

29 August 2018

**Goldfields Money Limited – Full Year Final Report  
(Appendix 4E) for the year ended 30 June 2018**

The Directors of Goldfields Money Limited (the “Company”) are pleased to announce the audited results of the Company for the year ended 30 June 2018 as follows:

**Results for announcement to the market**

Extracted from the audited Financial Statements for the year ended	Change	\$ 30 June 2018	\$ 30 June 2017
Revenue from operations	23.3%	9,894,670	8,021,461
Profit/(loss) after tax attributable to members	(59.2%)	(406,669)	(996,456)

No dividend was paid or declared by the Company in the period and up to the date of this report. The Directors do not recommend that any amount be paid by way of dividend, for the financial year ended 30 June 2018. No dividends were paid or declared by the Company in respect of the previous year.

	\$ 30 June 2018	\$ 30 June 2017
Net Tangible Assets per share	0.87	0.88

The remainder of the information requiring disclosure to comply with Listing Rule 4.3A is contained in the attached copy of the Financial Statements and comments on performance of the Company included in the Investor Presentation dated 29 August 2018.

Further information regarding Goldfields Money Limited and its business activities can be obtained by visiting the Company’s website at [www.goldfieldsmoney.com.au](http://www.goldfieldsmoney.com.au).

Yours faithfully



Malcolm Cowell  
Company Secretary  
Phone (08) 9438 8811



# Annual Financial Report

ACN:087 651 849

30 June 2018

## Contents

DIRECTORS' REPORT .....	4
INDEPENDENT AUDITOR'S DECLARATION .....	22
STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME.....	23
STATEMENT OF FINANCIAL POSITION.....	24
STATEMENT OF CHANGES IN EQUITY .....	25
STATEMENT OF CASH FLOWS.....	26
NOTES TO THE FINANCIAL REPORT.....	27
INDEPENDENT AUDITOR'S REPORT .....	70
ADDITIONAL ASX INFORMATION .....	77

## Corporate Information

ACN: 087 651 849

### Directors

Mr. Peter Wallace	(Chairman and Non-executive Director)
Mr. Derek La Ferla	(Non-executive Director)
Mr. Peter Hall	(Non-executive Director)
Mr. John Kolenda	(Non-executive Director)
Mr. Simon Lyons	(Chief Executive Officer and Executive Director)

### Company Secretary

Mr. Malcolm Cowell

### The registered office and principal place of business of the Company is:

120 Egan Street  
Kalgoorlie WA 6430  
Phone: 08 9021 6444

### Other Locations:

Esperance Branch	Perth Office
90 Dempster Street	Suite 30,118 Royal Street
Esperance WA 6450	East Perth WA 6004

### Share Registry:

Advanced Share Registry  
110 Stirling Hwy  
Nedlands WA 6009  
Tel:(618) 9389 8033  
Fax:( 618) 9262 3723

### Exchange Listing

Australian Securities Exchange Limited  
Exchange Plaza  
2 The Esplanade  
Perth, Western Australia 6000  
ASX Code: GMY

### Auditors:

KPMG  
235 St Georges Terrace  
Perth WA 6000

### Website Address:

[www.goldfieldsmoney.com.au](http://www.goldfieldsmoney.com.au)

### Corporate Governance:

A copy of the Corporate Governance Policy Statement can be located using the following website address:  
<https://www.goldfieldsmoney.com.au/investor-centre/corporate-governance>

## DIRECTORS' REPORT

Your Directors present their report of Goldfields Money Limited ("Goldfields Money" or the "Company") together with the financial report for the year ended 30 June 2018 and the auditor's report thereon.

### DIRECTORS

The names of the Company's Directors in office during the financial year and until the date of this report are set out below. Directors were in office for the entire period unless otherwise stated.

Mr Peter Wallace	Chairman and Non-executive Director
Mr Derek La Ferla	Non-executive Director
Mr Peter Hall	Non-executive Director
Mr James Austin	Non-executive Director (until 23 October 2017)
Mr Simon Lyons	Chief Executive Officer and Executive Director (appointed 23 October 2017)
Mr Keith John	Non-executive Director (until 12 March 2018)
Mr John Kolenda	Non-executive Director (appointed 13 March 2018)

The details of the Company's Directors in office at any time during or since the end of the year up to the date of this report are as follows. Directors were in office for the entire period unless otherwise stated.

#### **Peter Wallace (Chairman and Non-executive Director)**

Mr Wallace was appointed a director in August 2014. He has more than 45 years of experience from a range of appointments held within the banking and financial services industry. Mr. Wallace was previously the Head of Corporate (Western Australia) for Bell Potter Securities Ltd where he directed capital raisings for several large publicly listed companies as well as provided a variety of corporate advisory services to both private and publicly owned companies. Over the past 30 years he also held executive management positions with Westpac Banking Corporation, Challenge Bank Ltd and National Australia Bank Ltd. Previous public company experience includes directorships with Tethyan Copper Ltd, Rural Aus Investments Ltd and Decmil Engineering Ltd.

During the past three years he has served as a director of the following listed companies:

- Katana Capital Limited – appointed 19 September 2005
- Neptune Marine Services Limited – appointed 8 July 2011

Mr Wallace is a Senior Fellow of the Financial Services Institute of Australia, a Fellow of the Australian Institute of Company Directors and an Associate Fellow of the Australian Institute of Management. He is Chair of the Remuneration Committee and a member of the Audit Committee, Credit Committee and Risk & Compliance Committee.

#### **Derek La Ferla (Non-executive Director)**

Mr La Ferla was elected as a Director in November 2015. He has over 30 years' experience as a corporate lawyer and Company Director. He is a Non-executive Director of Sandfire Resources NL, Veris Limited and Threat Protect Limited and is a member of the AICD Council (WA Division). He has held senior positions with some of Australia's leading law firms and is a Partner with large independent Western Australian law firm, Lavan.

During the past three years he has served as a director of the following listed companies:

- Veris Limited –appointed 28 October 2011
- Sandfire Resources NL – appointed 17 May 2010
- Threat Protect Australia Limited – appointed 3 September 2015

Mr La Ferla is Chair of the Audit Committee and a member of the Risk & Compliance Committee and Remuneration Committee.

## DIRECTORS' REPORT (continued)

### **Peter Hall (Non-executive Director)**

Mr Hall was elected as a Director in November 2015 and is an experienced financial services industry professional. Previous Board and industry appointments include: Non-Executive Director of BLSSA Pty Ltd (the licensing Board for Advantedge Financial Services, a NAB subsidiary), Chair of the CoreLogic RP Data sponsored Residential Valuation Industry Advisory Group, Ministerial Advisory Board Member for NSW Housing Minister and Chairman and Council Member of the Lenders Mortgage Insurance sub-committee. Mr Hall has also held the senior executive position of Country Executive of Genworth Financial Aust. & NZ and Managing Director of Genworth Financial Mortgage Insurance Aust. & NZ.

Mr Hall holds a Graduate Diploma of Management, has completed Executive Management Programs at GE's global management college, a Senior Associate of the Financial Services Institute of Australia and has received a Distinguished Service Award from the Australian Securitisation Forum.

Mr Hall is the Chair of the Risk & Compliance Committee, Chair of the Board Credit Committee and is also a member of the Audit Committee.

### **Simon Lyons (Chief Executive Officer and Executive Director)**

Mr Lyons was appointed Chief Executive Officer on 18 January 2016 and Executive Director on 23 October 2017. Mr Lyons has been involved in the day to day management of financial services business for the last 24 years. Prior to that he served as an Army Officer with the Australian Defence Force. He commenced his business career at Porter Western Limited as a stockbroker in 1994 and was a Director and shareholder of Porter Western when the business was sold to Macquarie Bank in 1999. With the business under new ownership, Mr Lyons became the State Manager for Macquarie Bank in Western Australia before transferring to a national role as Head of Broking (Distribution and Development) in Sydney. In 2005, Mr Lyons became the Head of Macquarie Private Wealth – Asia and spent several years working establishing or acquiring wealth management businesses for Macquarie Bank throughout Asia. Since leaving Macquarie Banking 2008, Mr Lyons established and managed wealth management businesses to service clients looking for stockbroking or fixed income investments, and immediately prior to joining the Company, was the Director WA for the Fixed Income Investment Group (FIIG).

Mr Lyons holds a Bachelor of Economics and a Graduate Diploma of Business (Management). Mr Lyons served as a director of Kresta Holdings Limited from 1 August 2017 to 9 April 2018.

### **John Kolenda (Non-executive Director)**

Mr Kolenda was appointed a Director on 13 March 2018. Mr Kolenda is the Managing Director of Finsure Group, and has extensive experience in the mortgage broking and aggregation sector. Mr Kolenda was the General Manager Sales & Distribution at Aussie Home Loans for ten years from 1994, before founding X Inc, which was a successful mortgage originator before its merger with the mortgage broking operations of Ray White in 2007. Mr Kolenda founded several businesses before launching Finsure Group in 2011. Mr Kolenda co-founded and chairs Aura Group Pty Ltd, a boutique corporate advisor and investment house. Aura Group has more than \$300 million in assets under management and advice.

During the last three years he has served as a director of the following listed companies:

- The Agency Group Australia Limited – appointed 19 December 2016
- IBuyNew Group Limited – appointed 1 February 2013 and resigned 22 March 2017

Mr Kolenda is a member of the Credit Committee and Remuneration Committee.

### **James Austin (Non-executive Director until 23 October 2017)**

Mr Austin was appointed a Director in November 2013. He is currently the Chief Financial Officer of Firstmac Limited, one of Australia's largest non-bank lenders, a role he has held since 2005. Mr Austin studied at Queensland University of Technology where he obtained his Bachelor of Business (Accounting) and is a member of the Institute of Chartered Accountants.

## DIRECTORS' REPORT (continued)

### Keith John (Non-executive Director until 12 March 2018)

Mr John was appointed a Director in May 2016. Mr John is the Founder and Managing Director of ASX listed financial services provider Pioneer Credit Limited (ASX: PNC) and has over 20 years' experience in the receivables management industry. Mr John is a Director of Avy Nominees Pty Ltd and Midbridge Investments Pty Ltd.

### COMPANY SECRETARY

#### Malcolm Cowell

Mr Cowell was appointed as Company Secretary on 1 March 2017 and is also the Chief Financial Officer of the Company. He is a Chartered Accountant with over 27 years' experience in banking and professional services. He commenced his career with Commonwealth Bank and prior to joining the Company, he was an Audit Director with KPMG providing audit and advisory services to a range of listed and private companies across the financial services, mining and not-for-profit sectors.

### PRINCIPAL ACTIVITIES

The principal activities of the Company were the provision of a range of retail banking products and services to existing and new customers. Goldfields Money Limited is a banking institution regulated by the Australian Prudential Regulation Authority ("APRA"). The Company has two branches in regional Western Australia, and has sought to diversify its credit and funding risk through leveraging third party distribution networks.

Lending products	Deposit products	Accessibility
<ul style="list-style-type: none"> <li>Owner occupier home loans</li> <li>Investment loans</li> <li>Commercial loans</li> <li>Personal loans</li> <li>Overdrafts</li> </ul>	<ul style="list-style-type: none"> <li>Everyday transactional accounts</li> <li>Retirement deeming accounts</li> <li>Community and business accounts</li> <li>Term deposits</li> </ul>	<ul style="list-style-type: none"> <li>Internet banking</li> <li>Goldfields Money app</li> <li>Visa debit card</li> <li>Apple Pay</li> <li>RediCard ATM network</li> </ul>

### OPERATING AND FINANCIAL REVIEW

Key operating and financial metrics for the period are as follows:

Key Metric	30 June 2018	30 June 2017	Movement %
Net interest revenue	3,207,620	2,756,862	16.3%
Non-interest revenue	1,901,437	1,475,909	28.8%
Net statutory (loss)/profit after tax	(406,699)	(996,456)	59.2%
Underlying profit/(loss) after tax*	532,166	(629,680)	N/A
Total assets	221,121,573	215,201,362	2.8%
Loans	170,510,550	157,044,459	8.6%
Loans held in off balance sheet facility	43,004,470	26,355,626	63.2%
Total loans under management	213,515,020	183,400,085	16.5%
Deposits	195,223,308	194,134,305	0.6%
Ave. Net Interest Margin	1.86%	1.83%	1.6%
Capital adequacy ratio	21.97%	19.37%	13.4%

\* Refer to the reconciliation to statutory profit/(loss) below

The Company has recorded a statutory loss after income tax for the year ended 30 June 2018 of \$406,699, an improvement of 59.2% on the prior year loss of \$996,456. Underlying profit after tax, after accounting for the effects of costs of \$938,862 incurred in responding to the Firstmac proposal and the Finsure transaction, was a \$1,161,846 improvement on the prior year underlying loss of \$629,680, which was net of the costs associated with the early termination of the previous core banking system.

## DIRECTORS' REPORT (continued)

### *Building the business for growth*

FY18 saw significant efforts focused on setting the Company for future growth capabilities with the development and implementation of a new finance system and core banking system (CBS). The Temenos T24 Software as a Service (SaaS) system was successfully launched in April 2018 and will enhance the Company's ability to originate loans and deposits directly and through third party intermediaries into the future. This was a major milestone for a small team and underpins the Company's strategy going forward. Ongoing development of the system and process will continue into FY19 to ensure the full benefits of the T24 system are realised.

The launch of the CBS is the result of significant investment that the Company has made in its people, products and processes over the last two years.

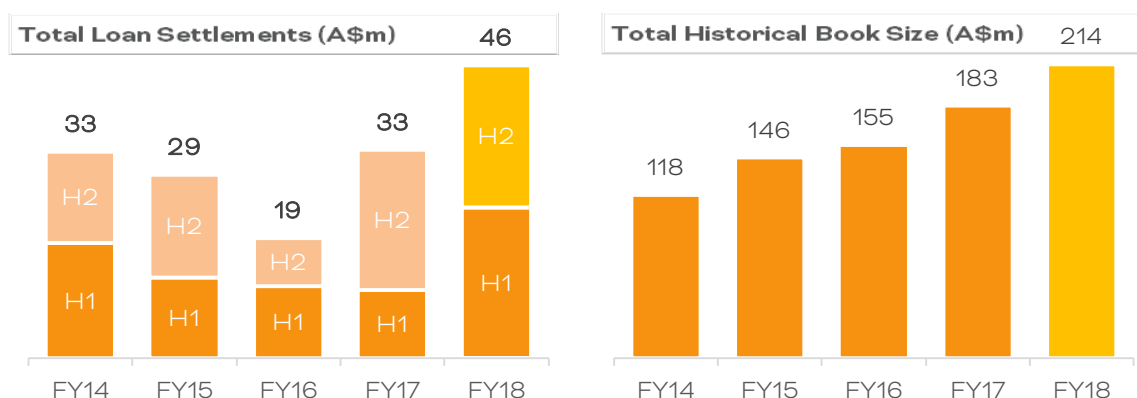
In conjunction with the new CBS, the Company launched its newly branded website and mobile device app enhancing the accessibility and user experience for our customers.

In October 2017, the Company received an unsolicited take-over from an entity associated with its then largest shareholder Firstmac Limited (Firstmac) which subsequently lapsed on 1 December 2017. On 23 November 2017, the Company and Finsure Holdings Pty Ltd (Finsure) announced the signing of a Process Agreement, which outlined the key commercial terms of a proposal under which the Company will merge with Finsure by acquiring 100% of the diluted shares in Finsure via the issue of Goldfields Money shares.

On 15 January 2018, the Company announced it had satisfactorily completed the due diligence and agreed terms with Finsure to implement the merger, subject to appropriate approvals being obtained. The necessary regulatory approvals have now been obtained, and shareholders will have the opportunity to vote for the transaction at a meeting of shareholders to be held on 7 September 2018. The transaction, conditional upon the Company raising at least a further \$15.3 million of capital, will result in the Company owning a fast growing national mortgage aggregation and wholesale mortgage business, significantly increasing the Company's scale, access to distribution capabilities and growth prospects.

### *Solid growth in loans under management*

A Company record total of \$46 million in new loans were settled during FY2018 demonstrating the outcome of the investment made in developing and expanding its distribution capabilities over the last two years. New lending continues to be sourced through a combination of direct and mortgage broker based origination channels. Continued funding of strata finance loans as well as personal loans under the Pioneer Credit arrangement has also contributed to this growth. On balance sheet loans balances of \$170.0 million represented growth of 8.6% on the prior year, notwithstanding the sale of \$20.6 million of loans to Bendigo & Adelaide Bank via the Company's off-balance sheet facility and the limitations imposed by APRA on investment lending and interest only lending. Total loans under management increased by 16.5% to \$213.5 million over the corresponding period.



Net interest income grew 16.3% reflecting the benefit of the higher yielding strata finance assets and funding mix. The net interest margin (adjusted for the cost of funding the ATM cash convenience facilities) was 1.86% (30 June 2017: 1.83%).

