)	3,019	4,360
Provisions	11	673	150
		173,920	**137,328**
Total liabilities		**191,709**	**153,468**
Net assets		**249,852**	**239,854**
EQUITY			
Share capital	13	169,472	163,722
Reserves	14(a),(b)	3,570	4,560
Retained earnings	15	76,810	71,572
Total equity		**249,852**	**239,854**

The consolidated 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 2020

	Note	Share Capital $'000	Retained Earnings $'000	Reserves $'000	Total $'000
Total equity at 1 July 2018		**153,969**	**61,121**	**4,092**	**219,182**
Profit after income tax expense for the year		–	28,358	–	28,358
Other comprehensive income		–	–	19	19
Total comprehensive income for the year		–	28,358	19	28,377
Transactions with owners in their capacity as owners:					
Issue of shares		1,920	–	–	1,920
Share based payment expenses, net		778	–	2,380	3,158
Transfer to share capital on vesting		793	–	(793)	–
Options exercised		1,646	–	(1,138)	508
Dividends paid		4,616*	(17,907)	–	(13,291)
Closing balance as at 30 June 2019 (Restated)		**163,722**	**71,572**	**4,560**	**239,854**
Total equity at 1 July 2019		**163,722**	**71,572**	**4,560**	**239,854**
Transition adjustments on adoption of new accounting standards and interpretations					
• AASB 16 Leases	1(d)	–	(161)	–	(161)
• AASB Interpretation 23	1(f)	–	(418)	–	(418)
Restated total equity at 1 July 2019		**163,722**	**70,993**	**4,560**	**239,275**
Profit after income tax expense for the year		–	24,192	–	24,192
Other comprehensive income		–	–	(252)	(252)
Total comprehensive income for the year		–	24,192	(252)	23,940
Transactions with owners in their capacity as owners:					
Issue of shares		2,153	–	–	2,153
Share based payment expenses, net		–	–	1,149	1,149
Transfer from reserves to share capital on exercise		1,887	–	(1,887)	–
Dividends paid		1,710*	(18,375)	–	(16,665)
Closing balance as at 30 June 2020		**169,472**	**76,810**	**3,570**	**249,852**

* *Shares issued to shareholders that elected to participate in the Dividend Reinvestment Plan.*

The consolidated 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 2020

	Note	Consolidated 2020 $'000	Consolidated 2019 $'000
Cash flows from operating activities			
Interest, fees and charges from customers		127,163	138,328
Other income		1,891	208
Payments to suppliers and employees (GST Inclusive)		(36,418)	(51,336)
Interest received from banks		226	459
Finance costs		(14,919)	(12,227)
Income tax paid		(12,260)	(14,231)
Net cash provided by operating activities before changes in operating assets		65,683	61,201
Loan principal advanced to customers net of repayments		(82,721)	(89,163)
Net cash inflows/(outflows) from operating activities	18	**(17,038)**	**(27,962)**
Cash flows from investing activities			
Payment for property, plant and equipment		(771)	(294)
Proceeds from sale of investments (net of cash equivalents on hand)		9,725	33,995
Payments for purchase of business	20(b)	(1,463)	(12,701)
Net cash inflows/(outflows) from investing activities		**7,491**	**21,000**
Cash flows from financing activities			
Proceeds from share issue		1,645	1,245
Proceeds from borrowings		45,863	8,076
Repayment of borrowings		(11,546)	–
Repayment of lease liabilities		(649)	–
Dividends paid		(16,665)	(13,291)
Net cash inflows/(outflows) from financing activities		**18,648**	**(3,970)**
Net increase/(decrease) in cash held		**9,101**	**(10,932)**
Cash and cash equivalents at the beginning of the year		35,376	46,308
Effects of exchange rate changes on cash and cash equivalents		(3)	–
Cash and cash equivalents at end of the year	5	**44,474**	**35,376**

The consolidated 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 2020

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. Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates. The consolidated financial statements are presented in Australian dollars which is the functional and presentation currency of Money3 Corporation Limited 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.

(b) Principles of consolidation

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of the Group as at 30 June 2020 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.

Inter-company 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) New standards adopted by the Group

The Group had to change its accounting policies and made a modified retrospective adjustment as a result of adopting AASB 16 Leases. The impact of the adoption of the leasing standard and the new accounting policies are disclosed in Note 1(d).

(d) Changes in accounting policies

AASB 16 Leases

The Group has adopted AASB 16 from 1 July 2019 but has not restated comparatives for year ended 30 June 2019 reporting period, as permitted under the specific transitional provisions in the standard. The reclassifications and the adjustments arising from the new leasing rules are recognised in the opening balance sheet on 1 July 2019.

On adoption of AASB 16, the Group recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of AASB 117 Leases. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 July 2019.

Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable, and
- variable lease payments that are based on an index or a rate.

The weighted average lessee's incremental borrowing rate applied to the lease liabilities on 1 July 2019 was 6.3%.

	Consolidated 1 July 2019 $'000
Operating lease commitments disclosed as at 30 June 2019	3,202
Discounted using the lessee's incremental borrowing rate of at the date of initial application	2,970
(less): short-term leases recognised on a straight–line basis as expense	(39)
Lease liabilities recognised as at 1 July 2019	**2,931**
of which	
Current lease liabilities	657
Non-current lease liabilities	2,274
Lease liabilities	**2,931**

The associated right-of-use assets for property leases were measured on a retrospective basis as if the new rules had always been applied. The recognised right-of-use assets relates to properties and the carrying amount at 1 July 2019 is $2.7m. The net impact on retained earnings as at 1 July 2019 was a decrease of $0.16m.

The Group leases various offices. Rental contracts are typically made for fixed periods of 3 to 5 years but may have extension options. Lease terms are negotiated on an individual basis and contain different terms and conditions. The lease agreements do not impose any covenants, but leased assets may not be used as security for borrowing purposes.

Until the financial year ended 30 June 2019, leases of property, plant and equipment were classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) were charged to profit or loss on a straight-line basis over the period of the lease.

From 1 July 2019, leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Notes to the Consolidated Financial Statements (continued)

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability;
- any lease payments made at or before the commencement date less any lease incentives received;
- any initial direct costs, and
- restoration costs.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be determined, the lessee's incremental borrowing rate is used, being the rate that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.

Payments associated with short-term leases are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less.

In applying AASB 16 for the first time, the Group has used the following practical expedients permitted by the standard:

- accounting for operating leases with a remaining lease term of less than 12 months as at 1 July 2019 as short-term leases;
- reliance on previous assessments on whether leases are onerous; and
- the use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

The Group has also elected not to reassess whether a contract is or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date the Group relied on its assessment made applying AASB 117 and Interpretation 4 Determining whether an Arrangement contains a Lease.

The Group did not have any leases that were previously classified as finance leases. There were no onerous lease contracts that would have required an adjustment to the right-of-use assets at the date of initial application.

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated).

Potential future cash outflows of $3.2m have not been included in the lease liability because it is not reasonably certain that the leases will be extended (or not terminated). The assessment is reviewed if a significant event or a significant change in circumstances occurs which affects this assessment and that is within the control of the lessee.

Loans receivable

In FY20, the Group undertook a detailed review of the loans receivable management process in its New Zealand operations. This resulted in changes to the commercial practices as well as changes to the accounting policy around recognition of credit risk sharing arrangements with dealers.

