APPENDIX 4D
HALF-YEAR FINANCIAL REPORT

Name of entity	ZIPMONEY LIMITED
ABN	50 139 546 428
Reporting period	Half-Year ended 31 December 2016
Previous corresponding period	Half-Year ended 31 December 2015

The information contained in this report should be read in conjunction with the most recent annual financial report.

RESULTS FOR ANNOUNCEMENT TO THE MARKET

			31 December 2016	31 December 2015
Revenue from ordinary activities	Up	722%	6,681,125	813,066
(Loss) from ordinary activities after income tax attributable to members	Up	17%	(5,936,707)	(5,089,904)
Total comprehensive loss attributable to members	Up	17%	(5,936,707)	(5,089,904)

The company does not have a dividend policy.

NTA Backing	31 December 2016	31 December 2015
Net tangible asset backing per ordinary share	5.60 cents	2.57 cents

BRIEF EXPLANATION OF THE ABOVE FIGURES

The Group's revenue grew significantly compared to the previous year reflecting the success of the zipMoney and zipPay payments products across a number of verticals including retail, consumer electronics, home, sports and outdoor, automotive, health services, online education and travel markets.

The loss for the year reflects the Group's continued investment in people to drive the growth of the business together with the increase in funding and transactional costs commensurate with the growth of the receivables portfolio.

The principal activity of the Group is offering point-of-sale credit and payments to consumers (Retail Finance) and providing a variety of integrated Retail Finance solutions to merchants across numerous industries, both online and in-store.

Details of Controlled Entities

Since the end of the previous financial year, the Group acquired 100% of the share capital of Pocketbook Holdings Pty Ltd and its subsidiaries. There was no loss of control of entities during the period.

Associates / Joint Venture Entities

zipMoney Limited has not engaged in the acquisition of associates nor has it engaged in any joint ventures in the half-year ended 31 December 2016.

Review Conclusion

This report is based on the financial statements for the half year ended 31 December 2016. The financial statements have been subject to a review by an independent auditor and a modified review report has been issued in relation to a material uncertainty regarding going concern in the event the Group does not meet the conditions precedent to extend terms with its current financiers, meet the conditions precedent with its new financiers, or make alternative financial arrangements.

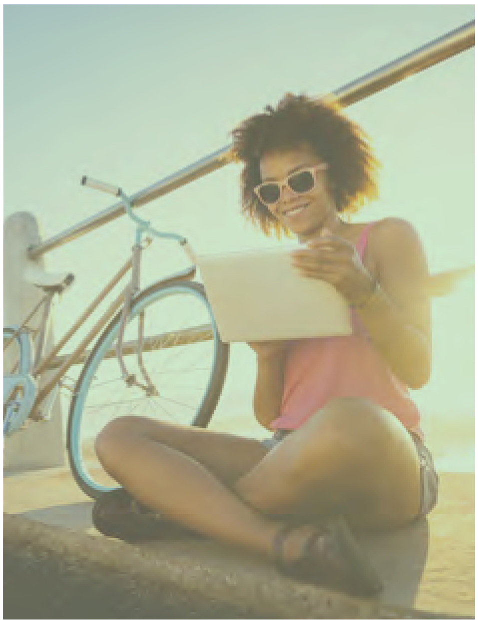
Dividends

No dividends have been declared for the half-year ended 31 December 2016 or for the previous corresponding period.

Larry Diamond
Managing Director & Chief Executive Officer

27 February 2017

zipMoney™ a better way to pay



HALF-YEAR FINANCIAL REPORT 2017

CORPORATE DIRECTORY

DIRECTORS

Philip Crutchfield
(Chairman)

Larry Diamond
(Managing Director, CEO)

Peter Gray
(Executive Director, COO)

Megan Quinn
(Non-Executive Director)

COMPANY SECRETARY

Andrew Bursill

REGISTERED OFFICE

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Sydney NSW 2000

Telephone:
+61 2 8294 2345

Website:
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SECURITIES EXCHANGE LISTING

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225 George Street
Sydney NSW 2000

SOLICITORS

Arnold Bloch Liebler
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Sydney NSW 2000

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ZIPMONEY LIMITED
ABN 50 139 546 428

INTERIM FINANCIAL REPORT FOR THE HALF YEAR ENDED 31 DECEMBER 2016

This interim financial report does not include all the notes of the type normally included in an annual financial report. This report is to be read in conjunction with the Annual Report for the year ended 30 June 2016 and any public announcements made by zipMoney Limited during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

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DIRECTORS' REPORT

Your directors are pleased to present their report on zipMoney Limited and its controlled entities (Consolidated Entity or Group) for the half-year ended 31 December 2016.