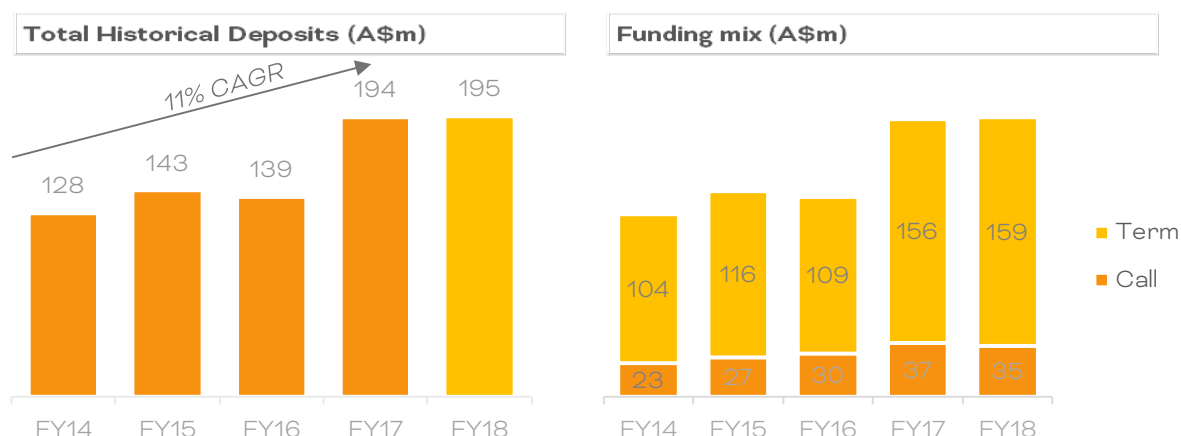


## DIRECTORS' REPORT (continued)

Service and residual income from the off balance sheet loan portfolio declined by 4.4% to \$211,221 (30 June 2017: \$220,963) as a result of increased cost of funds during the second half of FY18.

Sound credit quality continues to be evident across the loan portfolio. Arrears balances >90 days have increased to \$1,959,142 (30 June 2017: \$626,505) comprising a small number of secured exposures. Specific provisions utilised during the year totaled \$97,108 with no further additional specific provisioning required at 30 June 2018. The collective provision and general reserve for credit losses continue to be maintained as a buffer against potential impairments, with the collective provision increasing by 2% to \$239,000 (30 June 2017: \$234,054) commensurate with the growth in the on balance sheet loan book.

### *Funding the growth*



Deposits comprise call accounts and term deposits which are sourced directly from retail customers and through various deposit brokers. Total deposits remained largely unchanged with the growth in total loans under management funded through utilisation of existing liquidity assets, sales into the off balance sheet facility and the capital raising completed in April 2018. The market experienced increased cost of funds in the second half of FY18 as tightened liquidity conditions were experienced across the sector. The Company's weighted average interest rate for deposits at balance date was 2.22% (30 June 2017: 2.29%).

### *Liquidity investments and other assets*

The Company's cash and liquidity investments predominantly comprise physical cash, at call deposits, negotiable certificates of deposits and floating rate notes. ATM bailment facilities are provided to three ATM deployers across Australia with the Company deriving non-interest revenue in the form of cash convenience fees. During the previous year, the Company had provided a \$30 million cash convenience facility to Star Payment Systems Pty Ltd (Receivers & Managers Appointed)(Administrators Appointed) ("Stargroup"). Stargroup entered receivership in November 2017 with the agreement assigned initially to the Receivers & Managers for a lower limit of \$10 million and then to Cashpoint Payment Solutions, the purchaser of the Stargroup business. In the first half of FY18, two smaller bailment facilities were entered into. As a result of the decrease in the Stargroup limit, the Company's liquidity investments exceeded its immediate needs and were deployed into funding the loan growth described herein previously. Cash convenience fee income for the year ended 30 June 2018 of \$1,149,875 (30 June 2017: \$760,204) reflecting the full year provision of the ATM bailment facilities.

Implementing the T24 CBS was an investment by the Company in providing a strong platform for future growth. Capitalised software costs at 30 June 2018 total \$1,948,789 (30 June 2017: \$450,167) reflecting the purchase cost of the CBS and finance system, contractor and employee costs incurred in undertaking the project.

### *Capital*

The Company's policy is to maintain a minimum capital adequacy ratio (CAR) of 17.5%. In April 2018, the Company raised \$4.7 million (before costs) to ensure the CAR continued to be complied with. The CAR at 30 June 2018 is 21.97%.

## DIRECTORS' REPORT (continued)

### *Other non-interest revenue and operating expenses*

Other non-interest revenue (not described elsewhere within this report) includes lending and transaction fees, dividends received, bailment facility implementation fees and research and development grants. This increased by \$303,495 over the comparative year.

Operating expenses (excluding transaction costs associated with the Firstmac proposal and the Finsure transaction) decreased by 13.3% to \$4,583,160, partly attributed to costs capitalised to the CBS project. Depreciation and amortisation decreased by 41% reflecting the fact that the previous CBS was fully amortised in the year ended 30 June 2017, and implementation of the T24 CBS in late April 2018.

### DIVIDENDS

No dividend was paid or declared by the Company in the period and up to the date of this report. The Directors do not recommend that any amount be paid by way of dividend, for the financial year ended 30 June 2018.

### INTEREST IN SHARES AND OPTION OF THE COMPANY

As at the date of this report, the Directors hold shares of the company in their own name or a related body corporate, as notified by the directors to the ASX in accordance with S205G(1) of the *Corporations Act 2001* as follows:

	Number of ordinary shares	Number of options or performance rights over ordinary
Peter Wallace	70,838	-
Derek La Ferla	-	-
Peter Hall	13,534	-
Simon Lyons	258,000	1,140,000
John Kolenda	2,750,480	-

Interests in ordinary shares noted above were acquired by the Directors at their own expense and do not form part of their remuneration. Mr Lyons has received performance rights as part of his remuneration of the Company. Refer to the Remuneration Report for further details.

### SHARE OPTIONS AND RIGHTS OVER SHARES

The Company has on issue 4,500,000 unlisted options. The options have an exercise price of \$1.50 and expire in May 2019. In addition, the Company has issued 1,940,000 performance rights to certain key management personnel. The performance rights entitle the holder to a grant of shares subject to certain conditions being met. Refer to the Remuneration Report for further details.

### INDEMNIFICATION AND INSURANCE OF DIRECTORS AND OFFICERS

The Company has paid or agreed to pay a premium in relation to a contract insuring the Directors and Officers listed in this report against those liabilities for which insurance is permitted under S199B of the *Corporations Act 2001*. The terms of the policy prohibit disclosure of details of the amount of the insurance cover and the premium paid.

The Company has not otherwise, during or since the relevant period, indemnified or agreed to indemnify an Officer or auditor of the Company or of any related body corporate against a liability incurred as such an Officer or auditor.

## DIRECTORS' REPORT (continued)

### MEETINGS OF DIRECTORS

The number of Board and Committee meetings held during the financial year, and attendance by each Director is as follows:

	Board		Audit Committee		Risk & Compliance Committee		Remuneration Committee		Credit Committee	
	Attended	Eligible	Attended	Eligible	Attended	Eligible	Attended	Eligible	Attended	Eligible
P Wallace*	14	15	1	1	3	1	2	2	-	-
D La Ferla	15	15	3	3	2	3	2	2	-	-
P Hall	15	15	3	3	3	3	-	-	-	-
S Lyons*	15	12	3	-	3	-	-	-	-	-
J Kolenda	4	4	-	-	-	-	-	-	-	-
J Austin	1	2	1	1	-	-	-	-	-	-
K John	11	11	2	2	2	2	2	2	-	-

\* Attendance by invitation for the period a director was not a formal member of the Board or Committee

### CHANGES IN THE STATE OF AFFAIRS

On 16 October 2017, Firstmac Holdings Limited, a wholly owned subsidiary of significant shareholder Firstmac Limited launched an unconditional on-market takeover bid for the Company. The offer was unsuccessful and lapsed on 1 December 2017.

On 23 November 2017, the Company executed a Process Agreement with Finsure Holding Pty Ltd (Finsure) which set the pathway under which the Company and Finsure would progress a merger transaction. Upon completion of due diligence, the Company and Finsure signed a Share Sale and Purchase Agreement on 15 January 2018.

As reported in the interim financial report on 26 February 2018, the Company announced its intention to acquire 100% of the shares of Finsure Holding Pty Ltd through the issuance of 40,750,000 fully paid ordinary shares to Finsure's shareholders (the Finsure Transaction). A meeting of shareholders will be held on 7 September 2018 to approve the acquisition.

Except for the matters discussed above and elsewhere in this directors' report, in the opinion of the Directors, there were no other significant changes in the state of affairs of the Company that occurred during the financial year under review.

### EVENTS SUBSEQUENT TO THE END OF THE FINANCIAL YEAR

On 6 August 2018, the Company dispatched a Notice of Meeting and Explanatory Memorandum to its shareholders in relation to a General Meeting of Shareholders to approve the Finsure Transaction.

### PROCEEDINGS ON BEHALF OF THE COMPANY

No person has applied to the Court under S237 of the Corporations Act 2001 for leave to bring proceedings on behalf of the company, or to intervene in any proceedings to which the company is a party for the purpose of taking responsibility on behalf of the company for all or part of those proceedings.

### ENVIRONMENTAL REGULATIONS

The Company's operations are not subject to any significant environmental regulations under either Commonwealth or State legislation.

### LIKELY DEVELOPMENTS AND EXPECTED RESULTS OF OPERATIONS

Subject to shareholder approval, the Company will implement its merger plan with Finsure and to continue to expand its distribution capabilities.

No other matter, circumstance or likely development in the operations has arisen since the end of the financial year that has significantly affected or may significantly affect:

- (i) The operations of the Company;
- (ii) The results of those operations; or
- (iii) The state of affairs of the Company

in the financial years subsequent to this financial year.

## DIRECTORS' REPORT (continued)

### NON-AUDIT SERVICES

The following non-audit services were provided by the entity's auditor, KPMG. The directors are satisfied that the provision of non-audit services is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001 and APES 110 Code of Ethics for Professional Accountants. The nature and scope of each type of non-audit service provided means that auditor independence was not compromised.

Details of the amounts paid to the auditor of the Company, KPMG for audit and non-audit services for the year ended:

<i>Non audit services</i>	\$
Transaction due diligence and advisory	100,000
Other advisory services	6,765
<i>Audit and assurance services</i>	
Audit and review of financial statements	75,000
Regulatory assurance services	45,000
Total audit and assurance services	120,000
<b>Total amounts paid to KPMG</b>	<b>226,765</b>

### AUDITORS INDEPENDENCE DECLARATION

The lead auditor's independence declaration provided in accordance with S307C of the Corporations Act 2001. Is set out on page 22 and forms part of the directors' report for the financial year ended 30 June 2018.

The Remuneration Report commencing on the following page forms part of this Directors' Report.

## DIRECTORS' REPORT (continued)

### REMUNERATION REPORT (AUDITED)

This Remuneration Report for the year ended 30 June 2018 outlines the remuneration arrangements of the Company in accordance with the requirements of the Corporations Act 2001 (the Act) and its regulations. This information has been audited as required by section 308(3C) of the Act. The Remuneration Report is presented under the following sections:

1. Introduction
2. Remuneration governance
3. Executive remuneration arrangements
  - A. Remuneration principles and strategy
  - B. Approach to setting remuneration
  - C. Detail of incentive plans
4. Executive remuneration outcomes for 2018 (including link to performance)
5. Executive contracts
6. Non-executive director remuneration (including statutory remuneration disclosures)
7. Additional disclosures relating to options, performance rights and shares
8. Loans to key management personnel and their related parties
9. Other transactions and balances with key management personnel and their related parties

#### 1. Introduction

The Remuneration Report details the remuneration arrangements for key management personnel (KMP) who are defined as those persons having authority and responsibility for planning, directing and controlling the major activities of the Company, directly or indirectly, including any director (whether executive or otherwise) of the Company. For the purposes of this report, the term "executive" includes the Chief Executive Officer (CEO), Chief Financial Officer (CFO), Risk & Compliance Manager (RCM) and Company Secretaries (CoSec) of the Company.

The table below outlines the KMP of the Company and their movements during the year ended 30 June 2018:

#### (i) Non-executive directors

Peter Wallace	Chairman (non-executive) – Appointed 8 August 2014
Derek La Ferla	Director (non-executive) - Appointed 13 November 2015
Peter Hall	Director (non-executive) - Appointed 13 November 2015
John Kolenda	Director (non-executive) - Appointed 13 March 2018
James Austin	Director (non-executive) - Appointed 18 November 2013, ceased 23 October 2017
Keith John	Director (non-executive) - Appointed 27 May 2016, retired 12 March 2018

#### (ii) Other executives

Simon Lyons	Chief Executive Officer - Appointed 18 January 2016
Malcolm Cowell	Company Secretary and Chief Financial Officer – Appointed 1 March 2017
Steve Ellis	Risk and Compliance Manager – Appointed 17 July 2016

#### 2. Remuneration governance

The Board of Directors is responsible for determining and reviewing compensation arrangements for the executive team. The Remuneration Committee assists the Board in meeting its responsibilities to ensure that remuneration practices are appropriate with regards to the Company's size and scale of operations, and to ensure that the Company can continue to attract and retain high caliber individuals to key executive roles.

## DIRECTORS' REPORT (continued)

### Remuneration Committee

The Remuneration Committee comprises three NEDs with a majority being independent. The Remuneration Committee meets at least twice a year and is required to make recommendations to the board on matters related to the remuneration arrangements for NEDs and executives. The CEO attends certain Remuneration Committee meetings by invitation, where management input is required. Executives are not present during any discussions related to their own remuneration arrangements.

The Board approves the remuneration arrangements of the CEO and other executives and all awards including incentive plans and other employee benefit programs. The Board also sets the aggregate remuneration of NEDs, which is then subject to shareholder approval, and NED fee levels.

Further information on the remuneration committee's role, responsibilities and membership can be found on the company website at <https://www.goldfieldsmoney.com.au/investor-centre/corporate-governance>.

### Use of remuneration consultants

To ensure the Remuneration Committee is fully informed when making remuneration decisions, the Remuneration Committee may seek external remuneration advice. During the year the Company did not seek external advice in relation to remuneration.

### Remuneration Report approval at 2017 Annual General Meeting (AGM)

The 2017 Remuneration Report received positive shareholder support at the 2017 AGM with a vote of 93%.

## 3. Executive remuneration arrangements

### 3.1 Remuneration principles and philosophy

The objective of the Company's remuneration strategy is to attract and retain executives who will create shareholder value and fairly and responsibly reward them for performance. The Board believes it is critical to consider how long-term sustainable value is created in the Company and link remuneration structures to this value creation. The Company's remuneration policy is also intended to encourage behaviors that support an improvement in the financial performance of the business over time. To this end, the Company applies the following principles to its remuneration framework:

- Provide competitive rewards to attract and retain high-caliber people;
- Link executive rewards to shareholder value; and
- Provide for a significant proportion of the executive remuneration to be "at risk" – that is, dependent upon meeting predetermined performance indicators.

In accordance with best practice corporate governance, the structure of NED remuneration is separate and distinct from executive remuneration.

## DIRECTORS' REPORT (continued)

### REMUNERATION REPORT (AUDITED)

Remuneration is comprised of three distinct components within Goldfields Money, these are described below:

Remuneration component	Vehicle	Purpose	Link to performance
Fixed remuneration	Represented by total employment cost (TEC).  Comprises base salary, superannuation contributions and other benefits.	To provide competitive fixed remuneration set with reference to role, market and experience.	Company and individual performance are considered during the annual remuneration review.
Short term performance based incentive	Paid in cash or performance rights	Rewards executives for their contribution towards achievement of Company outcomes, as well as their performance against individual key performance indicators (KPIs).	Linked to other internal financial measures, strategic objectives, risk management, compliance and leadership.
Long term incentive plan (LTI)	Performance rights	Rewards executives for their contribution to the creation of shareholder value over the longer term.	Vesting of incentive is dependent on achieving key strategic objectives, including implementation of products distribution arrangements, shareholder returns and corporate transactions.

### 3.2 Approach to setting remuneration

The Company aims to reward executives with a level and mix of remuneration commensurate with their position and responsibilities within the Company and aligned with market practice of entities of a similar size, nature and complexity.

Remuneration levels are considered annually through a remuneration review that considers market data, insights into remuneration trends, the performance of the company and individual, and the broader economic environment.

### 3.3 Detail of incentive plans

#### Short-term incentive (STI)

The CEO and other executives are eligible for an annual performance based incentive of up to 40% of their base salary (excluding superannuation). In determining the extent of any performance based incentive the Board will assess achievement of clearly defined key performance indicators.

Performance based incentives awarded to the CEO and other executives depend on the extent to which specific targets set at the beginning of the financial year are met. The targets consist of a number of key performance indicators (KPIs) covering financial and non-financial, corporate and individual measures of performance. A summary of the measures are set out below.

Financial measures	Non-financial measures
Financial Year 2018	
<ul style="list-style-type: none"> <li>Diversify revenue streams</li> <li>Improve productivity of white label partners</li> <li>Return to profitability by 30 June 2018</li> </ul>	<ul style="list-style-type: none"> <li>Enhance the banking platform</li> <li>Create a new and better standard in customer experience</li> <li>Explore new business models for B2C and B2B</li> </ul>

## DIRECTORS' REPORT (continued)

### REMUNERATION REPORT (AUDITED)

These performance measures were chosen as they represent the key drivers for the achievement of the business objectives and overall success of the business and provide a framework for delivering sustainable value. On an annual basis, after consideration of performance against KPIs, the Board, in line with their responsibilities, determines the amount, if any, of the short-term incentive to be paid to each executive, seeking recommendations from the CEO as appropriate.