The New Zealand operations have profit and risk share arrangements with distributors (car dealers), wherein certain types of loans are originated at a discount which is for the purpose of managing credit risk. Previously, these discounts were recognised in the month of loan origination and the loans were recognised at their gross value with the shared risk portion recognised as part of the allowance for impairment losses. Under the new policy, the discount is recognised as a deferred revenue against the loan book. The increase in the deferred revenue and reduction in the loan receivable has resulted in a corresponding decrease in the allowance for impairment losses. The loans receivable balance includes a reclassification of $3.7m from impairment provision into deferred revenue. This has not impact on the net loans receivable balance.

Changes to the accounting policies have been applied retrospectively and comparative periods have been restated. The impact of the restatement of the prior period balances is given below. The effect of the changes on the comparative period for the Statement of Financial Position and the Statement of Profit or Loss and Other Comprehensive Income (including earnings per share) is given below.

	Consolidated 30 June 2019 $'000	Increase/ (decrease) $'000	Consolidated 30 June 2019 $'000 (Restated)
Statement of Financial Position			
Loans receivable, net	317,927	(1,180)	316,747
Current tax payable	2,388	(330)	2,058
Net assets	**240,704**	**(850)**	**239,854**
Retained Earnings	72,422	(850)	71,572
Total equity	**240,704**	**(850)**	**239,854**

	Consolidated 30 June 2019 $'000	Increase/ (decrease) $'000	Consolidated 30 June 2019 $'000 (Restated)
Statement of profit or loss and other comprehensive income			
Bad debts expense (net of recoveries)	11,917	1,180	13,097
Income tax expense	11,142	(330)	10,812
Profit after income tax from continuing operations	**24,193**	**(850)**	**23,343**

	Cents	Cents	Cents
Basic earnings per share			
From continuing operations	13.48	(0.48)	13.00
From discontinuing operations	2.79	–	2.79
Total basic earnings per share	**16.27**	**(0.48)**	**15.79**
Diluted earnings per share			
From continuing operations	13.29	(0.48)	12.81
From discontinuing operations	2.75	–	2.75
Total basic earnings per share	**16.04**	**(0.48)**	**15.56**

(e) Changes in accounting estimates

In FY20, management undertook a review of the internal credit risk management process in the New Zealand operations. As a result changes were made to the timing of recognition of bad debts and a rebuttable presumption of loan default was adjusted to be at 120 days arrears.

Additionally, management undertook a detailed review of the recoverability of credit impaired portfolio of loans in the New Zealand operations specifically in the light of the COVID-19 situation. Due to the inherent uncertainties arising from COVID-19, management estimates the probability of loan recoverability to be very low and has fully written off the portfolio in the current financial year amounting to $2.8m (pre-tax). This change in accounting estimate does not have any impact on future periods.

Notes to the Consolidated Financial Statements (continued)

(f) 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.

An adjustment has been recorded upon adoption of AASB Interpretation 23 Uncertainty over Income Tax Treatments. The Group has identified a tax liability relating to a closed tax period. There is uncertainty as to whether the Australian Tax Office (ATO) will elect to reopen the closed period, and as to the amount of liability, interest and penalties if they elect to do so. Having evaluated the probabilities, an adjustment of $0.4m has been recorded reducing opening retained earnings at 1 July 2019.

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
Note 6	Loans receivable
Note 8	Intangible assets
Note 20(b)	Contingent consideration

(g) Notes to the financial statements

The notes to the financial statements have been structured to make the financial report 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 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 other accounting policy information are disclosed in Note 31.

(h) Other information

The classification of current and non-current loans receivable is based on the amount of the principal balance that is expected to be collected within 12 months and the beyond 12 months from the reporting date respectively. Following a review of the underlying calculations as presented in the financial report at 30 June 2019, $38.6m has been reclassified from current to non-current loans receivable at 30 June 2019. This change has no impact on the revenue, profit, total assets, total liabilities, net assets and equity of the comparative period.

Any subsidies received by the Government during the year have been disclosed net of the relevant expense.

(i) 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.

2. Segment Information

The Group has identified its operating segments based on 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.

Australia

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

New Zealand

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

Branch (Discontinued)

This segment provided services and lending facilities in Australia generally without the provision of an underlying asset as security through the branch network. With the disposal of Money3 Branches Pty Ltd in May 2019, this segment is designated as discontinued.

Online (Discontinued)

This segment provided lending facilities in Australia without the provision of an underlying asset as security through the internet. With the disposal of Money3 Services Pty Ltd in May 2019, this segment is designated as discontinued.

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. Corporate costs have not been allocated to the underlying segments.

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

Consolidated – 2020	Australia $'000	New Zealand $'000	Branch & Online (Discontinued) $'000	Unallocated $'000	Total $'000
Segment revenue	102,774	21,260	–	–	124,034
EBITDA/Segment result	48,500	6,397	2,000	(5,816)	51,081
Depreciation and amortisation	(646)	(405)	–	(832)	(1,883)
Net finance costs	(11,358)	(3,702)	–	–	(15,060)
Profit before tax	**36,496**	**2,290**	**2,000**	**(6,648)**	**34,138**
Income tax expense					(9,946)
Profit after tax					**24,192**
Loans receivable	316,507	70,743		–	387,250

Notes to the Consolidated Financial Statements (continued)

Consolidated – 2019	Australia $'000	New Zealand $'000 (Restated)	Branch (Discon-tinued) $'000	Online (Discon-tinued) $'000	Unallocated $'000	Total $'000 (Restated)
Segment revenue	84,923	6,780	33,528	11,151	–	136,382
EBITDA/Segment result	49,858	1,578	13,002	3,217	(5,118)	62,537
Depreciation and amortisation	(253)	(68)	(76)	(643)	(304)	(1,344)
Net finance costs	–	(1,216)	–	–	(10,324)	(11,540)
Profit before tax	**49,605**	**294**	**12,926**	**2,574**	**(15,746)**	**49,653**
Income tax expense	–	–	–	–	–	(15,782)
Loss on sale of subsidiaries (post tax)						(5,513)
Profit after tax	**–**	**–**	**–**	**–**	**–**	**28,358**
Loans receivable	279,202	54,010	–	–	–	333,212

3. Revenue

	Consolidated 2020 $'000	Consolidated 2019 $'000
Interest, fees and charges	122,134	91,457
Other	1,900	246
Total revenue	**124,034**	**91,703**

Key Estimate

The deferral of loan fees and charges assumes that the loan will be repaid in line with the agreed repayments schedule. 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 the 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 include 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 term.

4 (a). Income Tax

	Consolidated 2020 $'000	Consolidated 2019 $'000 (Restated)
Income tax expense		
Current tax	14,606	18,067
Prior year adjustments	51	(69)
Total current tax expense	14,657	17,998
Deferred tax expense		
Increase / (decrease) in deferred tax assets	(4,377)	(2,238)
Increase / (decrease) in deferred tax liabilities	(334)	22
Deferred tax expenses	(4,711)	(2,216)
Income tax expense	**9,946**	**15,782**
Income tax expense is attributable to:		
Profit from continuing operations	9,946	10,812
Profit from discontinued operations	–	4,970
	9,946	**15,782**
Reconciliation of income tax expense to prima facie tax payable		
Profit from continuing operations before income tax expense	32,138	34,153
Profit from discontinuing operations before income tax expense	2,000	15,500
	34,138	49,653
Tax at the Australian tax rate of 30%	10,241	14,896
Tax effect of amounts which are not deductible / (taxable)		
Share based payments	346	713
Amortisation of intangibles	(307)	–
Other (non-assessable income) / non-deductible expenses	(370)	231
Prior year adjustments	51	(69)
Difference in overseas tax rates	(15)	11
Income tax expense	**9,946**	**15,782**

4 (b). Deferred Tax Assets, Net

	Consolidated 2020 $'000	Consolidated 2019 $'000
Deferred tax balance comprises temporary differences attributable to:		
Employee leave benefits	1,179	1,218
Allowance for impairment losses	10,509	6,591
Accruals and lease incentives	1,282	906
Borrowings	–	48
Contingent consideration, fair value effect	169	–
Acquisition costs capitalised	(482)	(539)
Intangibles	(1,414)	(1,722)
Net balance disclosed as deferred tax assets	**11,243**	**6,502**

Notes to the Consolidated Financial Statements (continued)

4 (c). Tax Losses

	Consolidated 2020 $'000	Consolidated 2019 $'000 (Restated)
Unused tax losses for which no deferred tax asset has been recognised	6,263	6,263
Potential tax benefit @ 30%	**1,879**	**1,879**

The unused tax losses represent capital losses on the sale of subsidiaries. These losses can be carried forward indefinitely and can be utilised to offset any capital gains in future.