DIRECTORS

The names of the directors who held office during or since the end of the period are:

Philip Crutchfield

Larry Diamond

Peter Gray

Megan Quinn (Appointed 22 August 2016)

REVIEW AND RESULTS OF OPERATIONS

A summary of revenues and results for the period is set out below:

	2016		2015	
	Revenues $	Results $	Revenues $	Results $
zipMoney Limited	6,681,125	(5,936,707)	813,066	(5,089,904)

PRINCIPAL ACTIVITIES

The principal activity of the Consolidated Entity is offering point-of-sale credit and payments to consumers (Retail Finance) and providing a variety of integrated Retail Finance solutions to merchants across numerous industries, both online and in-store.

REVIEW OF OPERATIONS

zipMoney is a leading player in the digital retail finance and payments industry. Established in 2013, the Company is headquartered in Sydney, Australia with offices in Melbourne and Brisbane.

The Company offers point-of-sale credit and digital payment services to the retail, education, health and travel industries, estimated at $100 billion in combined annual transaction volume.

Revenue for the half-year ended 31 December 2016 was $6,681,125 (2015: $813,066), an increase of 722% compared with the previous corresponding period. This was driven by an increase in transaction volumes from $9,902,582 in the prior period to $83,187,914 in the period to 31 December 2016.

The net loss for the half-year attributable to members of zipMoney Limited was $5,936,707 compared to $5,089,904 in the previous corresponding period.

The Company continues to invest in its sales efforts, product development and seamless integration into its merchant bases. Headcount increased from 30 at 31 December 2015 to 90 at the end of December 2016.

As at 31 December 2016, the zipMoney receivables portfolio was approximately $87.7 million, having grown 115% compared to the balance at 30 June 2016 of $40.7m. The repayment profile continues to remain healthy at approximately 10% (of prior period end portfolio) in monthly collections.

The credit performance of the receivables portfolio continues to perform in line with internal management projections. The reported arrears rate was 1.5% at 31 December 2016 (30 June 2016: 1.3%) and zipMoney wrote off $527,152 (31 December 2015: $55,298) in bad debts for the half-year, representing an annualised loss rate of 1.2% (31 December 2015: 0.73%). Although this result is well below comparable established peers, zipMoney's operations are still relatively young and require further 'seasoning' to establish a more mature loss rate.

The Group acquired Pocketbook Holdings on 12 September 2016 to support the Group's strategy to create a new financial services model which empowers consumers to make better financial decisions.

Capital Management

On 27 February 2017 zipMoney announced it had agreed key terms for a c.$200 million asset backed securitisation warehouse program with a 'Big 4' Australian Bank. This will allow for an orderly transition from the existing capital management program with U.S. asset manager Victory Park Capital (VPC).

It also allows the Company to continue its rapid expansion, and results in a significant reduction in the Company's weighted average cost of funds. The company will transition to the new facility over the next nine months.

The facility has a two-year maturity term (with options to extend) and is secured against the underlying pool of receivables with limited credit recourse back to zipMoney.

On 27 February 2017 zipMoney announced it had extended the current funding facility with VPC subject to certain conditions. The current commitment has been upsized by $30m, increasing the total facility limit to $141.4m. zipMoney retains a further option, at its election, to increase both the limit ($200m) and tenor of the facility (one year). zipMoney also has the ability to refinance more than 50% of the current facility at no cost.

Cashflows

Cash receipts from customers were $6,516,485 for the half year, compared to $616,669 in the prior year. Payments to merchants, suppliers and employees totalled $4,485,590 up from $867,937 in the prior year.

Cash outflows from investing activities for the period were $52,319,153, up from $6,256,668, reflecting a net increase in customer receivables, continued investment in software, research and development, cash used to acquire Pocketbook and the purchase of plant and equipment.

Cash inflows from financing activities for the period were $58,284,243, including $48,125,000 in borrowings to fund the growth in customer receivables and the proceeds of the share issue, net of transaction costs of $10,159,243.

POST BALANCE DATE EVENTS

Other than the announcement of the transaction with a 'Big 4' Australian Bank, and the extension to the Victory Park Capital facility there have been no other material items, transactions or events subsequent to 31 December 2016 which relate to conditions existing at that date and which require comment or adjustment to the figures dealt with in this report.

AUDITOR'S INDEPENDENCE DECLARATION

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 8.

This report is made in accordance with a resolution of directors.

Larry Diamond
Managing Director & Chief Executive Officer

27 February 2017

AUDITOR'S INDEPENDENCE DECLARATION

Deloitte.