#### Long-term incentive (LTI)

LTI awards will be made to executives in order to align remuneration with the creation of shareholder value over the long-term. As such, LTI awards are only made to executives and other key talent who have an impact on the Company's performance against the relevant long-term performance measure.

Shareholders of the Company approved the Goldfields Money Equity Incentive Plan ("the Plan") at the 2016 Annual General Meeting held on 18 November 2016. Pursuant to the terms of the Plan, executives may be offered performance rights that entitle the executive to the Company delivering fully paid ordinary shares, either issued by the Company or acquired on-market, at the election of the Board.

#### Termination and change of control provisions

Where a participant ceases employment prior to their award vesting due to resignation or termination for cause, awards will be forfeited unless otherwise agreed by the Board. Where a participant ceases employment for any other reason, they may retain a portion of the unvested benefit pro-rated to reflect participant's period of service during the LTI grant performance period. These unvested benefits only vest subject to meeting the relevant LTI performance measures, subject to the Board's discretion.

In the event of a change of control of the Company, the performance period end date will generally be brought forward to the date of the change of control and awards will vest subject to performance over this shortened period, subject to ultimate Board discretion.

#### Hedging of equity awards

The Company has a policy prohibiting executives from entering into arrangements to protect the value of the equity awards. The prohibition includes entering into contracts to hedge their exposure to options awarded as part of their remuneration package.

### 4.1 Executive remuneration outcomes for 2018 (including link to performance)

#### Company performance and its link to short-term incentives

In considering the Company's performance and benefits for shareholder wealth, the remuneration committee has regard to the following:

	2018	2017	2016	2015	2014
Profit/(loss)	(406,699)	(996,456)	(95,187)	139,951	190,052
Dividends paid	Nil	Nil	Nil	Nil	Nil
Share price at balance date	\$1.28	\$1.00	\$0.91	\$0.85	\$1.02
Return on capital employed	(1.65%)	(4.93%)	(0.56%)	0.94%	1.27%

Profitability is one of the financial performance targets considered in setting remuneration for executives, and has been calculated in accordance with Australian Accounting Standards. Performance to budget is another key measure considered by the Goldfields Money Board when appropriate to the business objectives.



## DIRECTORS' REPORT (continued)

### REMUNERATION REPORT (AUDITED)

#### 4.2 Remuneration of key management personnel

			Short-term benefits				Post-employment	Other long term	Shared-based payments	Termination	Total	Performance related
			Salary & fees	STI (A)	Cash bonus	Non-monetary benefits (B)	Superannuation	Long service leave	LTI (C)			
			\$	\$	\$	\$	\$	\$	\$	\$	\$	%
<b>Executives</b>	<b>Year</b>											
Simon Lyons	2018	319,282	25,452	40,000	3,078	387,812	28,500	8,534	138,385	-	563,231	36%
	2017	312,161	15,148	-	3,078	330,387	19,308	7,982	42,086	-	399,763	14%
Malcolm Cowell <sup>1</sup>	2018	213,625	-	-	3,758	217,383	19,000	977	54,473	-	291,833	19%
	2017	72,834	-	-	770	73,604	6,431	-	21,043	-	101,078	21%
Steve Ellis <sup>2</sup>	2018	185,840	-	30,000	-	215,840	16,625	634	36,509	-	269,608	25%
	2017	163,548	-	-	-	163,548	14,599	611	8,417	-	187,175	4%
<b>Former Executives</b>												
Michael Verkuylen <sup>3</sup>	2017	142,695	-	30,000	2,543	175,238	15,832	-	-	-	191,070	16%
Rob Whittingham <sup>4</sup>	2017	15,057	-	-	-	15,057	2,521	-	-	-	17,578	-
<b>Total</b>	2018	718,747	25,452	70,000	6,836	821,035	64,125	10,145	229,367	-	1,124,672	29%
	2017	706,295	15,148	30,000	6,391	757,834	58,691	8,593	71,546	-	896,664	13%

<sup>1</sup>Appointed as Chief Financial Officer and Company Secretary on 1 March 2017

<sup>2</sup>Appointed as Head of Risk and Compliance on 18 July 2016

<sup>3</sup>Resigned as Chief Financial Officer and Company Secretary on 1 March 2017

<sup>4</sup>Resigned as Joint Company Secretary on 22 July 2016

(A) – The fair value of performance rights granted as a STI is determined by recognising the grant date fair value over the relevant service condition period.

(B) – Non-cash benefits comprise car parking and professional membership entitlements

(C) – The fair value of performance rights is calculated at the grant date using the Monte-Carlo simulation model, taking into account the impact of the market and non-market conditions attached to the performance rights.

## DIRECTORS' REPORT (continued)

### REMUNERATION REPORT (AUDITED)

#### 4.3 Analysis of bonuses included in remuneration – audited

Details of the discretionary short-term incentive cash bonus awarded as remuneration to key management personnel are detailed below:

Short-term incentive bonus			
	Included in remuneration	% awarded in year	% forfeited in year
Simon Lyons	40,000	100	0
Steve Ellis	30,000	100	0

#### 4.4 Equity instruments - audited

Performance rights refer to rights over ordinary shares of Goldfields Money, which vest on a one-for-one basis under the Goldfields Money Equity Incentive Plan.

##### 4.4.1 Rights over equity instruments granted as compensation – audited

Details on rights over ordinary shares in the Company that were granted as remuneration to each key management personnel during the reporting period are as follows:

Rights holder	Number of rights granted during FY18	Vesting condition	Grant date	Fair value at grant date (\$)	Expiry date
Simon Lyons	100,000	Service	30 October 2017	\$1.18	30 November 2021
Steve Ellis	50,000	Service	30 October 2017	\$1.18	30 November 2021

##### 4.4.2 Details of equity incentives affecting current and future remuneration – audited

Details of the vesting profiles of the performance rights held by each executive of the Company are detailed below:

Participant	Number	Grant date	% vested in year	% forfeited in year	Financial years in which grant vests
Simon Lyons	40,000	3 February 2017	100%	0%	30 June 2018
	1,000,000	9 February 2017	33.3%	0%	(A)
	100,000	30 October 2017	0%	0%	30 June 2021
Malcolm Cowell	500,000	9 February 2017	0%	0%	(A)
Steve Ellis	200,000	9 February 2017	33.3%	0%	(A)
	50,000	30 October 2017	0%	0%	30 June 2021

(A) – the performance rights issued under the Goldfields Money Equity Incentive Plan may vest in any year from dependent on the achievement of the various ASX Market Capitalisation thresholds being achieved and/or at the discretion of the Board in the event of a change of control. No performance rights have been exercised between the vesting date and 30 June 2018.

## DIRECTORS' REPORT (continued)

### REMUNERATION REPORT (AUDITED)

#### 4.4.3 Analysis of movements in equity instruments – audited

The value of performance rights in the Company granted during and exercised during the reporting period is detailed below:

Participant	Granted in year \$ (A)	Value of rights exercised in year \$ (B)
Simon Lyons	118,000	-
Steve Ellis	59,000	-

(A) The value of rights granted in the year is the fair value of the rights calculated at grant date. This amount is allocated to remuneration over the vesting period.

(B) The value of rights exercised during the year is calculated at the market price of shares of the Company as at close of trading on the date the rights are exercised.

#### 4.4.4 Summary of rights holdings

Participant	Held at 1 July 2017	Granted as remuneration	Exercised	Lapsed	Forfeited	Held at 30 June 2018	Vested during the year	Vested and exercisable at 30 June 2018
Simon Lyons	1,040,000	100,000	-	-	-	1,140,000	373,333	373,333
Malcolm Cowell	500,000	-	-	-	-	500,000	-	-
Steve Ellis	200,000	50,000	-	-	-	250,000	66,600	66,600

## 5. Executive Contracts

Remuneration arrangements for KMP are formalised in employment agreements. Details of these contracts are provided below:

Executives	Salary per annum	Term for cause	Term of agreement and notice period
Simon Lyons	\$300,000 plus superannuation up to the Maximum Superannuation Contribution Base	None	Continuing with 12 months' notice by the Company or six months by employee
Malcolm Cowell	\$200,000 plus superannuation contributions currently at 9.5%	None	Continuing with 3 months' notice by either party
Steve Ellis	\$175,000 plus superannuation contributions currently at 9.5%	None	Continuing with 1 month notice by either party

## 6. Non-executive director remuneration arrangements - Audited

### Remuneration policy

The board seeks to set aggregate remuneration at a level that provides the Company with the ability to attract and retain directors of the highest caliber, whilst incurring a cost that is acceptable to shareholders. The amount of aggregate remuneration sought to be approved by shareholders and the fee structure is reviewed annually against fees paid to NEDs.

The Company's constitution and the ASX listing rules specify that the NED fee pool shall be determined from time to time by a general meeting. The latest determination was at the 2016 AGM held on 18 November 2016 when shareholders approved an aggregate fee pool of \$500,000 per year.

## DIRECTORS' REPORT (continued)

### REMUNERATION REPORT (AUDITED)

#### Structure

The remuneration of NEDs consists of directors' fees. The table below summarises the base NED fees excluding superannuation contributions for the financial year ended 30 June 2018:

Type of Fee	Amount per annum
Chairman	\$80,000
Deputy Chairman	\$65,000
Non-executive Director	\$50,000

NEDs receive superannuation contributions of 9.5% of earnings but do not receive any other retirement benefits, nor do they participate in any incentive programs.

The remuneration of NEDs for the years ended 30 June 2018 and 30 June 2017 is detailed in table below.

		Short-term benefits			Post-employment	Long-term benefits	
		Salary & fees \$	Non-monetary benefits	Other	Superannuation	Long service leave	Total
Non-executive directors							
Peter Wallace	2018	80,000	-	-	7,600	-	87,600
	2017	67,500	-	-	6,412	-	73,912
Derek La Ferla	2018	67,058	-	-	6,371	-	73,429
	2017	52,500	-	-	4,987	-	57,487
Peter Hall	2018	53,850	-	-	5,116	-	58,966
	2017	41,666	-	-	3,958	-	45,624
John Kolenda <sup>1</sup>	2018	15,239	-	-	1,448	-	16,687
Former directors							
James Austin <sup>2</sup>	2018	16,666	-	-	1,583	-	18,249
	2017	41,666	-	-	3,958	-	45,624
Keith John <sup>3</sup>	2018	34,977	-	-	3,323	-	38,300
	2017	41,666	-	-	3,958	-	45,624
Total	2018	267,790	-	-	25,440	-	293,230
	2017	244,998	-	-	23,273	-	268,271

<sup>1</sup> Appointed 13 March 2018

<sup>2</sup> Ceased 23 October 2017

<sup>3</sup> Resigned 12 March 2018

## DIRECTORS' REPORT (continued)

### REMUNERATION REPORT (AUDITED)

#### 7. Additional disclosures relating to options and shares

The numbers of shares in the company held during the financial year by each director of the Company and other key management personnel, including their personally related parties, are set out below. There were no shares granted during the reporting period as compensation.

##### Shareholdings of key management personnel

2018	Balance at the start of the year	Acquired	Other movement	Balance at the end of the year
<b>Directors</b>				
Peter Wallace	70,838	-	-	70,838
Derek La Ferla	-	-	-	-
Peter Hall	13,534	-	-	13,534
Simon Lyons	247,303	10,697	-	258,000
John Kolenda <sup>1</sup>	2,750,480	-	-	2,750,480
James Austin <sup>2</sup>	-	-	-	-
Keith John <sup>2</sup>	-	-	-	-
<b>Executives</b>				
Malcolm Cowell	-	-	-	-
Steve Ellis	-	-	-	-

<sup>1</sup> Opening balance represents holdings at date of appointment

<sup>2</sup> Closing balance represents holdings at date of ceasing to be a director of the Company

#### 8. Loans to key management and their related parties

(i) Details of aggregate of loans to key management personnel and their related parties:

Aggregate	Balance at beginning of period/KMP appointment	Interest charged during KMP period	Write-off or allowance for doubtful debt	Balance at end of period/ceasing to be a KMP	Number of KMP in group
2018	3,748,509	123,143	-	3,552,519	3

(ii) Details of key management personnel and their related parties with aggregate of loans above \$100,000 in the reporting period:

KMP and related party	Balance at beginning of period/KMP appointment	Interest charged during KMP period	Write-off or allowance for doubtful debt	Balance at end of period/ceasing to be a KMP	Highest amount of indebtedness during KMP period
John Kolenda	3,058,753	97,683	-	2,892,973	3,058,753
Keith John	677,298	24,980	-	653,387	677,298

(iii) Terms and conditions of loans to key management personnel and their related parties

Loans to key management personnel are made on terms equivalent to an arm's length transaction, that is terms and conditions are similar to those offered to other customers at the time a loan is funded. All loans are secured by appropriate forms of collateral.

## DIRECTORS' REPORT (continued)

### REMUNERATION REPORT (AUDITED)

#### 9. Other transactions and balances with key management personnel and their related parties

During the period that Mr Keith John was a Non-Executive Director, the Company paid \$40,483 (2017: \$49,070) to Avy Nominees Pty Ltd in relation to leased premises. Mr John is a beneficiary of The John Family Primary Investments Trust and the sole Director and Secretary of Avy Nominees Pty Ltd, which is trustee of The John Family Primary Investments Trust. The amount paid excludes variable outgoings and management fees.

During the period, the Company incurred costs of \$364,550 (2017: \$40,729) to Lavan in relation to legal services provided to the Company. Mr. Derek La Ferla is a partner of Lavan.

All other transactions have occurred within a normal employee, customer or supplier relationship on terms and conditions no more favourable than those that it is reasonable to expect the Company would have adopted if dealing at arms-length with an unrelated person. Refer to Note 6.6 for further information.

#### End of Remuneration Report

Signed in accordance with a Resolution of Directors

A handwritten signature in dark ink, appearing to read 'Peter Wallace', with a stylized flourish at the end.

Peter Wallace - Chairman

Dated this 29<sup>th</sup> day of August 2018



# Lead Auditor's Independence Declaration under Section 307C of the Corporations Act 2001

To the Directors of Goldfields Money Limited

I declare that, to the best of my knowledge and belief, in relation to the audit of Goldfields Money Limited for the financial year ended 30 June 2018 there have been:

- i. no contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the audit; and
- ii. no contraventions of any applicable code of professional conduct in relation to the audit.

KPMG

Maria Trinci  
Partner  
Perth  
29 August 2018

## STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 30 June 2018

	Note	2018 \$	2017 \$
<b><u>Profit or loss</u></b>			
Interest revenue	2.1	7,993,233	6,545,552
Interest expense	2.1	(4,785,563)	(3,788,690)
Net interest revenue	2.1	3,207,670	2,756,862
Non-interest revenue	2.1	1,901,437	1,475,909
Impairment loss on loans and advances	3.2	(4,946)	(283,809)
Operating expenses	2.2	(5,522,022)	(5,284,987)
<b>(Loss)/Profit before income tax</b>		<b>(417,861)</b>	<b>(1,336,025)</b>
Income tax benefit	2.3	11,162	339,569
<b>(Loss)/Profit for the year from continuing operations</b>		<b>(406,699)</b>	<b>(996,456)</b>
<b><u>Other comprehensive income</u></b>			
<i>Items that may not be reclassified subsequently to profit or loss:</i>			
Revaluation of property, plant and equipment	6.2	-	(79,377)
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Revaluation of available for sale financial assets	4.2	-	282,832
Income tax effect		-	(55,963)
		-	147,492
<b>Total comprehensive (loss)/income</b>		<b>(406,699)</b>	<b>(848,964)</b>
Basic earnings/(loss) per share	5.3	(0.018)	(0.051)
Diluted earnings/(loss) per share	5.3	(0.018)	(0.051)

The accompanying notes form part of these financial statements



## STATEMENT OF FINANCIAL POSITION

As at 30 June 2018

	Note	2018 \$	2017 \$
<b>ASSETS</b>			
Cash and cash equivalents	4.1	14,529,171	16,223,367
Due from other financial institutions	4.2	24,507,371	26,939,505
Loans and advances	3.1	170,510,550	157,044,459
Other financial assets	4.2	7,459,059	11,510,426
Other assets	6.1	712,562	1,647,097
Property, plant and equipment	6.2	787,331	787,812
Intangible assets	6.3	1,948,789	450,167
Deferred tax assets	2.3	666,740	598,529
<b>TOTAL ASSETS</b>		<b>221,121,573</b>	<b>215,201,362</b>
<b>LIABILITIES</b>			
Deposits	4.3	195,223,308	194,134,305
Creditors and other payables	6.4	1,042,206	633,832
Current tax liability	2.3	7,066	-
Provisions	6.5	283,093	225,782
<b>TOTAL LIABILITIES</b>		<b>196,555,673</b>	<b>194,993,919</b>
<b>NET ASSETS</b>		<b>24,565,900</b>	<b>20,207,443</b>
<b>EQUITY ATTRIBUTABLE TO EQUITY HOLDERS</b>			
<b>Contributed equity</b>			
Issued capital	5.2	24,080,445	19,349,846
Other contributed equity	5.2	1,830,600	1,830,600
Equity raising costs	5.2	(1,630,605)	(1,394,499)
<b>Total contributed equity</b>		<b>24,280,440</b>	<b>19,785,947</b>
Property, plant and equipment revaluation reserve		97,364	97,364
Available for sale financial assets reserve		205,053	205,053
General reserve for credit losses		341,711	341,711
Share based payments reserve		357,357	86,694
Retained earnings		(716,025)	(309,326)
		<b>24,565,900</b>	<b>20,207,443</b>