Recognition and Measurement

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 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.

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 inter-company 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.

5. Cash and Cash Equivalents

	Consolidated 2020 $'000	Consolidated 2019 $'000
Cash at bank and on call*	44,474	16,308
Term deposit*	–	20,000
Total cash and cash equivalents	**44,474**	**36,308**

* *The deposits on call (11am) have an effective interest rate of 0.25% (2019: 1.4%). Interest on term deposit (2019: 1.5%).*

Reconciliation to cash flow statements	Consolidated 2020 $'000	Consolidated 2019 $'000
Cash and cash equivalents	44,474	36,308
Bank overdrafts	–	(932)
Cash and cash equivalents as per cash flows	**44,474**	**35,376**

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 2020 $'000	Consolidated 2019 $'000 (Restated)
Loans receivable	387,250	333,212
Allowance for impairment losses	(30,828)	(16,465)
Net loans receivable	**356,422**	**316,747**
Current loans receivable	145,835	129,440
Non-current loans receivable	210,587	187,307
Net loans receivable	**356,422**	**316,747**

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 2020 $'000	Consolidated 2019 $'000 (Restated)
Gross written loans	433,857	372,821
Deferred revenue	(46,607)	(39,609)
Loans receivable	**387,250**	**333,212**

Key Estimate

Recognition of income and classification of current and non-current is in line with the expected repayment profile of loans. Also refer Note 19(b).

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 (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. This includes quantitative and qualitative information. Refer to Note 19. 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 considering 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 19.

7 (a). Property, Plant and Equipment

Year ended 30 June 2020	Motor vehicles $'000	Leasehold Improvements $'000	Furniture & Equipment $'000	Total $'000
Gross carrying amount				
Balance at 1 July 2019	**59**	**626**	**3,855**	**4,540**
Exchange differences	(2)	–	(26)	(28)
Additions	–	–	788	788
Disposals	–	(626)	(51)	(677)
Balance at 30 June 2020	**57**	**–**	**4,566**	**4,623**
Accumulated depreciation				
Balance at 1 July 2019	**33**	**344**	**2,310**	**2,687**
Exchange differences	(1)	–	(11)	(12)
Depreciation expense	3	26	484	513
Disposals	–	(370)	(40)	(410)
Balance at 30 June 2020	**35**	**–**	**2,743**	**2,778**
Net carrying amount at 30 June 2020	**22**	**–**	**1,823**	**1,845**

Year ended 30 June 2019	Motor vehicles $'000	Leasehold Improvements $'000	Furniture & Equipment $'000	Total $'000
Gross carrying amount				
Balance at 1 July 2018	**62**	**2,981**	**3,442**	**6,485**
Acquisition of subsidiary	28	–	1,103	1,131
Additions	–	–	393	393
Disposals	(31)	(2,355)	(1,083)	(3,469)
Balance at 30 June 2019	**59**	**626**	**3,855**	**4,540**
Accumulated depreciation				
Balance at 1 July 2018	55	1,901	2,467	4,423
Acquisition of subsidiary	3	–	321	324
Depreciation expense	3	133	319	455
Disposals	(28)	(1,690)	(797)	(2,515)
Balance at 30 June 2019	**33**	**344**	**2,310**	**2,687**
Net carrying amount at 30 June 2019	**26**	**282**	**1,545**	**1,853**

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.

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.

Notes to the Consolidated Financial Statements (continued)

Depreciation

Depreciation on assets 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.

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 to 10 years
Furniture, fittings and equipment	3 to 10 years
Motor vehicles	4 to 5 years

7 (b). Leases

This note provides information for leases where the group is a lessee.

(i) Amounts recognised in the statement of financial position:

	Consolidated 2020 $'000	Consolidated 2019 $'000
Right-of-use assets		
Buildings	1,913	–
	1,913	**–**
Lease liabilities		
Current	749	–
Non-current	1,533	–
	2,282	**–**

For adjustments recognised on adoption of AASB 16 on 1 July 2019, please refer to Note 1(d). There were no additions to the right-of-use assets during the 2020 financial year.

(ii) Amounts recognised in the statement of profit or loss. The statement of profit or loss shows the following amounts relating to leases:

	Consolidated 2020 $'000	Consolidated 2019 $'000
Depreciation charge of right-of-use assets – Buildings	647	–
Interest expense (included in finance cost)	164	–
	811	**–**

The total cash outflow for leases in for the financial year ended 30 June 2020 was $0.8m.

8. Intangible Assets

Year ended 30 June 2020	Goodwill $'000	Brand $'000	Dealer relationships $'000	Internally generated software $'000	Customer lists $'000	Total $'000
Cost	18,136	776	3,988	973	–	23,873
Accumulated amortisation	–	–	(785)	(239)	–	(1,024)
Net book amount	**18,136**	**776**	**3,203**	**734**	**–**	**22,849**
Balance at 1 July 2019	18,136	776	3,757	903	–	23,572
Amortisation charge	–	–	(554)	(169)	–	(723)
Balance at 30 June 2020	**18,136**	**776**	**3,203**	**734**	**–**	**22,849**

Year ended 30 June 2019	Goodwill $'000	Brand $'000	Dealer relationships $'000	Internally generated software $'000	Customer lists $'000	Total $'000
Cost	18,136	776	3,988	973	–	23,873
Accumulated amortisation	–	–	(231)	(70)	–	(301)
Net book amount	**18,136**	**776**	**3,757**	**903**	**–**	**23,572**
Balance at 1 July 2018	18,080	–	–	–	642	18,722
Assets acquired	7,841	776	3,988	973	–	13,578
Amortisation charge	–	–	(231)	(70)	(642)	(943)
Disposals	(7,785)	–	–	–	–	(7,785)
Balance at 30 June 2019	**18,136**	**776**	**3,757**	**903**	**–**	**23,572**

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.

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 and Brand are considered to be indefinite life intangible assets and are not amortised. Instead, they are 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.

Acquired brands, customer lists and dealer relationships represent separately identifiable intangible assets from goodwill and are recognised at their fair value at acquisition date. Subsequently, all definite life intangible assets are carried at cost less accumulated amortisation and impairment losses.

Notes to the Consolidated Financial Statements (continued)

The Group amortises intangible assets with a finite useful life using the straight-line method over the following periods:

Customer lists	5 to 8 years
Dealer relationships	7 to 10 years
Internally generated software	5 to 8 years

Cash generating units

Goodwill and Brand are allocated to the Cash Generating Units (CGUs) as given below for impairment testing purposes.

	2020 $'000	2019 $'000
Australia	10,295	10,295
New Zealand	8,617	8,617
Total Goodwill and Brand	**18,912**	**18,912**

Impairment testing and key assumptions

Goodwill and Brand are tested annually as to whether it has suffered impairment. The recoverable amounts of CGUs have been determined based on value in use calculations. These calculations require the use of assumptions.