Deloitte Touche Tohmatsu
ABN 74 490 121 060

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225 George Street
Sydney NSW 2000
PO Box N250 Grosvenor Place
Sydney NSW 1220 Australia

Tel: +61 2 9322 7000
Fax: +61 2 9255 8303
www.deloitte.com.au

The Board of Directors
zipMoney Limited
Level 35, 50 Bridge Street
Sydney NSW 2000

27 February 2017

Dear Board Members

zipMoney Limited

In accordance with section 307C of the *Corporations Act 2001*, I am pleased to provide the following declaration of independence to the directors of zipMoney Limited.

As lead audit partner for the review of the financial statements of zipMoney Limited for the half-year ended 31 December 2016, I declare that to the best of my knowledge and belief, there have been no contraventions of:

(i) the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and

(ii) any applicable code of professional conduct in relation to the review.

Yours sincerely

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

Carlo Pasqualini
Partner
Chartered Accountants

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE HALF-YEAR ENDED 31 DECEMBER 2016

All figures in $	Note	31 December 2016	31 December 2015
REVENUE			
Total portfolio income		6,364,862	751,000
Other revenue		316,263	62,066
Total revenue		6,681,125	813,066
EXPENDITURE			
Administration expenses		(1,439,423)	(587,462)
Bank fees		(372,611)	(43,001)
Consulting fees		(343,601)	(50,846)
Data costs		(582,694)	(104,460)
Depreciation and amortisation expense		(542,692)	(279,889)
Doubtful debts expense		(1,937,360)	(209,689)
Fair value adjustment on convertible notes		–	(525,000)
Finance cost		(3,695,925)	(452,966)
Listing expenses		–	(2,274,511)
Occupancy expenses		(197,260)	(74,575)
Recruitment costs		(306,884)	(63,360)
Salaries and employee benefits expense		(2,167,516)	(984,008)
Share-based payments		(1,031,866)	(253,203)
LOSS BEFORE INCOME TAX		(5,936,707)	(5,089,904)
Income tax benefit		–	–
TOTAL COMPREHENSIVE LOSS FOR THE PERIOD ATTRIBUTABLE TO MEMBERS OF ZIPMONEY LIMITED		(5,936,707)	(5,089,904)
Basic and diluted loss per share (cents)	5	(2.56)	(4.7)

The above Consolidated Statement of Profit or Loss and Other Comprehensive Income should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2016

All figures in $	Note	31 December 2016	Restated 30 June 2016
ASSETS			
Cash and cash equivalents	6	12,185,837	7,089,478
Trade and other receivables		365,021	128,822
Customer receivables	8	82,988,926	38,112,587
Other assets	9	784,896	1,213,021
Plant and equipment		457,638	71,977
Intangible assets	7	10,166,953	1,530,254
TOTAL ASSETS		**106,949,271**	**48,146,139**
LIABILITIES			
Trade and other payables		2,255,476	3,948,358
Borrowings	10	80,385,000	32,260,000
Deferred R&D tax incentives		102,891	154,336
Deferred contingent consideration		337,200	–
Provisions		383,854	247,940
TOTAL LIABILITIES		**83,464,421**	**36,610,634**
NET ASSETS		**23,484,850**	**11,535,505**
EQUITY			
Issued capital	4	36,415,752	19,409,691
Reserves		2,592,491	1,712,500
Accumulated losses		(15,523,393)	(9,586,686)
TOTAL EQUITY		**23,484,850**	**11,535,505**

The above Consolidated Statement of Financial Position should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE HALF-YEAR ENDED 31 DECEMBER 2016

All figures in $	Note	Issued Capital	Reserves	Accumulated Losses	Total
BALANCE AT 1 JULY 2015		**423,190**	**–**	**(619,226)**	**(196,036)**
Loss for the period		–	–	(5,089,904)	(5,089,904)
TOTAL COMPREHENSIVE LOSS		–	–	(5,089,904)	(5,089,904)
Shares issued during the period		10,187,505	–	–	10,187,505
Performance rights granted		–	253,203	–	253,203
Costs of issue		(342,919)	–	–	(342,919)
BALANCE AT 31 DECEMBER 2015		**10,267,776**	**253,203**	**(5,709,130)**	**4,811,849**
BALANCE AT 1 JULY 2016 – PREVIOUSLY REPORTED		**19,409,691**	**–**	**(7,708,980)**	**11,700,711**
Prior period adjustment	14	–	1,712,500	(1,877,706)	(165,206)
BALANCE AT 1 JULY 2016 – RESTATED		**19,409,691**	**1,712,500**	**(9,586,686)**	**11,535,505**
Loss for the period		–	–	(5,936,707)	(5,936,707)
TOTAL COMPREHENSIVE LOSS		**–**	**–**	**(5,936,707)**	**(5,936,707)**
Shares issued during the period	4	10,825,031	–	–	10,825,031
Recognition of share-based payments		–	879,991	–	879,991
Issue of ordinary shares under share-based payments plans		1,546,501	–	–	1,546,501
Shares issued as consideration for the acquisition of Pocketbook		5,300,317	–	–	5,300,317
Costs of issue	4	(665,788)	–	–	(655,788)
BALANCE AT 31 DECEMBER 2016		**36,415,752**	**2,592,491**	**(15,523,393)**	**23,484,850**