The accompanying notes form part of these financial statements

## STATEMENT OF CHANGES IN EQUITY

For the year ended 30 June 2018

Attributable to equity holders	Issued Capital	Other contributed equity	Equity Raising Costs	Property, Plant and Equipment Revaluation Reserve	Available for Sale Financial Assets Revaluation Reserve	General Reserve for Credit Losses	Share-based payments reserve	Retained Profits	Total Equity
	\$	\$	\$	\$	\$	\$		\$	\$
<b>Balance as at 1 July 2016</b>	<b>15,062,064</b>	<b>1,830,600</b>	<b>(1,208,329)</b>	<b>190,549</b>	-	<b>319,551</b>	-	<b>673,666</b>	<b>16,868,101</b>
Profit for the year	-	-	-	-	-	-	-	(996,456)	(996,456)
Revaluation of buildings, net of tax	-	-	-	(93,185)	-	-	-	35,624	(57,561)
Revaluation of investments, net of tax	-	-	-	-	205,053	-	-	-	205,053
<b>Total comprehensive income</b>	-	-	-	(93,185)	205,053	-	-	(960,832)	(848,964)
<b>Transactions with owners of the Company</b>									
Issue of share capital	4,287,782	-	-	-	-	-	-	-	4,287,782
Cost of share-based payments	-	-	-	-	-	-	86,694	-	86,694
Equity raising costs, net of tax	-	-	(186,170)	-	-	-	-	-	(186,170)
Transfer from/to retained earnings/general reserve for credit losses	-	-	-	-	-	22,160	-	(22,160)	-
<b>As at 30 June 2017</b>	<b>19,349,846</b>	<b>1,830,600</b>	<b>(1,394,499)</b>	<b>97,364</b>	<b>205,053</b>	<b>341,711</b>	<b>86,694</b>	<b>(309,326)</b>	<b>20,207,443</b>
<b>Balance as at 1 July 2017</b>	<b>19,349,846</b>	<b>1,830,600</b>	<b>(1,394,499)</b>	<b>97,364</b>	<b>205,053</b>	<b>341,711</b>	<b>86,694</b>	<b>(309,326)</b>	<b>20,207,443</b>
Loss for the year	-	-	-	-	-	-	-	(406,699)	(406,699)
<b>Total comprehensive income</b>	-	-	-	-	-	-	-	(406,699)	(406,699)
<b>Transaction with owners of the Company</b>									
Issue of share capital	4,730,599	-	-	-	-	-	-	-	4,730,599
Cost of share-based payments	-	-	-	-	-	-	270,663	-	270,663
Equity raising costs, net of tax	-	-	(236,106)	-	-	-	-	-	(236,106)
<b>As at 30 June 2018</b>	<b>24,080,445</b>	<b>1,830,600</b>	<b>(1,630,605)</b>	<b>97,364</b>	<b>205,053</b>	<b>341,711</b>	<b>357,357</b>	<b>(716,025)</b>	<b>24,565,900</b>

The accompanying notes form part of these financial statements

## STATEMENT OF CASH FLOWS

For the year ended 30 June 2018

	Note	2018 \$	2017 \$
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Interest received		7,964,112	6,564,614
Fees and commissions received		1,717,909	613,028
Dividends received		11,830	20,111
Other income		516,350	152,230
Interest and other costs of finance paid		(3,489,471)	(3,999,265)
Payments to suppliers and employees		(4,622,996)	(5,070,976)
Net increase in loans, advances and other receivables		(12,850,174)	(29,071,529)
Net (payments)/receipts for investments		6,436,563	(14,468,757)
Net (decrease)/increase in deposits and other borrowings		(207,089)	55,693,071
<b>Net cash provided by/(used in) operating activities</b>	4.1(b)	<b>(4,522,966)</b>	<b>10,432,527</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Payments for property, plant and equipment		(95,409)	(254,606)
Payments for intangible assets		(1,520,331)	(440,584)
<b>Net cash from/(used in) investing activities</b>		<b>(1,615,740)</b>	<b>(695,190)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Proceeds from the issue of capital		4,730,599	4,287,782
Payments for equity raising costs		(286,089)	(235,583)
<b>Net (used in)/cash from financing activities</b>		<b>4,444,510</b>	<b>4,052,199</b>
Net increase/(decrease) in cash held		(1,694,196)	13,789,536
Cash and cash equivalents at beginning of the financial year		16,223,367	2,433,831
Cash and cash equivalents at the end of the financial year	4.1(a)	<b>14,529,171</b>	<b>16,223,367</b>

The accompanying notes form part of these financial statements

## NOTES TO THE FINANCIAL REPORT

### 1. BASIS OF PREPARATION

#### 1.1 Corporate information

Goldfields Money Limited (the “Company” or “Goldfields Money”) is a for-profit entity and provides a range of retail banking products and financial services to the public.

The Company is a company limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business is 120 Egan Street, Kalgoorlie Western Australia. Goldfields Money is listed on the Australian Securities Exchange.

The financial statements for the year ended 30 June 2018 were authorised for issue in accordance with a resolution of the directors on 28 August 2018.

#### 1.2 Basis of accounting

##### (a) Basis of preparation

This financial report is a general purpose financial report, which has been prepared in accordance with the requirements of the Corporations Act 2001, Australian Accounting Standards and other authoritative pronouncements of the Australian Accounting Standards Board.

The financial report has been prepared on an accruals basis and is based on historical costs and does not take into account changing money values or, except where stated. Cost is based on the fair values of the consideration given in exchange for assets.

The report is presented in Australian dollars.

A number of new accounting standards were effective from 1 July 2017, however none of these have had a material effect on these financial statements; refer to note 7.2 for further details.

The Company presents its statement of financial position broadly in order of liquidity. An analysis regarding recovery or settlement within 12 months after the reporting date (current) and more than 12 months after the reporting date (non-current) is presented in the notes to the financial statements.

##### (b) Statement of compliance

The financial report complies with the Corporations Act 2001, Australian Accounting Standards and International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board.

#### 1.3 Significant accounting judgements and estimates

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period on which the estimate is revised and in any future periods affected. The most significant use of judgements and estimates has been applied to the following areas. Refer to the respective notes for additional details:

	Reference
Identification and measurement for impairment of loans and receivables	3.2
Derecognition of financial assets, sale of loans	3.3
Utilisation of carry forward tax losses, recognition of deferred tax asset	2.3
Capitalisation of intangible assets	6.3

## NOTES TO THE FINANCIAL REPORT

### 2. FINANCIAL PERFORMANCE

#### 2.1 Income

##### Net interest income

	Average balance \$	Interest \$	Average rate %
<b>2018</b>			
Cash at bank and other liquid assets	61,326,906	953,314	1.55
Loans and advances	165,610,926	7,039,919	4.25
	<u>226,937,832</u>	<u>7,993,233</u>	<u>3.52</u>
Deposits	208,368,388	4,785,563	2.30
	<u>208,368,388</u>	<u>4,785,563</u>	<u>2.30</u>
Net interest income/ spread		<u>3,207,670</u>	<u>1.22</u>
<b>2017</b>			
Cash at bank and other liquid assets	35,999,106	709,833	1.97
Loans and advances	136,816,139	5,835,719	4.27
	<u>172,815,245</u>	<u>6,545,552</u>	<u>3.79</u>
Deposits	164,969,949	3,788,690	2.30
	<u>164,969,949</u>	<u>3,788,690</u>	<u>2.30</u>
Net interest income / spread		<u>2,756,862</u>	<u>1.49</u>
Refer to note 5.1.2 for further information on interest rate risk			

##### Non-interest revenue

	2018 \$	2017 \$
Other operating income		
Lending fees	60,243	55,944
Fees and commissions	163,136	266,457
Cash convenience fee income	1,149,875	760,204
Service and residual income	211,221	220,963
Dividends received	11,830	20,111
Insurance income	-	338
Bad debts recovered	13,523	240
Profit on disposal of assets	-	-
Other	291,609	151,652
	<u>1,901,437</u>	<u>1,475,909</u>

#### Recognition and measurement

##### *Interest income and expense*

Interest income and expense is recorded using the effective interest rate. This is the rate that exactly discounts the estimated future cash receipts or payments over the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or liability. Payments made to brokers for the introduction of loans to Goldfields Money are expensed over a period to match the cost of acquiring the loan to the income derived from it. The commission is reclassified to interest income.

## NOTES TO THE FINANCIAL REPORT

### 2. FINANCIAL PERFORMANCE (CONTINUED)

#### 2.1 Income (continued)

##### *Fees and commissions*

The Company provides a range of banking services to customers as well as deploying cash into ATM networks. Fees and commissions are recognised upon the rendering of these services to customers. Cash convenience fee revenue is recognised pursuant to the terms of the relevant agreement.

##### *Service and residual income*

Service fees and residual income arises from the management of loans and receivables which have previously been originated by Goldfields Money and sold to other parties. Service fees are recognised from rendering of services principally for the management of the loans, and residual income is recognised from the residual amount collected from customers after transferring to the legal owner of the loans a contractually agreed return.

##### *Dividends*

Revenue is recognised when the Company's right to receive the payment is established, which is generally when the dividend has been declared.

##### *Rental income*

Rental income arising from operating leases is accounted for on a straight-line basis over the lease terms and is included in revenue in the statement of comprehensive income due to its operating nature.

#### 2.2 Operating Expenses

	2018 \$	2017 \$
Other expenses		
Staff related costs		
Salaries and wages	1,393,416	1,956,501
Superannuation	237,522	177,761
Share-based payments	236,126	86,694
Other	226,100	154,945
Depreciation	95,890	68,511
Amortisation	56,246	215,941
Administrative expenses		
Advertising and promotion	98,866	79,961
Directors' fees and expenses	290,978	266,731
Termination of software contract (i)	-	467,500
Computer system and software costs	190,610	274,477
Communication and website costs	479,432	286,233
Insurance costs	144,827	104,170
Accounting, audit and consulting costs	293,694	238,737
Products and services delivery costs	291,377	375,317
Occupancy costs	210,246	157,533
ASX and registry fees	63,301	45,957
Transaction expenses (ii)	938,862	-
Other costs	274,529	328,018
Total operating expenses	5,522,022	5,284,987

- (i) Comprises amounts paid to the previous core banking service provider for early termination of contractual arrangements.
- (ii) Comprises costs incurred in responding to the unsolicited takeover offer by Firstmac Holdings Limited, considering alternative proposals and progressing the merger with Finsure Holding Pty Ltd.

## NOTES TO THE FINANCIAL REPORT

### 2. FINANCIAL PERFORMANCE (CONTINUED)

#### 2.3 Income tax

2.3.1 The major components of income tax expense/(benefit) are:

	2018 \$	2017 \$
<i>Recognised In profit or loss</i>		
Current tax	7,066	-
Deferred tax	(18,228)	(339,569)
<b>Income tax benefit recognised in Profit or Loss</b>	<b>(11,162)</b>	<b>(339,569)</b>
<i>Recognised in equity</i>		
Revaluation of available for sale financial assets	-	77,779
Revaluation of property	-	(21,815)
Equity raising costs	(49,983)	(49,414)
<b>Income tax expense/(benefit) recognised in Other Comprehensive Income or Equity</b>	<b>(49,983)</b>	<b>6,550</b>
<b>Tax reconciliation</b>		
(Loss)/profit before tax	(417,861)	(1,336,025)
Prima facie income tax (benefit)/expense on profit before income tax at 27.5% (2017: 27.5%)	(114,912)	(367,407)
Adjust for tax effect of:		
Non-deductible expenses	67,328	27,287
Equity raising costs	(28,692)	(12,957)
Franking credit rebate	(5,069)	(8,619)
Change in corporate tax rate	-	22,127
Other	70,183	-
<b>Income tax benefit</b>	<b>(11,162)</b>	<b>(339,569)</b>

#### 2.3.2 Deferred tax assets and liabilities

Deferred tax assets comprise temporary differences attributable to:

Provision for doubtful debts	65,725	91,267
Accrued expenses	48,844	19,614
Provisions	77,850	62,090
Equity raising costs	163,689	52,186
Capitalised expenditure	180,703	-
Carry forward losses and franking credits	428,072	649,277
<b>Total deferred tax assets</b>	<b>964,884</b>	<b>874,434</b>

Deferred tax liabilities comprise temporary differences attributable to:

Prepayments and other	56,834	59,789
Available for sale financial assets	77,779	77,779
Deferred commission expense	116,049	91,007
Property, plant and equipment	47,482	47,330
<b>Total deferred tax liabilities</b>	<b>298,144</b>	<b>275,905</b>
Set-off against total deferred tax assets	(298,144)	(275,906)
<b>Net deferred tax assets</b>	<b>666,740</b>	<b>598,529</b>

## NOTES TO THE FINANCIAL REPORT

### 2. FINANCIAL PERFORMANCE (CONTINUED)

#### 2.3 Income tax (continued)

##### Recognition and measurement

The income tax expense (revenue) for the year comprises current income tax expense (income) and deferred tax expense (income) recognised in profit or loss except to the extent that it relates to items recognised in other comprehensive income.

Current income tax expense charged to profit or loss is the tax payable on taxable income. Current tax liabilities (assets) are measured at the amounts expected to be paid to (recovered from) the relevant taxation authority.

Deferred income tax expense reflects movements in deferred tax asset and deferred tax liability balances during the year as well as unused tax losses.

Deferred tax assets and liabilities are calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled and their measurement also reflects the manner in which management expects to recover or settle the carrying amount of the related asset or liability.

##### Use of judgements and estimates

Deferred tax assets relating to temporary differences and unused tax losses are recognised only to the extent that it is probable that future taxable profit will be available against which the benefits of the deferred tax asset can be utilised. Management assesses the probability through the consideration of factors leading to losses and the preparation of forecasts that indicate the Company's ability to generate taxable profits in the future.



## NOTES TO THE FINANCIAL REPORT

### 3. LOANS AND ADVANCES

#### 3.1 Loans and advances

	2018 \$	2017 \$
Residential loans	146,358,263	135,370,163
Personal loans	2,291,117	1,759,060
Overdrafts	443,079	545,973
Term loans	21,373,080	19,422,896
	<u>170,465,539</u>	<u>157,098,092</u>
Add: Unamortised broker commissions	284,730	278,248
Gross loans and receivables	<u>170,750,269</u>	<u>157,376,340</u>
Provision for impairment	<u>(239,719)</u>	<u>(331,881)</u>
	<u>170,510,550</u>	<u>157,044,459</u>
 Maturity analysis – gross loans and advances		
- Overdrafts	443,079	545,973
- No longer than 12 months	2,180,973	1,151,480
- Longer than 1 and not longer than 5 years	5,669,873	8,220,848
- Longer than 5 years	162,456,344	147,458,039
	<u>170,750,269</u>	<u>157,376,340</u>

#### Recognition and measurement

All loans are initially recognised at fair value, net of transaction costs incurred and inclusive of loan origination fees. Loans are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in the statement of comprehensive income over the period of the loans using the effective interest method.

Loans and advances are reported at their recoverable amount representing the aggregate amount of principal and unpaid interest owing to the Company at the reporting date, less any allowance or provision for impairment.

All loans and advances are reviewed and graded according to the anticipated level of credit risk. The classification adopted is described below:

- Non-accrual loans - are loans and advances where the recovery of all interest and principal is considered to be reasonably doubtful and hence provisions for impairment are recognised.
- Restructured loans - arise when the borrower is granted a concession due to continuing difficulties in meeting the original terms. Loans with revised terms are included in non-accrual loans when impairment provisions are required.
- Past-due loans - are loans where payments of principal and/or interest are at least 90 days in arrears but due to mortgage security available full recovery of both principal and interest is expected.

Refer to note 5.1.4 for further information regarding credit risk.

## NOTES TO THE FINANCIAL REPORT

### 3. LOANS AND ADVANCES (CONTINUED)

#### 3.2 Provision for impairment

	2018 \$	2017 \$
Total provision comprises		
Specific provisions	719	97,827
Collective provisions	239,000	234,054
	<u>239,719</u>	<u>331,881</u>
(b) Specific provision for impairment		
Opening balance	97,827	70,948
Bad and doubtful debts provided for during the year	-	53,991
Unused amounts reversed	-	-
Bad debts written off during the year	(97,108)	(27,112)
Closing balance	<u>719</u>	<u>97,827</u>
(c) Collective provision for impairment		
Opening balance	234,054	-
Bad and doubtful debts provided for during the year	4,946	234,054
Bad debts written off during the year	-	-
Closing balance	<u>239,000</u>	<u>234,054</u>

#### Recognition and measurement

##### *Specific provision*

Losses for impaired loans are recognised when there is objective evidence that the impairment of a loan has occurred. Impairment losses are calculated on individual loans. The amount provided for impairment is determined by management and the Board to recognise the probability of loan amounts not being collected in accordance with terms of the loan agreement, having regard for any collateral held.