The recoverable amount of the CGU is based on several key assumptions as detailed below.

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 CGUs.

The recoverable amount of Australia and New Zealand CGUs 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 2020 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:

	Australia	New Zealand
2021 Budget revenue growth	9.3%	44.0%
2021 Budget expense growth	9.6%	29.7%
Terminal value > 5 years	2.0%	2.0%
Revenue growth rate > 1 year	8.0%	15.0%
Expense growth rate > 1 year	2.5%	4.0%
Pre–tax discount rate applied to cash flow	15.3%	11.1%

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 (2019: $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 CGUs.

9. Trade and Other Payables

	Consolidated 2020 $'000	Consolidated 2019 $'000
Current liabilities (Unsecured):		
Trade payables	1,723	1,482
Accrued expenses	5,305	5,274
Taxes payable	85	197
Unearned revenue	274	212
Total trade and other payables	**7,387**	**7,165**

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.

10. Employee Benefit Obligations

	Consolidated 2020 $'000	Consolidated 2019 $'000
Employee leave obligations – Current	1,510	1,412
Employee leave obligations – Non-current	273	248
Total employee benefit obligations	**1,783**	**1,660**

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

Eligible employees of the Group receive defined contribution superannuation entitlements, for which the Group pays the fixed contribution to the employee's superannuation fund of choice or the New Zealand Inland Revenue (for NZ operations). 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 $1,291,455 (2019: $1,820,334) and is included in employee expenses.

Notes to the Consolidated Financial Statements (continued)

11. Provisions

	Consolidated 2020 $'000	Consolidated 2019 $'000
Provisions – Current	116	285
Provisions – Non-current	673	150
Total provisions	**789**	**435**

Movements in Provisions

	Consolidated 2020 $'000	Consolidated 2019 $'000
Carrying amount at the start of the year	435	464
Acquired during the year	–	349
Exchange differences	(6)	–
Additional provision charged	1,188	792
Amounts used during the year	(828)	(1,170)
Carrying amount at the end of the year	**789**	**435**

Recognition and Measurement

Provisions relate to (i) profit share arrangements with dealers in New Zealand operations ($0.7m) which are payable at the end of the loan term based on performance of the underlying loans; and (ii) make-good provision on leased premises ($0.1m) in Australia operations payable on termination of the lease. There is no movement in make good provisions during the year. 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 and other comprehensive income.

12. Borrowings

	Consolidated 2020 $'000	Consolidated 2019 $'000
Current		
Overdraft facility	–	932
Finance facility	1,336	2,505
	1,336	3,437
Non-current		
Finance facility (net of unamortised costs)	168,422	132,570
	168,422	132,570
Total borrowings	**169,758**	**136,007**

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

In December 2017, the Company entered into a variable rate $150m finance facility for the Australian operations. The facility agreement has been extended until 15 December 2021 with an ability to further extend by one more year until 15 December 2022. The facility is subject to a first ranking General Security Agreement (fixed and floating charge) over all present and after acquired assets of the Australian operations. The facility is subject to a 2% line fee on the unutilised portion.

In March 2019, the Go Car Finance entered into a variable rate $35.8m funding facility and $1.0m overdraft facility. The facility matures in April 2022 and BNZ has security over the property of the entities within the Go Car Finance Group. The facility is subject to a 1% commitment fee.

Financing Facilities Available

	Consolidated 2020 $'000	Consolidated 2019 $'000
Finance facility	194,452	194,466
Used at balance date	(173,518)	(138,229)
Unused at balance date	**20,934**	**56,237**

Assets Pledged as Security

Under the terms of the financing facilities, there are general security agreements (fixed and floating charges) over all present and after acquired assets of the Group. The carrying amounts of assets pledged as security for borrowings are:

	Consolidated 2020 $'000	Consolidated 2019 $'000 (Restated)
Current assets		
– Cash and cash equivalents	44,474	36,308
– Receivables	145,835	129,440
Total current assets pledged as security	**190,309**	**165,748**
Non-current assets		
– Receivables	210,587	187,307
– Property, plant and equipment	1,845	1,853
– Intangible assets	22,849	23,572
Total non-current assets pledged as security	**235,281**	**212,732**
Total assets pledged as security	**425,590**	**378,480**

Compliance with Loan Covenants

Money3 Corporation Limited has complied with the financial covenants of its borrowing facilities during the 2020 and 2019 reporting periods.

Notes to the Consolidated Financial Statements (continued)

13. Share Capital

	Number of Shares 2020	Number of Shares 2019	Consolidated 2020 $'000	Consolidated 2019 $'000
Fully paid ordinary shares	185,285,095	182,124,820	169,472	163,722

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

	Consolidated 2020		Consolidated 2019	
	Number of ordinary shares '000	Value $'000	Number of ordinary shares '000	Value $'000
Balance at the beginning of the financial year	182,125	163,722	176,265	153,969
Issued during the year:				
New issue on acquisition of Go Car Finance	204	485	1,055	1,920
Issue of shares – exercise of options	1,398	2,285	1,658	1,646
Issue of shares – employees share scheme	766	1,270	791	1,571
Issue of shares – DRP	792	1,710	2,356	4,616
Balance at end of the financial year	**185,285**	**169,472**	**182,125**	**163,722**

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.

Options

Information relating to the Money3 Employee Share 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 25.

14. Reserves

14 (a) Option and rights reserve

	Consolidated 2020 $'000	Consolidated 2019 $'000
Balance at the beginning of the financial year	4,541	4,092
Share based payments expensed for the year, net of forfeitures	1,149	2,380
Transferred to share capital	(1,887)	(1,931)
Balance at the end of the financial year	**3,803**	**4,541**

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

14 (b) Foreign currency translation reserve

	Consolidated 2020 $'000	Consolidated 2019 $'000
Balance at the beginning of the financial year	19	–
Translation differences	(252)	19
Balance at the end of the financial year	**(233)**	**19**

Exchange differences arising on translation of the foreign controlled entity are recognised in other comprehensive income and accumulated in a separate reserve within equity. The cumulative amount is reclassified to profit or loss when the net investment is disposed of.

15. Retained Earnings

	Consolidated 2020 $'000	Consolidated 2019 $'000 (Restated)
Balance at the beginning of the financial year	71,572	61,121
Transition adjustments on adoption of new accounting standards and interpretations	(579)	–
Net profit for the year	24,192	28,358
Dividends paid	(18,375)	(17,907)
Balance at the end of the financial year	**76,810**	**71,572**

Notes to the Consolidated Financial Statements (continued)

16. Dividends

	2020 $'000	2019 $'000
Recognised amounts		
Fully paid ordinary shares		
Final dividend for the year ended 30 June 2019 of 5.00 cents (2018: 5.00 cents), fully franked at 30% tax rate	9,122	8,895
Interim dividend for the year ended 30 June 2020 of 5.00 cents (2019: 5.00 cents), fully franked at 30% tax rate	9,253	9,012
Total	18,375	17,907
Unrecognised amounts		
Final dividend of 3.00 cents (2019: 5.00 cents) fully franked at 30% tax rate	5,559	9,106

On 17 August 2020, the Directors declared a fully franked final dividend of 3.00 cents per share to the holders of fully paid ordinary shares in respect of the financial year ended 30 June 2020, to be paid to shareholders on 9 October 2020. The dividend will be paid to shareholders based on the Register of Members on 3 September 2020. This dividend has not been included as a liability in these financial statements. The total estimated dividend to be paid is $5.6m. The Group has $50.4m of franking credits at 30 June 2020 (2019: $47.4m).