The above Consolidated Statement of Changes in Equity should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE HALF-YEAR ENDED 31 DECEMBER 2016

All figures in $	Note	31 December 2016	31 December 2015
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers		6,516,485	616,669
Payments to suppliers and employees		(4,485,590)	(867,937)
Interest received		123,941	120,318
Interest paid		(3,023,567)	(452,966)
Net cash outflow from operating activities		**(868,731)**	**(583,916)**
CASH FLOWS FROM INVESTING ACTIVITIES			
Payments for plant and equipment		(437,951)	(70,369)
Payments for software development		(1,563,422)	(216,020)
Payment for business, net of cash acquired	2	(1,870,130)	–
Proceeds from sale of plant and equipment		–	25,000
Net movement in receivables		(48,447,650)	(5,995,279)
Net cash outflow from investing activities		**(52,319,153)**	**(6,256,668)**
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from the issue of shares	4	10,825,031	6,080,000
Costs of share issues	4	(665,788)	(342,919)
Proceeds from borrowings		48,125,000	4,555,000
Repayment of shareholder loan		–	(250,000)
Net cash inflow from financing activities		**58,284,243**	**10,042,081**
Net increase in cash and cash equivalents		5,096,359	3,201,497
Cash and cash equivalents at the beginning of the half-year		7,089,478	1,025,453
CASH AND CASH EQUIVALENTS AT THE END OF THE HALF-YEAR	6	**12,185,837**	**4,226,950**

The above Consolidated Statement of Cash Flows should be read in conjunction with the accompanying notes.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 1: BASIS OF PREPARATION OF THE HALF-YEAR FINANCIAL REPORT

a. Basis of Accounting

The Consolidated Statement of Profit and Loss or Other Comprehensive Income and Consolidated Statement of Financial Position have been prepared in accordance with Accounting Standard AASB 134 Interim Financial Reporting and applicable accounting standards, the *Corporations Act 2001* and mandatory professional reporting requirements in Australia (including the Australian equivalents of International Financial Reporting Standards).

This consolidated interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the 30 June 2016 Annual Report and the public announcements made by zipMoney Limited during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

The consolidated entity has presented its Statement of Financial Position on a liquidity basis as this is considered to be more reliable and relevant given the nature of the Group's operations.

The accounting policies have been consistently applied, unless otherwise stated. The consolidated financial statements have been prepared on a going concern basis.

Going concern

The Directors have prepared the half year end financial report on the going concern basis, which assumes continuity of normal business activities and the realisation of assets and the settlement of liabilities in the ordinary course of business. The statement of profit or loss and other comprehensive income for the half-year ended 31 December 2016 reflects a consolidated Group loss after tax of $5,936,707. The statement of cash flows for the half-year ended reflects net cash outflows from operations of $868,731.

The Directors have reviewed cash flow forecasts for the Group through to 30 June 2018. The cash flow forecast indicates that the Group will have sufficient funding to operate as a going concern during the forecast period after considering the following factors:

- The ability of the Group to complete the extension of its existing facility with Victory Park Capital (VPC) and satisfaction of the conditions precedent; and
- The ability of the Group to complete the new facility further extending financing capacity, with a 'Big 4' Australian Bank, and satisfaction of the associated funding conditions.

The Directors have concluded that it is appropriate to prepare the financial statements on the going concern basis, as they are confident that the Group will be able to pay its debts as and when they become due and payable from operating cash flows and available finance facilities.

In the event that the Group does not meet the conditions precedent to extend terms with its current financiers, meet the conditions precedent with its new financier, or make alternative financing arrangements, such events would create a material uncertainty which may cast significant doubt about the ability of the Group to continue as a going concern and therefore, it may be unable to realise its assets and extinguish its liabilities in the normal course of business.

The financial statements do not include adjustments relating to the recoverability and classification of recorded asset amounts nor to the amounts and classification of liabilities that might be necessary should the Group not continue as a going concern.

Adoption of new and revised Accounting Standards

In the half-year ended 31 December 2016, the Consolidated Entity has reviewed all of the new and revised Standards and Interpretations issued by the AASB that are relevant to its operations and effective for annual reporting periods beginning on or after 1 July 2016.