##### *Collective provision*

A collective provision is made for groups of loans with similar credit risk characteristics. Loans that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment.

The amount of impairment loss is based upon estimated losses incurred within the portfolio, based upon objective evidence of impairment, the estimated probability of default and the expected loss given default having regard to the historical experience of the Company. The provision increase or decrease is recognised in profit or loss.

##### *General reserve for credit losses*

In addition to the above provisions, the Board has recognised the need to make an allocation from retained earnings to ensure there is adequate protection for equity holders against the prospect that some loans and advances will experience loan repayment difficulties. The reserve is based on estimation of potential risk in the loan portfolio based upon the level of security taken as collateral.

#### Use of judgements and estimates

The Company determines whether loans are impaired on an ongoing basis. This requires an estimation of the value of the future cash flows and associated collateral. The Company writes off a loan when it has determined that the loan is uncollectable. This determination is reached after considering information such as the occurrence of significant changes in the borrower's financial condition such that the borrower can no longer pay the obligation or that proceeds from collateral will not be sufficient to repay the entire exposure.

## NOTES TO THE FINANCIAL REPORT

### 3. LOANS AND ADVANCES (CONTINUED)

#### 3.3 Derecognition of loans and advances

The Company is party to a Receivables Acquisition & Servicing Agreement (RASA) with Bendigo & Adelaide Bank Limited (BEN) that enables the Company to sell residential loans (owner occupied and investment) to BEN as required to assist with regulatory capital and/or liquidity management requirements.

Loans sold to BEN have to meet certain criteria and are derecognised on the basis that the risks and rewards associated with the loans have been substantially transferred. The Company retains the servicing responsibilities and is entitled to the residual income from the loans once the funder's cost of funds and other costs have been met. Service fee and residual income is recognised in profit and loss as noted in Note 2.1.

The RASA has a limit of \$60,000,000 and is subject to annual review by BEN. In the event that the RASA program criteria were not to BEN's satisfaction, the limit could be reduced or cancelled and/or BEN may appoint an alternative servicer of the loans. The Company is not obligated to repurchase the loans subsequent to their sale. Loans sold in to the RASA are sold at their carrying amount inclusive of accrued interest, with no gain or loss recognised by the Company.

The balance of loans serviced by the Company at reporting date:

	2018 \$	2017 \$
Owner occupier loans	30,350,873	17,428,823
Investment loans	12,653,598	8,926,803
	<u>43,004,471</u>	<u>26,355,626</u>

Loan sales:

Year ended	Date of sale	Number of loans	Proceeds \$
30 June 2018	24 November 2017	26	10,211,106
	31 January 2018	37	10,039,692
	29 March 2018	3	635,668
30 June 2017	8 February 2017	11	3,759,493

#### Recognition and measurement

The Company derecognises loans when the contractual rights to the cash flows from the loan expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the loans are transferred.

On derecognition of the loans, the difference between the carrying amount of the asset and the consideration received is recognised in profit or loss. Any interest in transferred financial assets that qualify for derecognition that is created or retained by the Company is recognised as a separate asset or liability.

## NOTES TO THE FINANCIAL REPORT

### 4. LIQUIDITY AND FUNDING

	2018 \$	2017 \$
<b>4.1(a) Cash and cash equivalents</b>		
Cash at bank and on hand	14,529,171	16,223,367
Total cash and cash equivalents	<u>14,529,171</u>	<u>16,223,367</u>

#### Recognition and measurement

Cash and cash equivalents include cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of 3 months or less, and bank overdrafts. Bank overdrafts are shown within short-term borrowings in current liabilities on the statement of financial position.

#### Cash flows on net basis

For the purposes of the Statement of Cash Flows, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts. Cash flows arising from loans, deposits, and investments are presented on a net basis in the Statement of Cash Flows.

#### 4.1(b) Reconciliation to the Statement of Cash Flows

Operating I after income tax	(406,699)	(996,456)
<i>Non-cash items</i>		
Amortisation	56,246	68,511
Depreciation	95,890	215,941
Amortisation of investment premium	-	8,918
Impairment of receivables	4,946	283,809
Leave provisions	57,311	-
Share-based payments	236,126	86,694
<i>Movement in assets and liabilities</i>		
Loans and receivables	(12,512,642)	(29,071,529)
Investments	6,436,563	(14,468,757)
Deposits	(207,089)	55,693,071
Other assets	45,076	(785,639)
Accrued interest receivable	(360,170)	(29,919)
Deferred tax assets	18,228	(340,089)
Current tax receivable/payable	7,066	-
Payables	652,780	(22,082)
Accrued interest payable	1,296,092	(210,575)
Provisions	57,311	629
<b>Net cash flow from operating activities</b>	<u><b>(4,522,966)</b></u>	<u><b>10,432,527</b></u>

## NOTES TO THE FINANCIAL REPORT

### 4. LIQUIDITY AND FUNDING (CONTINUED)

	2018 \$	2017 \$
<b>4.2 Financial assets</b>		
Due from other financial institutions	24,507,371	26,939,505
Maturity analysis		
- No longer than 3 months	20,457,371	19,913,057
- Longer than 3 and not longer than 12 months	4,050,000	7,026,448
	24,507,371	26,939,505
Investment securities (a)	7,034,259	11,085,626
Shares in Cuscal Ltd (b)	424,800	424,800
Total other financial assets	7,459,059	11,510,426
Maturity analysis – investment securities		
- No longer than 3 months	-	-
- Longer than 3 and not longer than 12 months	2,527,399	4,043,956
- Longer than 1 and not longer than 5 years	4,506,860	7,041,470
	7,034,259	11,085,426

(a) Investment securities are investments in debt securities including floating rate notes issued by other banks and are classified as held to maturity investments.

(b) The shareholding in Cuscal Ltd ("Cuscal") is classified as available for sale and is measured at fair value. These shares are held to enable the Company to receive essential banking services - refer to Note 6.9. Cuscal operates an off market exchange whereby financial institutions holding Cuscal shares are able to trade with each other. The investment in Cuscal is considered a Level 2 investment in the fair value hierarchy and fair value has been determined using the market comparison technique with reference to recent sales transacted by financial institutions.

### Recognition and measurement

Financial assets that are not classified as loans and receivables, are designated as either:

- Held to maturity;
- Available for sale; or
- At fair value through profit or loss.

#### *Held to maturity investments*

This category includes non-derivative financial assets with fixed or determinable payments and a fixed maturity that the Company has a positive intention and ability to hold to maturity. They are measured at amortised cost.

#### *Available for sale assets*

This category includes investments in equity instruments. Available-for-sale financial assets are recognised on acquisition at cost on a trade date basis and thereafter at fair value. Changes in the fair value of available-for-sale assets are reported in the revaluation reserve net of applicable income taxes until the investments are sold, collected or otherwise disposed of, or until such investments are impaired. On disposal the accumulated change in fair value is transferred to the statement of comprehensive income.

The Company does not currently have any financial assets designated at fair value through profit or loss.

Refer to notes 5.1.2 and 5.1.5 for further details on interest rate risk and liquidity risk.

## NOTES TO THE FINANCIAL REPORT

### 4. LIQUIDITY AND FUNDING (CONTINUED)

	2018 \$	2017 \$
<b>4.3 Deposits</b>		
Call deposits	35,511,217	37,298,336
Term deposits	159,712,091	156,835,969
	<u>195,223,308</u>	<u>194,134,305</u>
 Maturity analysis		
- On call	35,511,217	37,298,336
- No longer than 3 months	105,915,510	107,445,551
- Longer than 3 months and no longer than 12 months	45,301,110	48,716,473
- Longer than 1 and no longer than 5 years	8,495,471	673,945
	<u>195,223,308</u>	<u>194,134,305</u>

There is no deposit exposure to any individual or related customers which represents 10% or more of the Company's total liabilities.

#### Recognition and measurement

Savings and term deposits are quoted at the aggregate amount of money owing to depositors. Interest on savings deposit balances is calculated and accrued on a daily basis at current rates and credited to depositors' accounts on a monthly basis. Interest on term deposits is calculated and accrued on a daily basis at agreed rates and is paid or credited to depositors in accordance with the terms of the deposit.

## NOTES TO THE FINANCIAL REPORT

### 5. RISK AND CAPITAL MANAGEMENT

#### 5.1 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

##### 5.1.1 Introduction and overview

Risk is inherent in the Company's activities but it is managed through a process of ongoing identification, measurement and monitoring, subject to risk limits and other controls. The Company has exposure from its use of financial instruments to market, interest rate, credit, liquidity and operational risk. This note presents information about the Company's exposure to each of the above risks, the objectives, policies and processes for measuring and managing those risks, and the Company's management of capital.

##### **Risk management framework**

The Company's activities expose it to a variety of risks: credit risk, interest rate risk, liquidity risk and operational risk being the most relevant to the Company. This note presents information about the Company's exposure to each of the above mentioned risks and the objectives, policies and processes for measuring and managing these risks. Further quantitative disclosures are included throughout this note and this financial report and further qualitative disclosures are included in the Corporate Governance Statement.

##### **Risk management roles and responsibilities**

###### *Board of Directors*

The Board of Directors is responsible for the overall risk management framework and approving risk appetite, strategies and principles. The prudential standards issued by the Australian Prudential Regulation Authority (APRA) addresses risk management requirements and the Board focuses strongly on the need for compliance.

###### *Risk & Compliance Committee*

Risk management is overseen by a Risk & Compliance Committee comprising directors of the Company. It assists the Board in the development of the risk strategy and implementation and managing and monitoring relevant risk decisions including policies and limits.

###### *Chief Executive Officer & Executive Management*

The CEO is responsible for the ongoing management of the Risk Management Framework including its periodic review and renewal subject to requisite Board direction and approvals. Executive Management are responsible for implementing the Board-approved risk management strategy and for developing policies, procedures, processes and controls for identifying and managing risks.

###### *Risk & Compliance Manager*

The Risk & Compliance Manager is responsible for managing the risk management function. This includes assisting the Board, board committees and senior management to develop and maintain the risk management framework. The position has reporting lines to the Board, board committees and senior management to conduct risk management activities in an effective and independent manner.

###### *Internal Audit*

Risk management processes in the Company are audited periodically by the internal audit function, conducted by an external service provider which examines both the adequacy of the procedures and compliance with the procedures. The results of the work of the internal audit function are tabled to management and to the Audit Committee.

##### **Risk Measurement and Reporting Systems**

Monitoring and controlling risks is primarily performed based on limits established by the Board of the company. These limits reflect the business strategy and market environment of the company as well as the level of risk the company is willing to accept.

## NOTES TO THE FINANCIAL REPORT

### 5. RISK AND CAPITAL MANAGEMENT (CONTINUED)

#### 5.1.1 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

##### 5.1.1 Introduction and overview (continued)

Information is compiled, examined and processed in order to analyse, control and identify risks on a timely basis. This information is presented and explained to the Risk & Compliance Committee and/or the Board of Directors or an appropriate Board committee.

The reporting includes aggregate counterparty credit exposures, delinquency summary, loan security summary, loan type exposures, liquidity ratios, value at risk (VaR), and significant changes to risk profile. The Board and/or Risk & Compliance Committee receive summarised risk reporting on key risk measures.

##### Risk Mitigation

The Company actively manages risk through a framework that includes use of collateral, delegations, limit frameworks and credit concentrations.

##### Market risk

The objective of the Company's market risk management is to minimise risk and optimise desired return by managing and controlling market risk. Market risk is the risk that changes in interest rates, foreign exchange rates or other prices and volatilities that will have an adverse effect on the Company's financial condition or results. Management of market risk is the responsibility of senior management, who report directly to the Board. The Company does not operate a trading book or involve itself in foreign exchange, commodities or equity markets.

##### Interest rate risk

Interest rate risk is the risk of variability of the fair value of future cash flows arising from financial instruments due to the changes in interest rates. The Company is exposed only to interest rate risk arising from changes in market interest rates (Interest Rate Risk in the Banking Book).

##### 5.1.2 Interest rate risk in the banking book

The Company is exposed to interest rate risk in its banking book due to mismatches between the repricing dates of assets (loans and advances and investments) and liabilities (deposits). The interest rate risk in the banking book is monitored by management. The level of mismatch on the banking book is set out in the tables below which displays the period that each asset and liability will reprice as at the balance date.

2018	Weighted Average Effective Interest Rate %	Floating Interest Rate	Fixed interest rate		Non-interest bearing	Amount per statement of financial position
			1 year or less	1 to 5 years		
<i>FINANCIAL ASSETS</i>						
Cash and liquid assets	0.5	14,525,824	-	-	-	14,525,824
Due from other financial institutions	2.13	-	24,507,371	-	-	24,507,371
Loans and advances	4.84	145,858,749	4,893,797	19,758,004	-	170,510,550
Investment Securities	2.65	7,034,259	-	-	-	7,034,259
Other financial assets	-	-	-	-	424,800	424,800
<b>Total financial assets</b>		<b>167,418,832</b>	<b>29,401,168</b>	<b>19,758,004</b>	<b>424,800</b>	<b>217,002,804</b>
<i>FINANCIAL LIABILITIES</i>						
Deposits	2.22	16,390,432	149,194,086	8,381,852	21,256,938	195,223,308
Creditors and other payables	-	-	-	-	1,042,206	1,042,206
<b>Total financial liabilities</b>		<b>16,690,432</b>	<b>149,194,086</b>	<b>8,381,852</b>	<b>22,299,144</b>	<b>196,265,514</b>
<b>Net financial assets/(liabilities)</b>		<b>151,028,400</b>	<b>(119,792,918)</b>	<b>11,376,152</b>	<b>(21,874,344)</b>	<b>20,737,290</b>



## NOTES TO THE FINANCIAL REPORT

### 5. RISK AND CAPITAL MANAGEMENT (CONTINUED)

#### 5.1 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

##### 5.1.2 Interest rate risk in the banking book (continued)

2017	Weighted Average Effective Interest Rate %	Floating Interest Rate	Fixed interest rate		Non-interest bearing	Amount per statement of financial position
			1 year or less	1 to 5 years		
<i>FINANCIAL ASSETS</i>						
Cash and liquid assets	0.5	3,762,997	-	-	12,460,370	16,223,367
Due from other financial institutions	1.93	-	26,939,505	-	-	26,939,505
Loans and advances	4.96	131,819,816	2,928,693	22,295,952	-	157,044,459
Investment Securities	2.95	11,085,626	-	-	-	11,085,626
Other financial assets	-	-	-	-	424,800	424,800
<b>Total financial assets</b>		<b>146,668,439</b>	<b>29,868,198</b>	<b>22,295,950</b>	<b>12,885,170</b>	<b>211,717,757</b>
<i>FINANCIAL LIABILITIES</i>						
Deposits	2.29	37,298,336	156,162,024	673,945	-	194,134,395
Creditors and other payables	-	-	-	-	633,832	633,832
<b>Total financial liabilities</b>		<b>37,298,336</b>	<b>156,162,024</b>	<b>673,945</b>	<b>633,832</b>	<b>194,767,790</b>
<b>Net financial assets/(liabilities)</b>		<b>109,370,103</b>	<b>(126,293,826)</b>	<b>21,622,005</b>	<b>12,251,338</b>	<b>16,949,620</b>

The major classes of financial assets and liabilities that are subject to interest rate variation are loans and advances, cash with banks, investments and deposits. The fundamental principles that the Company applies to mitigate interest rate risk are:

- Board approved risk appetite and limits include Value at Risk and Book Sensitivity (Present Value Basis Point);
- Forecasting and scenario modelling of growth and interest rates;
- Monitoring current and future interest rate yields on its loans and savings portfolio and cash and investments and effect on profit and equity; and the interest rates on the major proportion of these assets and liabilities can be adjusted in the short-term to minimise any significant mismatch of interest margins
- Monitoring market rates for loans and savings and amending the Company's interest rates to remain competitive;
- Regular meetings to measure and monitor the impact of movements in interest rates.

##### *Interest rate sensitivity*

Taking into account past performance, future expectations, economic forecasts and management's knowledge and experience of the financial markets, the Company believes the impact on profit or loss and the impact on equity in the following table are 'reasonably possible' over the next 12 months, if interest rates had changed by +/- 25 basis points (2017: +/- 25 basis points) from the year-end rates, with all other variables held constant.

Judgement of reasonably possible movements:	Post tax profit higher (lower)		Equity higher (lower)	
	2018	2017	2018	2017
25 basis points increase (2017: 25bps)	35,950	(1,800)		(1,800)
25 basis points decrease (2017: 25bps)	(35,950)	1,800		1,800

## NOTES TO THE FINANCIAL REPORT

### 5. RISK AND CAPITAL MANAGEMENT (CONTINUED)

#### 5.1 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

##### 5.1.3 Market risk - Equity investments

The Company is exposed to market risk on the value of shares through its investments in Cuscal (refer to note 4.2).