17. Earnings Per Share

	Consolidated 2020 Cents	Consolidated 2019 Cents (Restated)
(a) Basic earnings per share attributable to the ordinary equity holders of the Group		
From continuing operations	12.08	13.00
From discontinued operations	1.09	2.79
Total basic earnings per share	13.17	15.79
(b) Diluted earnings per share attributable to the ordinary equity holders of the Group		
From continuing operations	11.97	12.81
From discontinued operations	1.08	2.75
Total diluted earnings per share	13.05	15.56

	Consolidated 2020 $'000	Consolidated 2019 $'000
(c) Reconciliations of earnings used in calculating earnings per share		
Basic earnings per share		
Profit attributable to the ordinary equity holders of the Group		
From continuing operations	22,192	23,341
From discontinued operations	2,000	5,017
	24,192	**28,358**

	2020 Number	2019 Number
(d) Weighted average number of shares used as the denominator		
Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	183,649,537	179,533,057
Dilutive potential ordinary shares	1,671,304	2,629,000
Weighted average number of ordinary shares and potential ordinary shares used in calculation of diluted earnings per share	185,320,841	182,162,057

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 directors 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.

18. Cash flow information

18 (a) Reconciliation of Operating Profit after Income Tax to Net Cash Flows used in Operating Activities

	Consolidated 2020 $'000	Consolidated 2019 $'000 (Restated)
Net profit after tax	24,192	28,358
Non-cash items		
Depreciation and amortisation expense	1,883	1,342
Loss on sale of property, plant and equipment	268	32
Allowance for impairment losses	14,362	3,265
Amortisation of borrowing costs	367	885
Net exchange differences	(159)	35
Net fair value adjustments	564	–
Loss on sale of subsidiaries	–	5,310
Share based payments	1,149	2,419
Changes in Movements in assets and liabilities:		
(Increase) / decrease in assets		
Loans receivable	(54,393)	(63,296)
Other assets	28	(67)
Other receivables	(2,128)	100
Lease liabilities	(649)	–
Contingent consideration	(486)	–
Deferred tax assets	(4,681)	(1,318)
Increase / (decrease) in liabilities		
Trade and other payables	465	(7,340)
Current tax payable	2,367	2,799
Provisions and employee entitlements	(187)	(486)
Net cash inflows / (outflows) from operating activities	**(17,038)**	**(27,962)**

Notes to the Consolidated Financial Statements (continued)

18 (b) Non-cash investing and financing activities

	Consolidated 2020 $'000	Consolidated 2019 $'000 (Restated)
Acquisition of Right-of-Use-Assets (on adoption of AASB 16)	2,931	–
Issue of shares under Employee Share plan	1,887	1,931
Issue of shares – partial business combination settlement	485	1,920
	5,303	**3,851**

18 (c) Net debt reconciliation

This section sets out an analysis of net debt and the movements in net debt for each of the periods presented.

	Consolidated 2020 $'000	Consolidated 2019 $'000 (Restated)
Cash and cash equivalents	44,474	36,308
Borrowings & lease liabilities – current	(2,085)	(3,437)
Borrowings & lease liabilities – non-current	(173,715)	(134,792)
Net debt	**(131,326)**	**(101,921)**
Cash and cash equivalents	44,474	36,308
Borrowings & lease liabilities – fixed interest rates	(10,763)	(10,171)
Borrowings – variable interest rates	(165,037)	(128,058)
Net debt	**(131,326)**	**(101,921)**

	Liabilities from financing activities				
	Borrowings $'000	Leases $'000	Subtotal $'000	Cash and cash equivalents $'000	Total $'000
Net debt at 1 July 2018	(100,000)	–	(100,000)	46,308	(53,692)
Acquisition of Go Car Finance	(30,153)	–	(30,153)	932	(29,221)
Cash flows	(8,076)	–	(8,076)	(10,932)	(19,008)
Net debt as at 30 June 2019	**(138,229)**	**–**	**(138,229)**	**36,308**	**(101,921)**
Recognised on adoption of AASB 16	–	(2,931)	(2,931)	–	(2,931)
	(138,229)	**(2,931)**	**(141,160)**	**36,308**	**(104,852)**
Exchange differences	–	–	–	(3)	(3)
Cash flows	(35,289)	649	(34,640)	8,169	(26,471)
Net debt as at 30 June 2020	**(173,518)**	**(2,282)**	**(175,800)**	**44,474**	**(131,326)**

19. 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

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

Financial liabilities

- Trade and other payables – Note 9
- Borrowings – Note 12
- Contingent consideration – Note 20(b)

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's overall strategy remains unchanged from 2019.

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

Notes to the Consolidated Financial Statements (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.

	Notes	Consolidated 2020 $'000	Consolidated 2019 $'000 (Restated)
Financial assets			
Debt (long term and short-term borrowings)	12	169,758	136,007
Cash and cash equivalents	5	(44,474)	(36,308)
Net debt		**125,284**	**99,699**
Total equity		249,852	239,854
Debt to equity ratio		**50.1%**	**41.6%**

(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	
	2020 $'000	2019 $'000	2020 $'000	2019 $'000
Interest rates – increase by 25 bps (100 bps)	(226)	(174)	(226)	(174)
Interest rates – decrease by 100 bps (50 bps)	905	698	905	698

(iii) Foreign exchange risk

The Group operates in Australia and New Zealand but the exposure to significant foreign currency risk is not significant. The entities within the Group do not have any significant financial instruments that are denominated in a currency other than their functional currency. Translation related risks are not included in the assessment of the Group's exposure to currency risks. However, foreign currency denominated inter-company receivables and payables which do not form part of a net investment in a foreign operation are be included in the sensitivity analysis for foreign currency risks.

	Impact on post tax profit		Impact on equity	
	2020 $'000	2019 $'000	2020 $'000	2019 $'000
NZD/AUD exchange rate increase by 5%	(538)	(17)	(538)	(17)
NZD/AUD exchange rate decrease by 5%	538	17	538	17

(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. Except for 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.

(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.

				Consolidated 2020 $'000	Consolidated 2019 $'000 (Restated)
Loans receivable	12-month ECL	Lifetime ECL – not credit-impaired	Lifetime ECL – credit impaired	Total	Total
Strong	179,062	–	–	179,062	159,013
Good	123,084	–	–	123,084	86,492
Watch list	9,859	61,971	–	71,830	75,370
Sub-standard	1,136	8,827	–	9,963	7,507
Credit impaired	–	–	3,311	3,311	4,830
Gross carrying amount, net of deferred revenue	**313,141**	**70,798**	**3,311**	**387,250**	**333,212**
Allowance for impairment	**(14,921)**	**(14,545)**	**(1,362)**	**(30,828)**	**(16,465)**
Carrying amount	**298,220**	**56,253**	**1,949**	**356,422**	**316,747**

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

Cash and cash equivalents

The Group held cash and cash equivalents of $44.5m at 30 June 2020 (2019: $36.3m). The cash and cash equivalents are held with financial institutions that are rated A to AA–, based on Fitch ratings.

(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

Notes to the Consolidated Financial Statements (continued)

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).

PD estimates are determined using statistical models based on internally compiled data on performance, default information on exposures that are segmented into homogeneous portfolios, 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 made to the estimation techniques or significant assumptions 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 credit rating is not only based on the number of payment dishonours but also considers other qualitative information about the customer such as status of employment, other sources of income and credit score from credit agencies 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.

Modified financial assets

The contractual terms of a loan may be modified for several 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 include but are 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. COVID-19 had a significant impact on the adjustments arising from forward looking information. The Group took an additional provision of $10.1m pre-tax to the expected credit losses rate when considering the future economic outlook as a result of COVID-19.