It has been determined by the Consolidated Entity that there is no impact, material or otherwise, of the new and revised Standards and Interpretations on its business and, therefore, no change is necessary to Consolidated Entity accounting policies.

The Consolidated Entity has also reviewed all new Standards and Interpretations that have been issued but are not yet effective for the half-year ended 31 December 2016. The Directors have not yet determined the impact of the new Standards and Interpretations that have been issued but are not yet effective.

Business combinations

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value which is calculated as the sum of the acquisition date fair values of assets transferred to the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity instruments issued by the Group in exchange for control of the acquiree. Goodwill arises in a business combination when the consideration transferred to the acquiree is greater than the net of the acquisition-date amounts of identifiable assets and the liabilities assumed. Acquisition-related costs are recognised in profit or loss as incurred.

Where the consideration transferred by the Group in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with corresponding adjustments against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the 'measurement period' (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

The subsequent accounting for changes in the fair value of contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as a liability is remeasured at subsequent reporting dates in accordance with AASB 139 'Financial Instruments: Recognition and Measurement, or AASB 137 'Provisions, Contingent Liabilities and Contingent Assets', as appropriate, with the corresponding gain or loss being recognised in profit or loss.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see above), or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected the amounts recognised as of that date.

b. Critical accounting estimates and judgements

In preparing the half-year Financial Report, the Consolidated Entity has been required to make certain estimates and assumptions concerning future occurrences. There is an inherent risk that the resulting accounting estimates will not equate exactly with actual events and results.

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 only affects that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Significant accounting estimates and assumptions

Valuation of Receivables and customer loans

The carrying amounts of certain assets and liabilities are often determined based on estimates and assumptions of future events. One of the key sources of estimation uncertainty relate to the recoverability of customer receivables. The recoverability of customer receivables requires the Consolidated Entity to assess impairment regularly. The allowance for bad debts raised, represents management's best estimate of losses incurred in the receivables portfolio at reporting date based on their experience and judgement. The Group estimates collective provisions on the basis of historical loss experience for assets with similar credit characteristics by the Group and other companies with similar portfolios.

Revenue recognition

The directors consider that revenue from Merchant fees, Establishment fees and Monthly fee are akin to financial or portfolio interest income which should be accrued on a time proportionate basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition. Refer Note 14(a).

In making their judgement around estimated future cashflow and expected life of the customer receivables balance, the directors have considered the historical repayment pattern of the customer receivables on a portfolio basis. These estimates will be reviewed on an ongoing basis and where required, appropriate adjustments will be made in future reporting periods.

NOTE 2: ACQUISITION OF POCKETBOOK

On 12 September 2016 zipMoney Limited completed the acquisition of Pocketbook Holdings Pty Ltd and its subsidiaries ('Pocketbook'). Pocketbook is the developer and owner of a leading personal financial management application.

Pocketbook was acquired to support the Group's strategy to create a new financial services model which empowers consumers to make better financial decisions. Had the revenue and results of Pocketbook prior to the acquisition been included in the Group's results, the impact would not have been material.

The total consideration comprises:

- Initial cash consideration of $1,979,070;
- 7,310,782 new zipMoney shares valued at $4,020,930 at an issue price of 55 cents. At the time the shares were issued the share price was $72.5 cents and accordingly the payment has been recorded at $5,300,317 to reflect the fair value of the shares in accordance with accounting standards. The shares issued are subject to an 18-month escrow period for shares issued to the founding shareholders and a 6-months escrow period for the other Pocketbook shareholders; and
- Deferred contingent consideration of up to an additional $1.5 million in zipMoney shares to be issued within approximately 24 months after completion, subject to various performance milestones being achieved and based on a 30-day VWAP prior to the achievement of each relevant performance milestones.

Deferred contingent consideration includes both an equity and liability component.

The equity component amounting to $1,162,800 relates to the portion of purchase price payable to the previous owners of Pocketbook who have remained as employees of the Group. This component of the consideration will be recognised in the profit or loss over the period over which the contingent consideration can be earned. The expense charge of $253,017 for the current period is included in the share-based payments expense in the Statement of Profit or Loss and Other Comprehensive Income and recognised as share-based payments reserve in the Statement of Changes in Equity.

The liability component of the deferred contingent consideration is included in the fair value of consideration transferred.