##### *Market rate sensitivity*

Taking into account past performance, future expectations, economic forecasts and management's knowledge and experience of the financial markets, the Company believes the impact on profit or loss and the impact on equity in the following table are 'reasonably possible' over the next 12 months, if the fair value of the investment had changed by +/- 10% (2017: +/- 10%) from the year-end rates, with all other variables held constant.

Judgement of reasonably possible movements:	Post tax profit higher (lower)		Equity higher (lower)	
	2018	2017	2018	2017
10% increase (2017:10%)	-	-	30,800	30,800
10% decrease (2017: 10%)	-	-	(30,800)	(30,800)

##### 5.1.4 Credit risk

Credit risk is the risk that the Company will incur a loss because its customers or counterparties failed to discharge their contractual obligations. New or potential exposures are subject to the company's credit risk management framework. The credit risk management framework includes delegated limits, approval levels, collateral requirements, servicing criteria, concentration limits as well as other principles designed to manage the level of credit risk exposure.

##### *Maximum exposures to credit risk*

The maximum exposure to credit risk equals the drawn down portion in the Statement of Financial Position and the undrawn portion of all committed facilities of loans and receivables as listed in Note 6.11. The major classes of financial assets that expose the Company to credit risk are loans to customers (including undrawn and unused credit commitments), cash with banks and investments and amounts due from other financial institutions.

##### *Collateral and other credit enhancements*

Loans and advances, except unsecured overdrafts, are backed by collateral. The amount and type of collateral required depends on the assessment of the credit risk of the customer. Guidelines are implemented regarding the acceptability of types of collateral and valuation parameters.

The main types of collateral obtained are as follows:

- For retail lending; mortgages over residential properties and consumer assets such as motor vehicles
- For commercial lending; charges over real estate properties

Management monitors the market value of collateral however collateral is generally not revalued except in some circumstances where a loan is individually assessed as impaired. For residential lending the Company may also take out Mortgage Insurance where the loan does not meet a specified criteria usually determined by the loan to value ratio.

The terms and conditions of collateral are specific to individual loan and security types. It is the company's policy to dispose of repossessed collateral in an orderly fashion and the proceeds used to repay or reduce the outstanding claim. During the year ended 30 June 2018, the Company took possession of one residential property with a total fair value of \$270,000 (2017: three properties with a fair value of \$645,000).

## NOTES TO THE FINANCIAL REPORT

### 5. RISK AND CAPITAL MANAGEMENT (CONTINUED)

#### 5.1 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

##### 5.1.4 Credit Risk (continued)

##### i. *Credit quality – loans and receivables*

The credit quality of the Company's loans and receivables is summarised in the tables below:

	2018 \$	2017 \$
Past due but not impaired		
30 days & less than 90 days	1,851,442	616,558
90 days & less than 182 days	621,495	178,396
182 days or more	1,319,276	-
	<u>3,792,213</u>	<u>794,954</u>
Impaired - mortgage loans		
30 days & less than 90 days	-	-
90 days & less than 182 days	-	-
182 days or more	-	448,109
	<u>-</u>	<u>448,109</u>
Impaired – personal loans		
Up to 90 days	-	-
Greater than 90 days	18,371	-
	<u>18,371</u>	<u>-</u>
Neither past due or impaired	166,654,955	155,855,028
	<u>170,465,539</u>	<u>157,098,091</u>

##### ii. *Collateral – loans and receivables*

The Company holds collateral and other credit enhancements against certain of its credit exposures. The table below sets out the principal types of collateral held against different types of financial assets:

Type of credit exposure	Percentage of exposure that is subject to collateral requirements		Principal type of collateral held
	2018	2017	
Deposits with banks and short-term securities	-	-	Marketable securities
Investment securities	-	-	Marketable securities
Residential loans	100	100	Residential property
Personal loans	62	70	Residential property and/or motor vehicles
Overdrafts	90	90	Residential property
Term loans	100	100	Commercial and/or residential property, floating charges over business assets

## NOTES TO THE FINANCIAL REPORT

### 5. RISK AND CAPITAL MANAGEMENT (CONTINUED)

#### 5.1 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

##### 5.1.4 Credit risk (continued)

###### *Concentrations of credit risk*

The Company is exposed to credit concentration risk by lending predominately to customers in Western Australia, including the Goldfields and Perth metropolitan regions. Through the expansion of lending activities outside of the Goldfields region during recent periods, the level of concentration to the Goldfields region continues to diminish.

The Company monitors concentration of credit risk by purpose. An analysis of concentrations of credit risk at the reporting date is shown below:

	2018 \$	2017 \$
Overdrafts	443,079	545,973
Owner occupier home loans	92,067,584	86,820,331
Investment home loans	54,290,679	48,549,831
Commercial loans	21,373,080	19,422,896
Personal loans	2,291,117	1,759,060
Total loans gross	170,465,539	157,098,091

As at 30 June 2018 there are two borrowers (2017: one) who individually have facilities which represent 10% or more of the regulatory capital base. The total of these facilities which represent loans plus undrawn credit facilities amount to \$5,894,251 (2017: \$3,192,290).

##### *iii. Credit quality – Amounts due from other financial institutions*

The Company invests in short term securities and investment securities issued by other Australian banks as part of its liquidity management process (refer to note 5.1.5). The liquidity investments are placed with a range of Australian banks and are selected with reference to credit ratings determined by Standard & Poors.

##### *Deposits with other banks and short-term securities*

Short Term Credit Rating	2018	2017
A-1	15,539,335	19,000,000
A-2	7,971,706	7,939,505
A-3	996,330	-
Unrated	-	-
	24,507,371	26,939,505

##### *Investment securities*

Long Term Credit Rating	2018	2017
A+, A A-	7,034,259	9,085,626
BBB+, BBB, BBB-	-	2,000,000
Less than BBB-	-	-
	7,034,259	11,085,626

## NOTES TO THE FINANCIAL REPORT

### 5. RISK AND CAPITAL MANAGEMENT (CONTINUED)

#### 5.1 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

##### 5.1.4 Credit risk (continued)

###### *iv. Recognition and measurement*

###### *Impaired loans*

Loans for which the Company determines that it is probable that it will be unable to collect all principal and interest due according to the contractual terms of the loan.

###### *Past due but not impaired loans*

Loans where contractual interest or principal payments are past due, but the Company believes that impairment is not appropriate on the basis of the level of security / collateral available and / or the stage of collection of amounts owed to the Company.

###### *Loans with renegotiated terms*

Loans that have been restructured due to deterioration in the borrower's financial position and where the Company has made concessions that it would not otherwise consider. Once the loan is restructured it remains in this category for 12 months independent of satisfactory performance after restructuring. Currently, the Company has no loans which have been re-negotiated (2017: \$337,412).

###### *Allowances for impairment*

The Company establishes an allowance for impairment losses that represents its estimate of incurred losses in its loan portfolio. The main component of this allowance is the collective loan loss allowance established for the Company in respect of loan losses that have been incurred but have not been identified, subject to individual assessment for impairment.

###### *Write-off policy*

Bad debts are written off as determined by management and recommended to the Board of Directors when it is reasonable to expect that the recovery of the debt is unlikely. Bad debts are written off as expenses in the statement of comprehensive income or against the provision for impairment.

Where the Company holds collateral against loans and advances, it is in the form of mortgage interests over property, other registered securities over assets, and guarantees. Estimates of fair value are based on the value of collateral assessed at the time of borrowing. These estimates are generally only updated when loan is individually assessed as impaired.

##### 5.1.5 Liquidity risk

Liquidity risk is the risk that the company will be unable to meet its payment obligations when they fall due under normal and stress circumstances.

The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient funds available to meet its liabilities under both normal and stressed conditions, without incurring unacceptable losses. Sources of liquidity risk include unforeseen withdrawals of demand deposits, increased demand for loans and drawdown on available credit limits, and inability to liquidate a marketable asset. The Company maintains a portfolio of short term liquid assets to ensure that sufficient liquidity is maintained for daily operational requirements.

## NOTES TO THE FINANCIAL REPORT

### 5. RISK AND CAPITAL MANAGEMENT (CONTINUED)

#### 5.1. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

##### 5.1.5 Liquidity risk (continued)

The Company has documented its strategy to manage liquidity risk in a liquidity policy and liquidity management plan which includes the following activities by Management:

- On a daily basis, an assessment is made of the daily cash position and the investment action to be undertaken.
- On a daily basis, a summary of the Company's liquidity position, including movements in major liquid assets and liabilities is reviewed.
- On a monthly basis, the liquidity position is reported to the Board, including an explanation of significant movements and corrective action taken, where applicable.
- Regularly reporting current and emerging liquidity management trends to the Board and highlighting risk areas and relevant market conditions/expectations.

The Company's policy is to apply a minimum level of 13% (2017: 13%) of funds as liquid assets to maintain adequate funds for meeting customer withdrawal requests. This ratio is checked daily. In order to minimise the risk of the liquidity ratio falling below 13% (2017: 13%); the Board has determined a target liquidity trading range of 14% - 19%. In the event that liquidity ratio falls below 13% or is considered to be at risk of falling below that level, specific remedial measures are required to be taken by the Board and Management.

Deposits are the liability class that presents the major source of risk to the Company's liquidity management. Concentrations within this class of financial liability are measured in terms of exposures to individual depositors and groups of related depositors. As at 30 June 2018 there were no deposits greater than 10% of total liabilities (2017: nil).

The liquidity ratio is calculated based on the formula prescribed by APRA in APS 210 as summarised below:

	2018	2017
	\$	\$
High quality liquid assets	36,263,877	44,610,931
Liability base for regulatory purposes	210,623,357	214,784,524
Liquidity ratio	17.2%	20.8%

##### 5.1.6 Operational risk

Operational risk is a risk of direct or indirect loss arising from a wide variety of causes associated with the Company's processes, personnel, technology and infrastructure, and from external factors other than credit, market and liquidity risks (such as those arising from legal and regulatory requirements and generally accepted standards of corporate behaviour). Operational risks arise from all of the Company's operations and are faced by all business entities.

The Company's objective is to manage operational risk so as to balance the avoidance of financial loss and damage to the Company's reputation, against excessive cost and control procedures that restrict initiative and creativity.

## NOTES TO THE FINANCIAL REPORT

### 5. RISK AND CAPITAL MANAGEMENT (CONTINUED)

#### 5.1 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

The primary responsibility for the development and implementation of controls to address operational risk is assigned to senior management within each business unit. This responsibility is supported by the development of the Company's overall standards for management of operational risk in the following areas:

- Compliance with regulatory and other legal requirements
- Third party supplier relationships
- Business continuity and contingency planning
- People and key person risk including training and professional development
- Outsourcing risk associated with materially outsourced services
- Competition risk
- Fraud risk
- Requirements for appropriate segregation of duties, including independent authorisation of transactions
- Requirements for the reconciliation and monitoring of transactions
- Documentation of controls and procedures
- Requirements for the periodic assessment of operational risks faced, and the adequacy of controls and procedures to address the risks identified
- Requirements for the reporting of operational losses and proposed remedial action
- Ethical and business standards
- Risk mitigation, including insurance where this is effective

Compliance with the Company's standards is supported by a program of periodic reviews undertaken by the Risk & Compliance Committee. The results of these reviews are discussed with the management to which they relate and are reported to the Risk & Compliance Committee.

#### 5.1.7 Fair value of financial assets and liabilities

The Company measures most financial instruments at amortised cost, however disclosure of fair value is made throughout these financial statements.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

## NOTES TO THE FINANCIAL REPORT

### 5 RISK AND CAPITAL MANAGEMENT (CONTINUED)

#### 5.1. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

##### 5.1.7 Fair value of financial assets and liabilities (continued)

- Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Company determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

Fair value is determined on the basis of the present value of expected future cash flows under the terms and conditions of each financial asset or liability. Significant assumptions used in determining the cash flows are that the cash flows will be consistent with the contracted cash flows under the respective contracts. The information is only relevant to circumstances at the reporting date and will vary depending on the contractual rates applied to each asset or liability, relative to market rates and conditions at the time. No assets held are regularly traded by the Company. With the exception of financial assets due from other financial institutions, investment securities and investments in Cuscal Limited, there is no active market to assess the value of the financial assets and liabilities. Amounts due from other financial institutions, investment securities and investments in Cuscal Limited can be traded in a secondary market.

	Aggregate net fair value		Amount per the statement of financial position	
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
	\$	\$	\$	\$
<b>FINANCIAL ASSETS</b>				
Cash	14,529,171	16,223,367	14,529,171	16,223,367
Due from other financial institutions	24,507,371	26,939,505	24,507,371	26,939,505
Loans and advances	168,012,477	154,439,526	170,510,550	157,044,459
Investment securities	7,060,305	9,090,410	7,034,259	11,085,626
Other financial assets	424,800	424,800	424,800	424,800
<b>Total financial assets</b>	<b>214,534,124</b>	<b>207,117,608</b>	<b>217,006,151</b>	<b>211,717,757</b>
<b>FINANCIAL LIABILITIES</b>				
Deposits	195,223,308	194,134,305	195,223,308	194,134,305
Creditors and other payables	1,042,206	633,832	1,042,206	633,832
<b>Total financial liabilities</b>	<b>197,265,514</b>	<b>194,768,137</b>	<b>196,265,514</b>	<b>194,768,137</b>

The fair value estimates were determined by the following methodologies and assumptions:

##### *Cash and Amounts Due from other financial institutions*

The carrying values of cash and liquid assets and receivables due from other financial institutions redeemable within 12 months approximate their fair value as they are short term in nature or are receivable on demand.

##### *Loans and advances*

The carrying value of loans and advances is net of provisions for doubtful debts. For variable rate loans, (excluding impaired loans) the amount shown in the statement of financial position is considered to be a reasonable estimate of fair value. For fixed rate loans the fair values are based on cash flows discounted at a rate reflecting current market rates adjusted for counter party credit risk.



## NOTES TO THE FINANCIAL REPORT

### 5. RISK AND CAPITAL MANAGEMENT (CONTINUED)

#### 5.1. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

##### 5.1.7 Fair value of financial assets and liabilities (continued)

###### *Investment Securities*

Investment Securities comprise floating rate notes issued by Australian banks. These securities can be traded in secondary markets and fair value has been determined by indicative prices as quoted on Bloomberg.

###### *Other financial assets*

Refer to Note 4.2, the balance comprises equity instruments.

###### *Deposits*

The fair value of call and variable rate deposits, and fixed rate deposits repricing within 12 months, is the amount shown in the statement of financial position. Discounted cash flows were used to calculate the fair value of other term deposits, based upon the deposit type and the rate applicable to its related period maturity.

###### *Creditors and other payables*

The carrying values of payables approximate fair value as they are short term in nature and reprice frequently.

### 5.2 CAPITAL MANAGEMENT

#### 5.2.1 Overview

The Company is licensed as an Authorised Deposit-taking Institution (ADI) under the Banking Act 1959 and is subject to prudential supervision by APRA.

The Company has documented its strategy to manage capital in its internal capital adequacy assessment process which includes the capital management plan. The Standards include APS 110 Capital Adequacy which:

- Imposes on the Board a duty to ensure that the Company maintains an appropriate level and quality of capital commensurate with the level and extent of the risks to which the Company is exposed from its activities; and
- Obliges the Company to have in place an Internal Capital Adequacy Assessment Process (ICAAP).

Three Pillars – There are three pillars to the Basel III capital framework.

Pillar 1 – involves specific capital charges for credit risk, operational risk, and the risk of financial market trading activities.

Pillar 2 – involves the Company making an assessment of any additional capital necessary to cover other risks not included in Pillar 1.

Pillar 3 – involves increased reporting by the Company to APRA.

The Board has determined that, for the Company, the prudent level of capital is the sum of the following:

- the specific capital charge for Pillar 1 risks
- the additional capital required to cover Pillar 2 risks, where applicable
- a buffer to cover other capital factors, where applicable

Various limits are applied to elements of the capital base. The main deductions from capital include deferred tax assets, intangible assets and equity investments in other ADI's.

## NOTES TO THE FINANCIAL REPORT

### 5. RISK AND CAPITAL MANAGEMENT (CONTINUED)

#### 5.2 CAPITAL MANAGEMENT (CONTINUED)

##### 5.2.1 Overview (continued)

The Company's policy is to apply a minimum target of 17.5% capital (2017: 17.5%).

In accordance with the Company's capital management objectives, the Company's regulatory minimum capital requirements were exceeded at all times during the year.

	2018	2017
	\$	\$
Tier 1 Capital	20,752,517	18,061,300
Tier 2 Capital	341,711	341,711
Total Regulatory capital	21,094,228	18,403,011
Risk weighted assets	95,968,433	94,990,814
Capital ratio	21.97%	19.37%

Disclosures required under Prudential Standard APS 330 Public Disclosure can be located on our website at: [http://www.goldfieldsmoney.com.au/about\\_us/investors/regulatory-disclosures](http://www.goldfieldsmoney.com.au/about_us/investors/regulatory-disclosures).

##### 5.2.2 Share capital

			2018	2017
			\$	\$
25,907,066 fully paid ordinary shares (2017: 22,521,066 fully paid ordinary shares)			24,080,445	19,349,846
Movements in ordinary shares on issue:	Number of shares	2018 \$	Number of shares	2017 \$
Beginning of the financial year	22,521,066	19,349,846	18,016,853	15,062,064
Issued during the financial year	3,386,000	4,730,599	4,504,213	4,287,782
End of financial year	25,907,066	24,080,445	22,521,066	19,349,846

##### *Terms and conditions of ordinary shares*

The Company does not have authorised capital nor par value in respect of its issued capital.