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

				Consolidated 2020 $'000
Loans receivable	12-month ECL	Lifetime ECL – not credit-impaired	Lifetime ECL – credit impaired	Total
Balance at 1 July 2019	**4,652**	**11,123**	**690**	**16,465**
Acquired during the year	–	–	–	–
New originations	8,456	–	–	8,456
Transfer to lifetime ECL – not credit impaired	(2,558)	2,558	–	–
Transfer to lifetime ECL – credit impaired	(8)	–	8	–
Transfer to 12-month expected credit losses	1,378	(1,238)	(140)	–
Financial assets derecognised/written off	(1,436)	(1,537)	(3,146)	(6,119)
Net remeasurement of loss allowance	4,437	3,639	3,950	12,026
Loss allowance at 30 June 2020	**14,921**	**14,545**	**1,362**	**30,828**

For all trade receivables and contract assets, the Group applies the AASB 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance. The expected loss rates are based on the payment profiles on the receivables, the historical loss experience, uncertainty over recoverability and forward-looking information on macroeconomic factors affecting the ability to settle the receivables.

(iv) Concentrations of credit risk

The Group operates across Australia and New Zealand, providing consumer loans. The Group does not monitor the geographical concentration of exposure.

(c) Liquidity Risk

Liquidity risk is the risk that the Group will not be able to pay its 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 (continued)

Maturity of Financial Liabilities

The Group holds the following financial instruments. Amounts presented below represent the contractual maturities of financial liabilities at their undiscounted cash flows and their carrying value at reporting date.

					Consolidated
2020	< 1 year $'000	1-5 years $'000	> 5 years $'000	Total Contractual cash flows $'000	Carrying amount $'000
Financial Liabilities:					
Borrowings*	14,429	183,218	–	197,647	173,518
Trade and other payables	7,387	–	–	7,387	7,387
Lease liabilities	837	1,632	–	2,469	2,282
Contingent consideration	1,869	3,737	–	5,606	4,759
Total financial liabilities	**24,522**	**188,587**	**–**	**213,109**	**187,946**

					Consolidated
2019	< 1 year $'000	1-5 years $'000	> 5 years $'000	Total Contractual cash flows $'000	Carrying amount $'000
Financial Liabilities:					
Borrowings*	11,840	147,160	–	159,000	138,229
Trade and other payables	7,165	–	–	7,165	7,165
Contingent consideration	1,900	5,700	–	7,600	6,143
Total financial liabilities	**20,905**	**152,860**	**–**	**173,765**	**151,537**

* *Gross of borrowing costs.*

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.

20. Business Combination

(a) Summary of acquisition

On 12 March 2019, Money3 acquired 100% of the issued share capital of Go Car Finance Group (GCF), a lender of secured automotive loans in New Zealand. The Go Car Finance acquisition is aligned with Money's long term strategy and provides Money3 with geographical expansion, market access and a strong existing business. There has been no adjustment to the changes to the fair values of the assets and liabilities acquired upon completion of the provisional accounting.

(b) Contingent consideration

In the event that Go Car Finance achieves certain pre-determined annual profitability and its growth over the first three years post acquisition, additional consideration of up to $1.9m may be payable annually in cash or in equity in the first two years and up to $3.8m in the third year. The potential undiscounted amount payable under the agreement is for a pre-tax profit hurdle of $4.2m in the first year with 20% incremental hurdles in the following two years. The first earnout payment of $1.9m was made on 7 April 2020 settled partly through cash and equity. The fair value of the contingent consideration at 30 June 2020 is $4.8m (2019: $6.1m) and was estimated by calculating the present value of the future expected cash flows using a pre-tax discount rate of 15.3% and probability adjusted three year forecast profit before tax between $4.2m and $6.5m.

21. Discontinued Operations

(a) Description

On 22 February 2019, the Group agreed to sell Money3 Branches Pty Ltd and Money3 Services Pty Ltd (wholly owned subsidiaries) to Commit Co Pty Ltd. The sale was completed on 20 May 2019. The entities sold also represents the two segments (Branch and Online). Accordingly, these segments have been designated as 'discontinued' in Note 2.

(b) Financial performance and cash flow information

The financial performance and cash flow information presented are for the year ended 30 June 2020 and the comparative period is from 1 July 2018 to 20 May 2019.

Financial Performance	2020 $'000	2019 $'000
Revenue	–	44,679
Expenses	–	(29,179)
Profit before income tax	–	15,500
Income tax expense	–	(4,970)
Profit after income tax of discontinued operations	–	10,530
Gain / (loss) on sale of the subsidiaries after income tax (see (c) below)	2,000	(5,513)
Profit from discontinued operations	**2,000**	**5,017**

Cash flow	2020 $'000	2019 $'000
Net cash inflow / (outflow) from operating activities	–	12,753
Net cash inflow / (outflow) from investing activities (includes – incl cash inflows of $2m ($35.5m, 2019) from the sale of the subsidiary $9.7m (2019: $35.5m)	9,725	35,395
Net increase in cash generated by the subsidiaries	**9,725**	**48,148**

Notes to the Consolidated Financial Statements (continued)

(c) Details of the sale of subsidiaries

	2020 $'000	2019 $'000
Sale consideration, net of impairment provision	–	43,225
Carrying amount of net assets sold (including allocated goodwill)	–	(48,301)
Selling costs	–	(437)
Reversal of impairment provision	2,000	–
Profit / (Loss) on sale before income tax	**2,000**	**(5,513)**
Income tax (expense)/benefit on gain	–	–
Gain / (Loss) on sale after income tax	**2,000**	**(5,513)**

(d) Details of net assets sold

Details of net assets sold as at 20 May 2019 are given below:

	20 May 2019 $'000
Cash and cash equivalent	1,505
Loans receivable, net	36,127
Property, plant and equipment, other assets (including intangibles)	11,627
Employee liabilities	(958)
Carrying amount of net assets sold (including allocated goodwill)	**48,301**

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:

	Country of incorporation	Equity held		Acquisition date	Investment	
Name		2020 %	2019 %		2020 $'000	2019 $'000
Money3 Loans Pty Ltd	Australia	100	100	01-Nov-16	–*	–*
Money3 Franchising Pty Ltd	Australia	100	100	16-Apr-07	–*	–*
M3 Group Services Pty Ltd^	Australia	100	100	13-Mar-08	–*	–*
Australian Car Leasing Pty Ltd	Australia	100	100	03-May-13	–*	–*
Antein Pty Ltd	Australia	100	100	01-Jul-06	3,100	3,100
Bellavita Pty Ltd	Australia	100	100	01-Jul-06	3,037	3,037
Hallowed Holdings Pty Ltd	Australia	100	100	01-Jul-06	2,970	2,970
Debt Resolutions Pty Ltd	Australia	100	100	01-Jul-06	484	484
Nexia Pty Ltd	Australia	100	100	01-Jul-06	1,665	1,665
Pechino Pty Ltd	Australia	100	100	01-Jul-06	1,688	1,688
Happy.com.au Pty Ltd	Australia	100	100	01-Jul-06	484	484
Tannaster Pty Ltd	Australia	100	100	01-Jul-06	2,898	2,898
Tristace Pty Ltd	Australia	100	100	01-Jul-06	1,742	1,742
Finance Investment Group Limited	New Zealand	100	100	12-Mar-19	15,494	15,494
Go Car Finance Limited	New Zealand	100	100	12-Mar-19	–*	–*
Go Car Finance 2018 Limited	New Zealand	100	100	12-Mar-19	–*	–*
FIG Services Limited	New Zealand	100	100	12-Mar-19	–*	–*
My On Road Plan Limited	New Zealand	100	100	12-Mar-19	–*	–*
Go Car Funding Limited	New Zealand	100	100	12-Mar-19	–*	–*
Go Car Funding 2018 Limited	New Zealand	100	100	12-Mar-19	–*	–*
Aqua Cars Limited	New Zealand	100	100	12-Mar-19	–*	–*
Debt Resolutions Limited	New Zealand	100	100	12-Mar-19	–*	–*
Total					**33,562**	**33,562**

* *The investments in these entities is less than $1,000.*

^ *Formerly Money3 Wodonga Pty Ltd.*

23. Commitments

There are no commitments as at 30 June 2020 (2019: $3.2m). Non-cancellable operating leases previously disclosed as commitments are now disclosed under Note 7(b) Leases.