Details of the acquisition are as follows:

	Fair value(i) $
Cash and cash equivalents	108,940
Trade and other receivables	10,747
Plant and equipment	787
Intangible asset	69,560
Trade and other payables	(66,777)
Net assets acquired	123,257
Goodwill(i)	7,493,330
Acquisition-date fair value of the total consideration transferred	7,616,587
Representing:	
Cash paid to vendor	1,979,070
zipMoney Limited shares issued to vendor	5,300,317
Deferred contingent consideration	337,200
Total fair value transferred	7,616,587
Cash used to acquire business, net of cash acquired:	
Acquisition-date fair value of the total consideration transferred	7,616,587
Less: cash and cash equivalents acquired	(108,940)
Less: deferred contingent consideration	(337,200)
Less: shares issued by zipMoney as part of consideration:	(5,300,317)
Net cash used	1,870,130

(i) At the date of this report, the fair value of the assets acquired from Pocketbook is based on provisional accounting. The excess of fair value of the total consideration transferred over the net assets acquired is presently reflected as goodwill and may include other identifiable intangible assets such as software and customer relationships. The fair value assessment will be finalised and reported in the 30 June 2017 Financial Statements.

NOTE 3: SEGMENT INFORMATION

Management has determined that the Consolidated Entity has one reporting segment being the offer of point-of-sale credit and payments to consumers (Retail Finance) and providing a variety of integrated Retail Finance solutions to small, medium and enterprise merchants across numerous industries, both online and in-store.

The internal reporting framework is based on the principal activity as discussed above and is the most relevant to assist the Board with making decisions regarding the Consolidated Entity and its ongoing growth in point of sale credit activities.

The assets as presented relate to the reporting segment, as identified above.

NOTE 4: EQUITY SECURITIES ISSUED

	31 December 2016 (Shares)	31 December 2016 ($)	30 June 2016 (Shares)	30 June 2016 ($)
Ordinary shares – fully paid	237,763,723	36,415,752	208,223,529	19,409,691
Performance shares	33,330,000	–	33,330,000	–
	271,093,723	36,415,752	241,553,529	19,409,691

Movement in ordinary share capital

Details	Date	Shares	$
Beginning of the period	1 July 2016	208,223,529	19,409,691
Issue of shares – employee incentives		2,494,355	1,546,501
Issue of shares – placement		19,670,057	10,818,531
Issue of shares – exercise of options		65,000	6,500
Issue of shares – acquisition of Pocketbook		7,310,782	5,300,317
Costs of issue during the period		–	(665,788)
End of the period	31 December 2016	237,763,723	36,415,752

NOTE 5: LOSS PER SHARE

a. Reconciliation of earnings used in calculating loss per share

All figures in $	2016	2015
Loss attributable to the owners of the Consolidated Entity used in calculating basic and diluted loss per share	(5,936,707)	(5,089,904)

b. Weighted average number of shares used as the denominator

Number of shares	2016	2015
Weighted average number of ordinary shares used as the denominator in calculating basic and diluted loss per share.	232,338,126	108,422,057

NOTE 6: CASH AND CASH EQUIVALENTS

At 31 December 2016, the Group had cash at bank of $12,185,837 of which $1,078,925 is in restricted cash (30 June 2016: cash at bank of $7,089,478 of which $588,420 is in restricted cash). Restricted cash is held by the zipMoney 2015-1 Trust and is not available to pay creditors of the Group.

NOTE 7: INTANGIBLE ASSETS

	Consolidated	
	31 December 2016 ($)	30 June 2016 ($)
Patents and trademarks – at cost	5,678	782
Software development costs – at cost	3,753,036	2,181,741
Less: Accumulated amortisation	(1,145,327)	(652,269)
	2,607,709	1,529,472
Intellectual property	100,430	–
Less: Accumulated amortisation	(40,554)	–
	59,876	–
Goodwill on acquisition of Pocketbook (note 2)	7,493,330	–
	10,166,593	1,530,254

NOTE 8: CUSTOMER RECEIVABLES

	Consolidated	
	31 December 2016 ($)	30 June 2016 ($)
Gross customer receivables	87,719,132	40,712,179
Unearned future income	(2,098,632)	(1,378,227)
Allowance for bad debts	(2,631,574)	(1,221,365)
	82,988,926	**38,112,587**

NOTE 9: OTHER ASSETS

Other assets include the unamortised loan facility cost in relation to the fair value of the share options issued to Victory Park Capital associated with the provision of the Loan facility. The facility cost is amortised over the term of the facility. Refer further details in Note 14(b).

NOTE 10: BORROWINGS AND SECURITISATION WAREHOUSE

The Company sells customer receivables to a special purpose vehicle securitisation warehouse (zipMoney Trust 2015-1) through its asset-backed securitisation program. The special purpose vehicle is consolidated as the Group is exposed or has rights to variable equity returns and has the ability to affect its returns through its power over the securitisation vehicle. The Group may serve as a sponsor, server, liquidity provider, purchaser of notes and/or purchaser of residual interest units.