Ordinary fully paid 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 fully paid shares entitle their holder to one vote, either in person or by proxy, at a meeting of the Company.

	2018	2017
	\$	\$
Balance at the beginning of the period	1,830,600	1,830,600
Balance at the end of the period	1,830,600	1,830,600

##### 5.2.3 Other contributed equity

As part of the public offer of ordinary shares in Goldfields Money Limited in May 2012, 4,500,000 options were issued, with one option attached to every two ordinary shares subscribed to under the offer. The options are unlisted, have an exercise price of \$1.50 and an expiry date of 11 May 2019. The options allow the holder to one ordinary share upon exercise. There were no options exercised in the years ended 30 June 2018 or 2017. The fair value of the options has been recognised as other contributed equity.

## NOTES TO THE FINANCIAL REPORT

### 5. RISK AND CAPITAL MANAGEMENT (CONTINUED)

#### 5.2 CAPITAL MANAGEMENT (Continued)

5.2.4 Equity raising costs	2018 \$	2017 \$
Balance at the beginning of the year	1,394,499	1,208,329
Equity raising costs incurred	286,089	226,801
Deferred tax recognised directly in equity	(49,983)	(40,631)
Balance at the end of the year	<u>1,630,605</u>	<u>1,394,499</u>

As part of the demutualisation and equity raising described above, Goldfields Money Limited incurred costs associated firstly with demutualisation and secondly with the issuing of new shares upon listing on the ASX.

Transaction costs that are associated with the listing of equity already on issue were recognised in profit and loss. The transaction costs of a new equity transaction are accounted for as a deduction from equity (net of any related income tax benefit) to the extent they are incremental costs directly attributable to the equity transaction that otherwise would have been avoided. Transaction costs include registration and other regulatory fees, amounts paid to legal, accounting and other professional advisers, printing costs and stamp duties.

#### 5.3 EARNINGS PER SHARE

Basic earnings per share amounts are calculated by dividing the net profit for the year attributable to ordinary equity holders of the Company by the weighted average number of ordinary shares outstanding during the year.

Diluted earnings per share amounts are calculated by dividing the net profit attributable to ordinary equity holders of the Company adjusted for the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on the conversion of all the dilutive potential ordinary shares into ordinary shares.

The following reflects the income and share data used in the basic and diluted earnings per share computations:

	2018 \$	2017 \$
Net profit/(loss) attributable to ordinary share holders	(406,699)	(996,456)
Weighted average number of ordinary shares for basic and diluted earnings per share	23,126,450	19,649,781

Weighted average numbers of ordinary shares has been calculated by determining number of ordinary shares outstanding at the beginning of the period, adjusted by the number of ordinary shares issued during the period, multiplied by a time-weighting factor. The time-weighting factor is the number of days that the shares are outstanding as a proportion of the total number of days in the period.

The 4,500,000 unlisted options (2017: 4,500,000) and 1,740,000 performance rights (2017: nil) are considered to be potential ordinary shares however have not been included in the determination of diluted earnings per share as they are anti-dilutive for the periods presented. Details relating to the options and performance rights are set out in Note 5.2.3 and 6.6.2 respectively.

## NOTES TO THE FINANCIAL REPORT

### 5. RISK AND CAPITAL MANAGEMENT (CONTINUED)

#### 5.4 DIVIDENDS PAID OR PROPOSED AND FRANKING ACCOUNT

No dividend was paid or declared by the Company in the period and up to the date of this report. The Directors do not recommend that any amount be paid by way of dividend, for the financial period ended 30 June 2018 (2017: nil).

Franking credit balance:

The amount of franking credits available for the subsequent financial years are:

	2018 \$	2017 \$
Franking account balance as at the end of the financial year at 27.5% (2017: 27.5%)	2,535,313	2,526,696
Franking credits that will arise from the payment/(receipts) of income tax payable/ (receivable) as at the end of the financial year	-	-
Franking credits that arise from the receipt of franked dividends	5,070	8,617
Franking credits available for subsequent reporting periods based on tax rate of 27.5% (2017: 27.5%)	<u>2,540,383</u>	<u>2,535,313</u>

## NOTES TO THE FINANCIAL REPORT

### 6. OTHER NOTES

#### 6.1. Other assets

	2018	2017
	\$	\$
Prepayments	206,669	251,745
Other debtors	505,893	1,395,352
	<u>712,562</u>	<u>1,647,097</u>

Other assets are non-interest bearing with various maturities of less than 12 months.

#### 6.2. Property, plant and equipment

	2018	2017
	\$	\$
Freehold land & buildings – independent valuation		
Valuation	520,000	520,000
Accumulated depreciation	(6,899)	-
	<u>513,101</u>	<u>520,000</u>
Office plant and equipment		
Cost	262,708	186,386
Accumulated depreciation	(185,024)	(157,048)
	<u>77,684</u>	<u>29,338</u>
Motor vehicles		
Cost	88,000	88,000
Accumulated depreciation	(20,560)	(11,283)
	<u>67,440</u>	<u>76,717</u>
Computer equipment		
Cost	319,823	300,736
Accumulated depreciation	(190,717)	(138,979)
	<u>129,106</u>	<u>161,757</u>
Total property, plant and equipment	<u>787,331</u>	<u>787,812</u>

Reconciliations of the carrying value for each class of property, plant and equipment are set out below:

	Freehold Land & Buildings	Office plant & equipment	Motor vehicles	Computer equipment	Total
	\$	\$	\$	\$	\$
<b>2018</b>					
Balance at beginning of year	520,000	29,338	76,717	161,757	787,812
Additions	-	76,322	-	19,087	95,409
Disposals	-	-	-	-	-
Revaluations	-	-	-	-	-
Depreciation	(6,899)	(27,976)	(9,277)	(51,738)	(95,890)
<b>Balance at end of year</b>	<b>513,101</b>	<b>77,684</b>	<b>67,440</b>	<b>129,106</b>	<b>787,331</b>

## NOTES TO THE FINANCIAL REPORT

### 6. OTHER NOTES (CONTINUED)

#### 6.2. Property, plant and equipment (continued)

	Freehold Land & Buildings	Office plant & equipment	Motor vehicles	Computer equipment	Total
	\$	\$	\$	\$	\$
<b>2017</b>					
Balance at beginning of year	610,799	35,028	43,900	26,991	716,718
Additions	-	9,341	44,100	165,523	218,964
Disposals	-	-	-	-	-
Revaluations	(79,328)	-	-	-	(79,328)
Depreciation	(11,471)	(15,031)	(11,283)	(30,757)	(68,542)
<b>Balance at end of year</b>	<b>520,000</b>	<b>29,338</b>	<b>76,717</b>	<b>161,757</b>	<b>787,812</b>

The freehold land and buildings consists of an office property in Kalgoorlie, Australia. Management determined that this constitutes a single class of asset under AASB 13, based on the nature, characteristics and risk of the property. The Company's land and buildings were valued in June 2017 by an independent licensed valuer. Fair value was determined on the basis of capitalising a fair net rental and comparable sales method (Fair Value Hierarchy 3). At the time of valuation there were limited recent market sales of a similar style and aged style of improvements; however the most comparable sales were used to confirm the valuation determined by calculating a fair net rental. Significant unobservable valuation inputs:

Fair net rental      \$58,190 per annum

Capitalisation Rate: 10.5%

A significant increase (decrease) in estimated fair net rental in isolation would result in a significantly higher (lower) value. A significant increase (decreases) in estimated capitalisation rate in isolation would result in a significantly lower (higher) value. The revaluation adjustment net of applicable deferred income taxes was debited to an asset revaluation reserve in shareholders' equity. The Company has reviewed the fair value at 30 June 2018 and has assessed the existing carrying amount is reflective of fair value.

#### Recognition and measurement

Each class of property, plant and equipment is carried at cost or fair value less, where applicable, any accumulated depreciation and impairment losses.

#### Property

Freehold land and buildings are shown at their fair value (being the amount for which an asset could be exchanged between knowledgeable willing parties in an arm's length transaction), based on periodic valuations by external independent valuers, less subsequent depreciation for buildings. Valuations are performed with sufficient frequency to ensure that the fair value of a revalued asset does not differ materially from its carrying amount. A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

Increases in the carrying amount arising on revaluation of land and buildings are recorded in other comprehensive income and credited to a revaluation reserve in shareholders' equity. Decreases that offset previous increases of the same asset are charged against fair value reserves directly in equity; all other decreases are charged to the profit and loss.

## NOTES TO THE FINANCIAL REPORT

### 6. OTHER NOTES (CONTINUED)

#### 6.2. Property, plant and equipment (continued)

##### *Plant and Equipment*

Plant and equipment are measured on the cost basis less depreciation and impairment losses. The carrying amount of plant and equipment is reviewed annually by directors to ensure it is not in excess of the recoverable amount from these assets. The recoverable amount is assessed on the basis of the expected net cash flows that will be received from the assets employment and subsequent disposal. The expected net cash flows are discounted to their present values in determining recoverable amounts.

The cost of fixed assets constructed within the economic entity includes the cost of materials, direct labour, borrowing costs and an appropriate proportion of fixed and variable overheads.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the company and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the statement of comprehensive income during the financial period in which they are incurred.

##### *Depreciation*

The depreciable amount of all fixed assets including building and capitalised lease assets, but excluding freehold land, is depreciated on a straight-line basis over their useful lives to the economic entity commencing from the time the asset is held ready for use. Leasehold improvements are depreciated over the shorter of either the unexpired period of the lease or the estimated useful lives of the improvements.

The depreciation rates used for each class of depreciable assets are:

<i>Class of fixed asset</i>	<i>Depreciation rate</i>	<i>Method of Depreciation</i>
Office plant and equipment	15-33%	Straight-line
Motor vehicles	12.5%	Straight-line
Computer equipment and programs	20-50%	Straight-line

The assets' residual values and useful lives are reviewed and adjusted if appropriate, at each reporting date. 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 the carrying amount. These gains or losses are included in the statement of comprehensive income. When revalued assets are sold, amounts included in the revaluation reserve relating to that asset are transferred to retained earnings.

#### 6.3 Intangible assets

	2018 \$	2017 \$
Computer software		
Cost	2,070,403	960,372
Accumulated amortisation	(121,614)	(510,205)
	<u>1,948,789</u>	<u>450,167</u>
Movements		
Balance at beginning of the year	450,167	225,524
Additions	1,554,868	440,584
Impairment	-	-
Disposals	-	-
Amortisation	(56,246)	(215,941)
Balance at end of the year	<u>1,948,789</u>	<u>450,167</u>

## NOTES TO THE FINANCIAL REPORT

### 6. OTHER NOTES (CONTINUED)

#### Recognition and measurement

Costs incurred in acquiring software and licenses that will contribute to future period financial benefits through revenue generation and/or cost reduction are capitalised to computer software. Costs capitalised include external direct costs of materials, service, consultants spent on the project and internal costs of employees directly engaged in delivering the project. For software in the course of development, amortisation commences once development is complete and the software is in use. Amortisation is calculated on a straight-line basis over periods generally ranging from 3 to 10 years.

#### 6.4 Creditors and other payables

	2018	2017
	\$	\$
Payables and accrued expenses	1,042,206	633,832
	<u>1,042,206</u>	<u>633,832</u>

#### Recognition and measurement

Liabilities for trade creditors and other amounts are non-interest bearing and carried at cost, which is the fair value of the consideration to be paid in the future for goods and services received, whether or not billed to the Company. The terms and conditions for creditors and other liabilities are payable between 7 and 30 days.

#### 6.5 Provisions

Employee entitlements		
Current	253,003	209,276
Non-current	30,090	16,506
	<u>283,093</u>	<u>225,782</u>

#### Recognition and measurement

Provision is made for the Company's liability for employee benefits arising from services rendered by employees to the reporting date. Employee benefits that are due to be settled within one year have been measured at the amounts expected to be paid when the liability is settled, plus related on-costs. Employee benefits payable later than one year have been measured at the present value of the estimated future cash outflows to be made for those benefits. Contributions are made by the Company to the employee superannuation funds and are charged as expenses when incurred.



## NOTES TO THE FINANCIAL REPORT

### 6. OTHER NOTES (CONTINUED)

#### 6.6 Related Party Disclosures

Goldfields Money Limited is wholly owned by its equity holders. The Company does not have any material subsidiaries, associates or joint ventures.

Information regarding individual Directors and Executive compensation and some equity instrument disclosures as required by the Corporations Regulation 2M.3.03 is provided in the Remuneration Report section of the Directors' report. Disclosure of the compensation and other transactions with key management personnel (KMP) is required pursuant to the requirements of Australian Accounting Standard AASB 124 Related Party Disclosures. The KMP of the Company comprises the Non-Executive Directors and Executives.

##### 6.6.1 Key Management Personnel (KMP):

The aggregate compensation of KMP during the year comprising amounts paid or payable or provided for was as follows:

	2018 \$	2017 \$
Short term employee benefits	1,088,825	1,002,832
Post-employment benefits	89,565	81,964
Other long-term benefits	239,513	81,139
	<u>1,417,903</u>	<u>1,164,934</u>

In the above table, remuneration shown as short term benefits means (where applicable) wages, salaries and other contributions, paid annual leave and paid sick leave, and bonuses, value of fringe benefits received, but excludes out of pocket expense reimbursements.

##### 6.6.2 KMP Share-Based Payments

Shareholders of the Company approved the Goldfields Money Equity Incentive Plan ("the Plan") at the 2016 Annual General Meeting. Pursuant to the terms of the Plan, executives and employees may be offered performance rights that entitle the executive to the Company delivering fully paid ordinary shares, either issued by the Company or acquired on market at the election of the Board. Additionally, the Plan enables the Company to grant fully paid ordinary shares to employees from time to time.

##### *Performance rights*

- On 3 February 2017, 40,000 performance rights were granted to Mr Simon Lyons in recognition of his performance for the year ended 30 June 2016 ('FY16 Bonus'). These performance rights grant Mr Lyons the opportunity to be granted 40,000 ordinary shares in the Company subject to Mr Lyons remaining in service for a period of 12 months from the grant date;
- On 9 February 2017, 1,700,000 performance rights were granted to executives in accordance with the terms of the Goldfields Money Equity Incentive Plan (GMEIP);
- On 30 October 2017, 200,000 performance rights were granted to two executives and two employees in recognition of their performance for the year ended 30 June 2017 ('FY17 Bonus'). These performance rights vest subject to the employees remaining employed by the Company until 1 July 2020.

## NOTES TO THE FINANCIAL REPORT

### 6. OTHER NOTES (CONTINUED)

#### 6.6 Related Party Disclosures (continued)

##### 6.6.2 KMP Share-Based Payments (continued)

- a) The fair value of the FY16 Bonus performance rights of \$40,600 was determined with reference to the share price on the grant date of \$1.015. The fair value of the grant was recognised over the 12 month vesting period. The amount recognised in profit and loss for the year ended 30 June 2018 in relation to these performance rights was \$25,452 (2017: \$15,148).
- b) The fair value of the GMEIP performance rights has been measured using a Monte Carlo simulation. The inputs used in the measurement of the fair values at grant date of the GMEIP performance rights is summarised below.

The key terms and conditions related to the grants under the GMEIP are as follows; all performance rights are to be settled by the physical delivery of shares.

The GMEIP rights expire on the earlier of their expiry date or termination of the individual's employment. In addition to continuing service with the company, vesting is conditional upon certain additional conditions being met as follows:

- 33.33% of performance rights issued to participants may vest upon the Company obtaining an ASX Market Capitalisation of \$30 million and subject to the ASX Market Capitalisation exceeding the Company's Net Tangible Assets by 5%
- 33.33% of performance rights issued to participants may vest upon the Company obtaining an ASX Market Capitalisation of \$45 million and subject to the ASX Market Capitalisation exceeding the Company's Net Tangible Assets by 5%
- 33.34% of performance rights issued to participants may vest upon the Company obtaining an ASX Market Capitalisation of \$60 million and subject to the ASX Market Capitalisation exceeding the Company's Net Tangible Assets by 5%, or upon the Company being designated a "Bank" under the Banking Act 1959 (Cth), whichever occurs first

The inputs used in the measurement of the fair values at grant date of the GMEIP performance rights were as follows:

Fair value at grant date	\$0.2613 to \$0.7830
Share price at grant date	\$1.02
Exercise price	Nil
Expected volatility	31.54%
Expected dividends	Nil
Risk free interest rate (based on government bonds)	2.13%

The amount recognised in profit and loss for the period ended 30 June 2018 in relation to the GMEIP performance rights was \$185,208 (2017: \$71,546).

- c) The fair value of the FY17 Bonus performance rights of \$236,000 was determined with reference to the share price on the grant date of \$1.18. The fair value of the grant is being recognised over the 32 month vesting period. The amount recognised in profit and loss for the year ended 30 June 2018 in relation to these performance rights was \$58,878.