24. Contingent Assets and Liabilities

There are no contingent assets or liabilities at 30 June 2020 (2019: Nil).

Notes to the Consolidated Financial Statements (continued)

25. Share Based Payments

Options

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

	2020 Number of options	2020 Weighted average exercise price $	2019 Number of options	2019 Weighted average exercise price $
Balance at the beginning of the financial year	8,420,000	1.7587	9,650,000	1.6000
Granted during the financial year	–	–	2,000,000	2.5000
Exercised during the financial year	(1,502,846)	1.5640	(3,230,000)	1.4638
Forfeited during the financial year*	(737,154)	1.6115	–	–
Balance at the end of the financial year	**6,180,000**	**1.8236**	**8,420,000**	**1.7587**
Exercisable at the end of the financial year	4,180,000	1.5000	1,420,000	1.6256

* *Forfeitures relate to cash less exercise of options.*

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;
- On issue of the resulting shares, they will rank equally with ordinary shares on issue at that time; and
- 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 2020	Share Options 2019
20-Oct-14	20-Oct-19	1.49606	–	500,000
15-Apr-15	14-Apr-20	1.69606	–	920,000
28-Nov-16	23-Nov-21	1.50000	4,180,000	5,000,000
28-Nov-18	27-Nov-23	2.50000	2,000,000	2,000,000
Total			**6,180,000**	**8,420,000**
Weighted average remaining contractual life of options outstanding at the end of the year			2.05 years	2.58 years

Restricted Shares in the Company held by KMP

Name	Grant Date	Restricted Shares Held	Issue Price	Vesting Date	Expiry Date
Craig Harris	01-Jul-16^	121,093	$1.0320	30-Jun-20	30-Jun-21

^ *At Grant date a total of 484,373 restricted shares were issued; 25% of these shares vests annually and final vesting date is 30 June 2020.*

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 during the financial year are summarised below:

	2020 Number of rights	2019 Number of rights
Balance at the beginning of the financial year	1,796,878	2,310,748
Granted during the financial year	150,000	328,178
Exercised during the financial year	(754,319)	(772,347)
Forfeited during the financial year	(25,000)	(69,701)
Balance at the end of the financial year	**1,167,559**	**1,796,878**
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; and
- Performance rights carry no rights to dividends and no voting rights. In accordance with the terms of the performance rights schemes, rights are automatically issued 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 2020	Performance Rights 2019
1-Jul-16	30-Jun-20	30-Jun-21	173,773	347,546
1-Jul-17	30-Jun-21	30-Jun-22	–	146,154
1-Jan-18	31-Dec-21	31-Dec-22	625,000	975,000
3-Dec-18	02-Dec-21	31-Dec-21	218,786	328,178
1-Jul-19	30-Jun-22	30-Jun-22	150,000	–
Total			**1,167,559**	**1,796,878**
Weighted average remaining contractual life of rights outstanding at the end of the year			**1.56 years**	**2.33 years**

Notes to the Consolidated Financial Statements (continued)

The fair value of the Performance Rights has been determined in accordance with AASB 2 using the following inputs:

	2020
Grant date	01-Jul-19
Vesting date	30-Jun-22
Expiry date	30-Sep-22
Share price at measurement date	2.11
Dividend yield	4.4%

Recognition and Measurement

Options, restricted shares and performance rights are granted under the Money3 Corporation Limited's Share Option 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 generally determined by an independent expert considering 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:

	2020 $'000	2019 $'000
Options issued under employee share option plan	386	894
Performance rights issued under employee share plan	613	985
Restricted shares issued under employee share plan	150	501
Total	**1,149**	**2,380**

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.

26. Auditor's Remuneration

During the year, the following fees were paid or payable for services provided by the auditor of the Money3 Corporation Limited, its related practices and non-related audit firms.

	Consolidated 2020 $	Consolidated 2019 $
*(a) BDO Audit Pty Ltd**		
Audit and review of the financial reports (inclusive of GST)	187,000	185,900
(b) Network firm of BDO		
Audit and review of the financial reports (inclusive of GST)	97,037	20,754
Total remuneration of auditors	**284,037**	**206,654**

* *The BDO entity performing the audit of the group transitioned from BDO East Coast Partnership to BDO Audit Pty Ltd on 14 February 2020. The disclosures include amounts received or due and receivable by BDO East Coast Partnership, BDO Audit Pty Ltd, and their respective related entities.*

27. Deed of Cross Guarantee

Money3 Corporation Limited and its wholly owned subsidiaries in Australia are parties to a deed of cross guarantee under which each company guarantees the debts of the others. By entering into the deed, the wholly owned entities have been relieved from the requirement to prepare a financial report and directors' report under ASIC Corporations (Wholly owned Companies) Instrument 2016/785.

28. Parent Entity Financial Information

(a) Summary Financial Information

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

	2020 $'000	2019 $'000
ASSETS		
Total current assets	22,612	40,429
Total non-current assets	365,101	310,052
Total assets	**387,713**	**350,481**
LIABILITIES		
Total current liabilities	11,304	11,579
Total non-current liabilities	126,733	98,936
Total liabilities	**138,037**	**110,515**
Net assets	**249,676**	**239,966**
EQUITY		
Issued capital	169,472	163,722
Share option reserve	3,572	4,539
Retained earnings	76,632	71,705
Total equity	**249,676**	**239,966**
Profit from continuing operations	22,070	23,456
Total comprehensive income	22,070	23,456

Notes to the Consolidated Financial Statements (continued)

(b) Guarantees entered by the Parent Entity

The parent entity has not entered into guarantees for any of its subsidiaries (2019: Nil).

(c) Contingent Liabilities of the Parent Entity

The parent entity has no contingent liabilities at the time of the report (2019: Nil).

(d) Contractual Commitments by the Parent Entity

The parent entity has contractual commitments for leases of $1.4m covering the period from July 2020 to December 2022 (2019: $2.0m).

29. Related Party Transactions

(a) Parent and Ultimate Controlling Entity

The parent and ultimate controlling entity is Money3 Corporation Limited which is incorporated and domiciled in Australia.

(b) Key Management Personnel Remuneration

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

	Consolidated 2020 $	Consolidated 2019 $
Short term employee benefits	1,890,907	2,734,339
Post-employment benefits	100,005	114,041
Long term benefits	40,282	54,984
Share based payments	824,308	1,600,239
Total	**2,855,502**	**4,503,603**

(c) Other Transactions with KMP or their Related Parties

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:

Money3 engaged with Nicholson Ryan Lawyers and Panorama Pty Limited to perform legal services and compliance services respectively. Both these entities are related to Leath Nicholson (NED until 15 November 2019). Legal expenses for the current period amounted to $66,279 (2019: $670,276) and compliance expenses for the current period amounted to $52,800 (2019: $158,400). Amounts payable at 30 June 2020 was nil (2019: $16,500).