	Consolidated	
	31 December 2016 ($)	30 June 2016 ($)
Class A Notes	70,000,000	25,000,000
Class B Notes	10,385,000	7,260,000
	80,385,000	32,260,000

At 31 December 2016 the undrawn facility amount to $30m (30 June 2016: $75m).

Assets pledged as security

The table below presents the assets and underlying borrowings as a result of the securitisation warehouse:

	Consolidated	
	31 December 2016 ($)	30 June 2016 ($)
Customer receivables (net of provisions)	85,043,559	39,448,095
Cash held by securitisation warehouse	1,078,925	588,420
	86,122,484	40,036,515
Borrowings related to receivables*	81,385,000	33,260,000

* Includes $1m Class C note held by zipMoney Payments Pty Ltd.

Background and terms of the facility

On 19 November 2015 zipMoney announced the successful closing of a c.$108 million asset-backed securitisation warehouse program with U.S. asset manager Victory Park Capital (VPC). The facility is fully operational with receivables originated on zipMoney's Statement of Financial Position and continuously sold into the Perpetual administered program.

As part of the arrangement, zipMoney established the zipMoney Trust 2015-1 (the Trust) with notes (unrated) issued by Perpetual Corporate Trustee Limited in its capacity as trustee. Pricing on all classes of notes is undisclosed.

At balance sheet date the Group had $110.385 million in committed wholesale debt financing. The facility has a maturity term ending November 2017 (with options to extend) and is interest only with outstanding balance repayable on maturity. The facility is secured against the underlying pool of receivables with no credit recourse back to zipMoney.

zipMoney Payments Pty Ltd is the trust manager and servicer to the securitisation program.

NOTE 11: COMMITMENTS

The following table summarises the operating lease commitments of the Consolidated Entity:

	31 December 2016 ($)	30 June 2016 ($)
Operating lease commitments		
Not later than 1 year	841,726	149,159
Later than 1 year and not more than 5 years	–	202,972
Total minimum lease payments	**841,726**	**352,131**

NOTE 12: CONTINGENCIES

There are no contingent liabilities or contingent assets at reporting date (30 June 2016:nil).

NOTE 13: SUBSEQUENT EVENTS

Other than the announcement of the credit approved term sheet with a "Big 4" Australian Bank, and extension to the Victory Park Capital facility, there have been no other material items, transactions or events subsequent to 31 December 2016 which relate to conditions existing at that date and which require comment or adjustment to the figures dealt with in this report.

NOTE 14: PRIOR PERIOD RESTATEMENT

The Group has restated the prior period comparatives to reflect certain prior period adjustments identified during the current half year review.

Refer details over page:

	Reported	Adjustment		Restated
	$	$	$	$
		14 (a)	14 (b)	
HALF YEAR ENDED 31 DECEMBER 2015				
Statement of Financial Position as at 31 December 2015				
Other assets	–	–	1,712,500	1,712,500
Statement of Changes in Equity for the period ended 31 December 2015				
Reserves	253,203	–	1,712,500	1,965,703
YEAR ENDED 30 JUNE 2016				
Statement of Profit or Loss and Other Comprehensive Income for the year ended 30 June 2016				
Revenue (portfolio income)	4,298,601	(1,378,227)	–	2,920,374
Funding costs (Interest expense)	1,466,354	–	499,479	1,965,833
Statement of Changes in Equity for the year ended 30 June 2016				
Reserves	–	–	1,712,500	1,712,500
Accumulated losses	7,708,980	1,378,227	499,479	9,586,686
Statement of Financial Position as at 30 June 2016				
Other assets	–	–	1,213,021	1,213,021
Customer receivables	39,490,814	(1,378,227)	–	38,112,587

14 (a) Prior period restatement – Revenue Recognition

Previous accounting policy

The Group previously adopted the following accounting policy in relation to Merchant fees, Establishment fees and Monthly fee revenue.

Merchant fees

Merchant fees are recognised as revenue at the point of sale, which is where the customer has taken delivery of the goods from the supplier, the risk and rewards associated with the goods and services are transferred to the customer and there is a valid sales contract.

Establishment fees

Establishment fees are recognised once a customer has been established and joins the zipMoney platform. The establishment fees is paid by the customer to cover administrative work including but not limited to credit and identify checks.

Monthly fee revenue

Under the contract with the customer, zipMoney is entitled to a fixed monthly fee if a customer has an outstanding balance with the company.

Revised accounting policy adopted

Based on the customer repayment profile and the availability of additional data in relation to the loan book portfolio, the Group has reassessed its revenue recognition policy in relation to Merchant fees, Establishment fees and Monthly fee revenue.

The Group considers all of these fees as portfolio interest income that is integral to the effective interest rate on the loan receivable balance. These fees are now being recognised in the profit or loss using the effective interest method over the expected loan repayment period.

The effective interest rate is the rate that exactly discounts payments or receipts through the expected life of the financial instrument.

The net impact of the Group's revised revenue recognition policy resulted in a decrease in revenue of $1,378,227 for the year ended 30 June 2016. The net impact of the revised policy is not considered to be material to the profit or loss for the half year ended 31 December 2015.

14 (b) Prior period restatement – Recognition of share-based payments

During the previous financial year Victory Park Capital (VPC) subscribed to 5,000,000 shares and 5,000,000 options which was conditional upon the signing of the $100M notes subscription facility. The facility was obtained in November 2015.

The Group did not recognise the fair value of the 5,000,000 options issued to VPC in the previous financial year.

In accordance with AASB 2 'Share-based payments', the Group has now recognised the fair value of options at grant date which is recorded as a prior period adjustment.

The fair value of the options was determined at 34.25 cents using the Black-Scholes valuation model. A share-based payment amounting to $1,712,500 has been recognised as at 31 December 2015. The options have been recognised as a loan facility cost and the amount of $499,479, being the amortisation charge for the prior period, has been reported as a restatement in the prior year financial statements. The unamortised loan facility cost of $1,213,021 has been included in other assets as at 30 June 2016. The net impact of this adjustment is not considered to be material to the profit or loss for the half year ended 31 December 2015.

Consolidated statement of financial position

	Consolidated		
	30 June 2016 $ Reported	$ Adjustment	30 June 2016 $ Restated
ASSETS			
Cash and cash equivalents	7,089,478		7,089,478
Trade and other receivables	128,822		128,822
Customer receivables	39,490,814	(1,378,227)	38,112,587
Other assets	–	1,213,021	1,213,021
Plant and equipment	71,977		71,977
Intangible assets	1,530,254		1,530,254
TOTAL ASSETS	**48,311,345**		**48,146,139**
LIABILITIES			
Trade and other payables	3,948,358		3,948,358
Deferred R&D tax incentives	154,336		154,336
Borrowings	32,260,000		32,260,000
Provisions	247,940		247,940
TOTAL LIABILITIES	**36,610,634**		**36,610,634**
NET ASSETS	**11,700,711**		**11,535,505**
EQUITY			
Issued capital	19,409,691		19,409,691
Reserves	–	1,712,500	1,712,500
Accumulated losses	(7,708,980)	(1,877,706)	(9,586,686)
TOTAL EQUITY	**11,700,711**		**11,535,505**

DIRECTORS' DECLARATION

In the directors' opinion:

1. the financial statements and notes set out on pages 9 to 20 are in accordance with the *Corporations Act 2001*, including:

   (a) complying with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements; and

   (b) giving a true and fair view of the Consolidated Entity's financial position as at 31 December 2016 and of its performance for the half-year ended on that date; and

2. based on the matters set ou in note 1(a) there are reasonable grounds to believe that ZipMoney Limited will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the directors.

Larry Diamond
Managing Director & Chief Executive Officer

27 February 2017

Deloitte.

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Independent Auditor's Review Report to the Members of zipMoney Limited

We have reviewed the accompanying half-year financial report of zipMoney Limited, which comprises the condensed consolidated statement of financial position as at 31 December 2016, and the condensed consolidated statement of profit or loss and other comprehensive income, the condensed consolidated statement of cash flows and the condensed consolidated statement of changes in equity for the half-year ended on that date, selected explanatory notes and, the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the end of the half-year or from time to time during the half-year as set out on pages 9 to 21.

Directors' Responsibility for the Half-Year Financial Report

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

Auditor's Responsibility

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

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

Auditor's Independence Declaration

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

Deloitte.

Conclusion

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

(a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2016 and of its performance for the half-year ended on that date; and

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

Material Uncertainty Related to Going Concern

We draw attention to Note 1(a) Going concern in the financial report which indicates that the consolidated entity incurred a loss after tax of $5,936,707 and had net cash outflows from operations of $868,731 during the half-year ended 31 December 2016. The consolidated entity has negotiated revised terms to its existing facilities and is in the process of obtaining additional funding with another financier. These conditions, along with other matters as set forth in Note 1(a) Going concern, indicate that a material uncertainty exists that may cast significant doubt on the ability of the consolidated entity to continue as a going concern. Our conclusion is not modified in respect of this matter.

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

Carlo Pasqualini
Partner
Chartered Accountants
Sydney, 27 February 2017

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