Money3 also engaged with Moses & Pope Pty Ltd which is related to Symon Brewis-Weston (NED) to perform project advisory in the current year amounting to $3,300 (2019: nil). Amounts payable at 30 June 2020 was nil (2019: nil).

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

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

30. 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.

31. 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 2020 reporting period and have not been early adopted by the Group. As at the date of this report there are no new accounting standards that have been issued but not yet applied that have a material effect on the results of the Group.

Independent Auditor's Report

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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 2020, 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 2020 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 (including Independence Standards)* (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 3 of the accompanying financial statements The Group earns revenue from various sources including interest on loan products, application and credit fees, and other period fees including arrears, default and variation fees which are required to be recognised using the effective interest rate method. 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 Group's revenue recognition policies ensuring they are 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 *Financial Instruments*. • 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 manual 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. • Reviewing the appropriateness of the disclosures in regards to revenue recognition.

Independent Auditor's Report (continued)

Valuation and Recoverability of Loan Receivables

Key audit matter	*How the matter was addressed in our audit*
Refer to Note 6 of the accompanying financial statements and Note 1(d) for the changes in accounting policies in relation to loans receivable. The Group has a significant balance of receivables at 30 June 2020 which consist of personal loan contracts with customers. The assessment of the recoverable value of customer loans using an Expected Credit Loss ("ECL") model requires significant judgement, using both qualitative and quantitative assumptions, to estimate the recoverability of the loans receivable. Further, the impact of the COVID-19 pandemic on the macroeconomic environment could potentially have an adverse effect on the recoverability of the Group's loan receivables. Additional audit considerations have been required to respond to the latest developments arising from the COVID-19 pandemic. 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 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 period's 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 ageing 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 Group's credit risk and assessing the reason for variances from our initial expectations. • In response to the future economic uncertainty present in the COVID-19 climate, we performed a detailed review of the forward looking information aspect of the ECL model. In evaluating the model's reasonableness, we challenged the assumptions made against our understanding of the economic environment faced by the Group to satisfy ourselves that the revised calculations are in compliance with the requirements as prescribed in AASB 9 *Financial Instruments*. • Considering the change in policy within the Group's New Zealand operations relating to the recognition of bad debts and the treatment of the deferred revenue with the support of our component auditors (BDO in New Zealand) to satisfy ourselves that the revised policies are in compliance with the requirements as prescribed in AASB 9 *Financial Instruments*. • 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 in the Group’s annual report for the year ended 30 June 2020, but does not include the financial report and the auditor’s report thereon.

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 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, 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.

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:

https://www.auasb.gov.au/admin/file/content102/c3/ar1_2020.pdf

This description forms part of our auditor’s report.

Independent Auditor's Report (continued)

Report on the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 25 to 34 of the directors' report for the year ended 30 June 2020.

In our opinion, the Remuneration Report of Money3 Corporation Limited, for the year ended 30 June 2020, 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 Audit Pty Ltd

James Mooney
Director

Melbourne, 17 August 2020

ASX Additional Information

Additional information required by the Australian Securities Exchange and not shown elsewhere in this report is as follows. The information is current as at 5 August 2020.

(a) Distribution of Equity Securities

The number of shareholders, by size of holding, in each class of equity are:

	Ordinary Shares			Unlisted Options & Performance Rights		
Distribution of Shareholdings	Number of Holders	Number of Shares	%	Number of Holders	Number of Options & Rights	%
100,001 and Over	123	152,070,770	82.0	6	6,498,786	88.4
10,001 to 100,000	838	25,531,272	13.8	29	810,624	11.0
5,001 to 10,000	537	4,057,379	2.2	4	33,908	0.5
1,001 to 5,000	1,156	3,089,851	1.7	1	4,241	0.1
1 to 1,000	1,073	535,823	0.3	–	–	–
Total	**3,727**	**185,285,095**	**100**	**40**	**7,347,559**	**100**
The number of shareholders holding less than a marketable parcel of shares are	267	17,067				

(b) Twenty Largest Holders of Quoted Shares are:

		Listed Ordinary Shares	
	Name of Holder	No. of Shares	% of Holding
1	UBS NOMINEES PTY LTD	28,467,714	15.36
2	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	16,482,826	8.90
3	J P MORGAN NOMINEES AUSTRALIA PTY LIMITED	15,053,189	8.12
4	NATIONAL NOMINEES LIMITED	12,543,237	6.77
5	RUBI HOLDINGS PTY LTD	8,500,000	4.59
6	CITICORP NOMINEES PTY LIMITED	8,024,244	4.33
7	HOSKING FINANCIAL INVESTMENTS PTY LTD	5,523,000	2.98
8	CS THIRD NOMINEES PTY LIMITED	4,745,344	2.56
9	BALDWIN BROTHERS INVESTMENTS PTY LTD	3,710,000	2.00
10	SANDHURST TRUSTEES LTD	3,013,002	1.63
11	CRAIG HARRIS	2,353,763	1.27
12	MATOOKA PTY LTD	1,769,515	0.96
13	EQUITAS NOMINEES PTY LIMITED	1,735,165	0.94
14	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED – A/C 2	1,707,904	0.92
15	WALLBAY PTY LTD	1,695,108	0.91
16	DASH GROWTH LIMITED	1,641,433	0.89
17	MR MICHAEL RUDD	1,504,326	0.81
18	PLATEY PTY LTD	1,500,000	0.81
19	CITICORP NOMINEES PTY LIMITED	1,358,000	0.73
20	BNP PARIBAS NOMS PTY LTD	1,025,149	0.55
	Top 20 shareholders	**122,352,919**	**66.03**

ASX Additional Information (continued)

(c) Substantial Shareholders

The names of the substantial shareholders who have notified the Company in accordance with section 671B of the *Corporations Act 2001* are:

	No. of Shares	% Held
Thorney Opportunities Ltd (TOP), Tiga Trading Pty Ltd & associated entities	27,632,253	14.91%

(d) Voting Rights

The voting rights attached to equity securities are set out below:

(i) Ordinary shares:

Each ordinary share is entitled to one vote when a poll is called, otherwise each member present at a meeting or by proxy has one vote on a show of hands.

(ii) Options and performance rights:

Options and performance rights are not entitled to voting rights.

(e) Unquoted Equity Securities holdings greater than 20%

The following unlisted options were issued to directors outside of the Employee Equity Share Plan.

(i) Scott Baldwin & Associates	4,180,000
(ii) Ray Malone	1,250,000

(f) Equity securities subject to escrow

The following shares issued outside of the Employee Equity Share Plan are subject to voluntary escrow arrangements:

(i) 263, 736 Ordinary Shares escrowed to 11 March 2022.

(g) On Market Buy-Back

There is no current on-market buy-back of the Company's securities.

Corporate Information

Company Directors

Stuart Robertson
Non-Executive Director (Chairman)

Symon Brewis-Weston
Non-Executive Director

Kate Robb
Non-Executive Director

Scott Baldwin
Managing Director

Company Secretary

Terri Bakos

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Bundoora Victoria 3083

Share Registry

Link Market Services Limited
Tower 4, 727 Collins Street
Melbourne Victoria 3008

Auditors

BDO Audit Pty Ltd
Tower 4, Level 18, 727 Collins Street
Melbourne Victoria 3008

Solicitors

Nicholson Ryan Legal Pty Ltd
Level 7, 420 Collins Street
Melbourne Victoria 3000

Bankers

Bendigo Bank
4 Prospect Hill Road
Camberwell Victoria 3124

Bank of New Zealand
80 Queens Street
Auckland, New Zealand 1010

Stock Exchange Listing

Money3 Corporation Limited shares are listed on the Australian Securities Exchange (ASX code MNY)

Website

www.money3.com.au

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