## NOTES TO THE FINANCIAL REPORT

### 6. OTHER NOTES (CONTINUED)

#### 6.6 Related Party Disclosures (continued)

##### 6.6.2 KMP Share-Based Payments (continued)

###### *Equity settled shares*

On 22 December 2017, 7,000 fully paid ordinary shares were issued to several employees in connection with their performance for the year ended 30 June 2017. The shares will be held in escrow and released to the employees subject to their continued service until 1 July 2020. The fair value of the shares issued is \$1.00 per share and the fair value of \$7,000 is being recognised over the vesting period until 30 June 2020. The amount recognised in profit and loss for the year ended 30 June 2018 in relation to these shares was \$1,226.

###### **Recognition and measurement**

The grant date fair value of equity-settled share-based payment arrangements granted to employees is generated recognised as an expense with a corresponding increase in equity over the vesting period of the awards. The amount recognised is adjusted to reflect the number of awards for which the related service and non-market performance conditions are expected to be met, such that the amount ultimately recognised is based on the awards that meet the related service and non-market performance conditions at the vesting date.

##### 6.6.2 Transactions with KMP

The Company's policy for lending to Directors and management is that all loans are approved and deposits accepted on the same terms and conditions that applied to the general public for each class of loan or deposit. There are no loans that are impaired in relation to the loan balances with Directors or other KMPs.

Details of loans provided to KMP are detailed in the remuneration report and in sections 6.6.7 and 6.6.9 below. No loans provided to KMP were impaired at reporting date.

The Company's policy for receiving deposits from KMP is that all transactions are approved and deposits accepted on the same terms and conditions that applied to the general public for each type of deposit.

	2018	2017
	\$	\$
Total value term and savings deposits from KMP at reporting date	97,944	60,861
Total interest paid/payable on deposits to KMP	5,752	66

##### 6.6.3 Transactions with other related parties

Other transactions between related parties include deposits from Director related entities or close family members of Directors, and other KMP. The Company's policy for receiving deposits from related parties is that all transactions are approved and deposits accepted on the same terms and conditions that applied to customers for each type of deposit. There are no benefits paid or payable to the close family members of the KMP.

## NOTES TO THE FINANCIAL REPORT

### 6. OTHER NOTES (CONTINUED)

#### 6.6 Related Party Disclosures (continued)

##### 6.6.4 Firstmac deposit distributions and loan purchases

Goldfields Money has entered into several commercial agreements with Firstmac Limited and its subsidiaries ("Firstmac"). Firstmac is considered a related party by virtue of Mr James Austin's position as an officer of Firstmac and his role as a Non-Executive Director of Goldfields Money Limited until 23 October 2017.

The arrangements cover distribution of deposit products by Firstmac and issued by Goldfields Money Limited to Firstmac customers as well as the assignment of loans and advances from Firstmac to Goldfields Money. Under these arrangements, Firstmac receives fees for origination and services rendered. The terms of the commission are equivalent to those that prevail in arm's length transactions.

The following table provides the total amount of transactions which have been entered into with Firstmac during the period that Mr Austin was a Non-Executive Director, as well as balances with Firstmac at balance date:

	2018 \$	2017 \$
Commissions and fees paid/payable during year	52,486	100,748
Amounts payable at 23 October 2017	12,548	Not applicable
Amounts payable at balance date	Not applicable	11,833

The amounts shown at balance date have not been assessed as impaired.

In addition to above, the Company has accepted term deposits from Firstmac High Livez Fund. The manager of the Firstmac High Livez Fund is Firstmac Limited. The deposits accepted are at the same conditions and rates available to all customers.

The following table provides a summary of transactions which have been entered into with Firstmac High Livez during the the period that Mr Austin was a Non-Executive Director, as well as balances with Firstmac at balance date:

	2018 \$	2017 \$
Interest paid/payable	74,579	126,686
Deposits owing at 23 October 2017	7,000,000	Not applicable
Deposits owing at balance date (excluding accrued interest)	Not applicable	6,200,000

##### 6.6.5 Pioneer Credit Personal Loans

Goldfields Money has entered into a commercial agreements with Pioneer Credit Limited and its subsidiaries ("Pioneer"). Pioneer is considered a related party by virtue of Mr Keith John's position as an officer of that Company and his role as a Non-Executive Director of Goldfields Money Limited until 12 March 2018.

Loan products offered by Pioneer and issued by Goldfields Money are not held by Pioneer, they are held by unrelated customers and interest payments are paid by its customers.

## NOTES TO THE FINANCIAL REPORT

### 6. OTHER NOTES (CONTINUED)

#### 6.6 Related Party Disclosures (continued)

##### 6.6.5 Pioneer Credit Personal Loans (continued)

The following table provides the total amount of transactions which have been entered into with Pioneer during the period that Mr John was a Non-Executive Director, as well as balances with Pioneer at balance date:

	2018	2017
	\$	\$
Commissions and fees paid/payable during year	19,310	711
Amounts payable at 12 March 2018	-	Not applicable
Amounts paid or payable at balance date	Not applicable	405

##### 6.6.6 Sphere Legal

Sphere Legal is a subsidiary of Pioneer Credit and provides legal services to Goldfields Money, predominantly in relation to loan settlements.

The following table provides the total amount of transactions which have been entered into with Sphere Legal during the year, as well as balances with Sphere Legal at balance date:

	2018	2017
	\$	\$
Legal fees paid/payable during year	37,550	26,511
Amounts payable at 12 March 2018	2,729	Not applicable
Amounts paid or payable at balance date	Not applicable	3,080

##### 6.6.7 Avy Nominees Pty Ltd

During the period that Mr Keith John was a Non-Executive Director, the Company paid \$40,483 (2017: \$49,070) to Avy Nominees Pty Ltd in relation to leased premises. Mr John is a beneficiary of The John Family Primary Investments Trust and the sole Director and Secretary of Avy Nominees Pty Ltd, which is trustee of The John Family Primary Investments Trust. The amount paid excludes variable outgoings and management fees.

##### 6.6.8 Derek La Ferla- Lavan Legal

Mr La Ferla was elected as a non-executive director in November 2015. Currently, Mr La Ferla is a Partner with Western Australian firm, Lavan Legal which payments for legal services have been made on normal commercial terms.

	2018	2017
	\$	\$
Legal services paid/payable during year to Lavan Legal	364,550	40,729
Amounts owing/payable at balance date	14,799	9,000

## NOTES TO THE FINANCIAL REPORT

### 6. OTHER NOTES (CONTINUED)

#### 6.6 Related Party Disclosures (continued)

##### 6.6.9 John Kolenda – Finsure Holding Pty Ltd

Mr Kolenda was appointed as a non-executive director on 13 March 2018. Mr Kolenda is the Chairman and major shareholder of Finsure Holding Pty Ltd (Finsure), a mortgage aggregation and broking firm. The Company provided a secured loan of \$3,100,000 to Finsure on 31 January 2018 to assist with the acquisition of a mortgage trail portfolio.

	2018 \$	2017 \$
Interest received for the period of 13 March 2018 to balance date	97,683	-
Amounts owing/payable at balance date	2,892,973	-

#### 6.7 Auditor's remuneration

	2018 \$	2017 \$
Auditors of the Company - KPMG		
<i>Audit and review services</i>		
- Audit and review of the financial statements	75,000	-
- Regulatory audit services	45,000	-
Total audit and assurance services	120,000	-
<i>Other services</i>		
Transaction due diligence and advisory	100,000	-
Other advisory services	6,765	-
Total non-audit and assurance services	106,765	-
Auditors of the Company - RSM Australia Partners		
<i>Audit and review services</i>		
- Audit and review of the financial statements	-	68,450
- Regulatory audit services	-	25,025
Total audit and assurance services	-	93,475
<i>Other services</i>		
Tax compliance	-	5,000
Total non-audit and assurance services	-	5,000

RSM Australia Partners previously held the position of auditor to the Company. Following a competitive tender process, KPMG was recommended to shareholders, and the appointment was ratified at the 2017 Annual General Meeting.

#### 6.8 Standby borrowing facilities

The Company has an overdraft facility of \$1,200,000 (2017: \$1,200,000) with CUSCAL Ltd which is secured by a cash deposit. As at 30 June 2018, the entire facility was unused (2017: \$nil).

## NOTES TO THE FINANCIAL REPORT

### 6. OTHER NOTES

#### 6.9 Material service contracts

The Company has service contracts with and is economically dependent upon the following suppliers:

- (a) CUSCAL Ltd  
CUSCAL provides central banking services, chequing services, card services, settlement services, and maintains the applications software used by the Company. This company operates the switching facilities used to link Redicards operated through rediATMs, and other approved electronic funds transfer suppliers, to the Company's core banking system.
- (b) The System Works Group (TSWG)  
This company, an Integrated Data Processing Centre, provided and maintained the computer mainframe hardware utilised by the Company to host the Company's Core Banking System and Internet Banking application, as well as providing hosted desktop management systems.
- (c) Temenos Australia Pty Ltd  
Temenos provides the Company's new T24 software as a service (SaaS) based Core Banking System which is used to record and maintain customer balances as well as providing Internet Banking and Mobile Banking applications.

#### 6.10 Segment information

For management purposes, the Company is organised into one main business segment, which is the provision of financial products and services. All of the Company's activities are interrelated, and each activity is dependent on the others. Accordingly, all significant operating decisions are based upon analysis of the Company as one segment. The financial results from this segment are equivalent to the financial statements of the Company as a whole. The Company operated in one geographical segment being Australia. The Company does not have any major customers which comprise more than 10% of revenue.

#### 6.11 Commitments and contingencies

(a)	Capital expenditure commitments	2018 \$	2017 \$
	Core banking system replacement	162,000	140,800
(b)	Outstanding loan commitments		
	Loans approved but not advanced	4,634,272	7,096,671
	Loan funds available for redraw	6,783,642	7,209,198
		11,417,914	14,305,869
(c)	Outstanding overdraft commitments		
	Overdraft facilities approved but not disbursed	648,743	955,592
(d)	Lease commitments		

The Company has obligations under the terms of these leases of its office premises for terms of up to 3 years, there are contractual options to extend the leases. Lease payments are payable in advance by equal monthly instalments due on the 1st day of each month. Future minimum rentals payable under non-cancellable operating leases as at 30 June 2018 are as follows:

## NOTES TO THE FINANCIAL REPORT

### 6. OTHER NOTES

#### 6.11 Commitments and contingencies (continued)

	2018 \$	2017 \$
Due not later than one year	63,535	68,923
Due later than one year and not later than five years	28,000	81,713
	<u>91,535</u>	<u>150,636</u>

#### Recognition and measurement

Transactions are classified as contingent liabilities where the Company's obligations depend on uncertain future events and principally consist of obligations to third parties.

Items are classified as commitments where the Company has irrevocably committed itself to future transactions. These transactions will either result in the recognition of an asset or liability in future periods.

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at the inception date. The arrangement is assessed for whether fulfilment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset or assets, even if that right is not explicitly specified in an arrangement.

#### *Company as a lessee*

Operating lease payments are recognised as an operating expense in the statement of comprehensive income on a straight-line basis over the lease term.

#### 6.12 Events subsequent to balance date

On 6 August 2018, the Company dispatched the Notice of Meeting and Explanatory Memorandum advising shareholders of a General Meeting to be held on 7 September 2018. Shareholders will be requested to vote in favour of the acquisition of Finsure Holding Pty Ltd (and its controlled entities) for consideration of 40,750,000 fully paid ordinary shares and approve a capital raising of between \$15.3 million and \$20.0 million.

No other matters or circumstances of a material nature have arisen since the end of the financial year which in the opinion of the Directors significantly affected or may significantly affect the operations of the Company, the results of the operations or the state of affairs of the Company in future financial years.



## NOTES TO THE FINANCIAL REPORT

### 7. ACCOUNTING POLICIES AND NEW STANDARDS

#### 7.1 Accounting policies not described elsewhere in this financial report

- (i) **Borrowings**  
All loans and borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in the statement of comprehensive income over the period of the loans and borrowings using the effective interest method.
- (ii) **Goods and services tax (GST)**  
Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Tax Office. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the statement of financial position are shown inclusive of GST.

Cash flows are presented in the cash flow statement on a gross basis, except for the GST component of investing and financing activities, which are disclosed as operating cash flows.

- (iii) **Impairment of property, plant and equipment**  
At each reporting date, the Company reviews the carrying values of its tangible and intangible assets to determine whether there is any indication that those assets have been impaired. If such an indication exists, the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, is compared to the asset's carrying value. Any excess of the asset's carrying value over its recoverable amount is expensed to the statement of comprehensive income. Where it is not possible to estimate the recoverable amount of an individual asset, the company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

#### 7.2 New accounting standards adopted in current period

Australian Accounting Standards and Interpretations effective from the beginning of the current reporting period and their impact upon this financial report are as follows:

Reference	Title	Summary
AASB 2016-1	<i>Amendments to Australian Accounting Standards – Recognition of Deferred Tax Assets for Unrealised Losses</i>	The amendments clarify that the existence of a deductible temporary difference depends solely on a comparison of the carrying amount of an asset and its tax base at the end of the reporting period, and is not affected by possible future changes in the carrying amount or expected recovery of the asset. This standard has not had a material effect on the amounts recognised and disclosed.
AASB 2016-2	<i>Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 107</i>	The amendments mandate additional disclosures to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes. This standard has not had a material effect on the disclosures in this financial report.
AASB 2017-2	<i>Amendments to Australian Accounting Standards – Further Annual Improvements 2014-2016 Cycle</i>	The amendments provide further clarification of the scope of AASB 12. This standard has not had a material effect on the disclosures in this financial report.

## NOTES TO THE FINANCIAL REPORT

### 7. ACCOUNTING POLICIES AND NEW STANDARDS (CONTINUED)

#### 7.3 New accounting standards for application in future periods

A number of Australian Accounting Standards and Interpretations that have been issued or amended but are not yet effective have not been adopted by the Company for the annual reporting period ended 30 June 2018. The effect of these new or amended Accounting Standards is expected to give rise to additional disclosures and new policies being adopted.

Reference	Title	Summary	Application date of standard	Application date for Company
AASB 9	<i>Financial Instruments</i> (December 2014)	AASB 9 replaces AASB 139 <i>Financial Instruments: Recognition and Measurement</i> and provides revised guidance on the classification and measurement of financial assets and liabilities, impairment measurement and hedge accounting requirements.	1 January 2018	1 July 2018
AASB 2014-7	Amendments to Australian Accounting Standards arising from AASB 9 (December 2014)	<p><i>Classification</i></p> <p>AASB 9 contains a new classification and measurement approach for financial assets that reflects the business model in which assets are managed and their cash flow characteristics. AASB 9 includes three principal classification categories for financial assets: measured at amortised cost, fair value through other comprehensive income (FVOCI) and fair value through profit or loss (FVTPL). These replace the existing categories of held to maturity, loans and receivables and available for sale.</p> <p>A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as FVTPL:</p> <ul style="list-style-type: none"> <li>- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and</li> <li>- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the amount outstanding.</li> </ul> <p><b>The Company is yet to finalise the business model assessment.</b></p> <p>On initial recognition of an equity investment that is not held for trading, the Company may irrevocably elect to present subsequent changes in fair value in other comprehensive income. This election is made on an investment by investment basis, and to the extent an equity investment is not designated as FVOCI, it will be recognised at FVTPL.</p> <p><b>The Company's existing equity investment (designated as available for sale financial asset under AASB 139) will be recognised at FVOCI.</b></p>		

## NOTES TO THE FINANCIAL REPORT

### 7. ACCOUNTING POLICIES AND NEW STANDARDS (CONTINUED)

#### 7.3 New accounting standards for application in future periods (continued)

Reference	Title	Summary	Application date of standard	Application date for Company
AASB 9 (continued)	<i>Financial Instruments</i> (December 2014)	<i>Impairment measurement</i> AASB 9 replaces the "incurred loss" model in AASB 139 with a forward looking "expected credit loss" (ECL) model. This will require considerable judgement over how changes in economic factors affect ECLs, which will be determined on a probability basis.		
AASB 2014-7 (continued)	Amendments to Australian Accounting Standards arising from AASB 9 (December 2014)	<p>AASB 9 requires a loss allowance to be recognised at an amount equal to either 12-month ECLs or lifetime ECLs. Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument, whereas 12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date.</p> <p><b>The Company will recognise loss allowances at an amount equal to lifetime ECLs, except for debt investment securities that are determined to have a low credit risk at the reporting date, and other financial instruments for which credit risk has not increased significantly since initial recognition for which the loss allowance will be based on 12 month ECLs</b></p> <p>Under AASB 9, the Company will consider a financial asset to be in default when:</p> <ul style="list-style-type: none"> <li>- the borrower is unlikely to repay their credit obligations to the Company in full, without recourse by the Company to actions such as realising security (if any is held); or</li> <li>- the borrower is more than 90 days past due on any material credit obligation. Overdrafts are considered past due once the customer has breached an advised limit.</li> </ul> <p><b>Financial assets that are credit-impaired are therefore defined by AASB 9 in a similar way to financial assets that are impaired under AASB 139.</b></p> <p>When determining whether the credit risk (i.e. risk of default) on a financial instrument has increased significantly since initial recognition, the Company will consider reasonable and supportable information that is relevant and available without undue cost or effort, including both quantitative and qualitative information and analysis based on the Company's historical experience and expert credit assessment.</p>		

## NOTES TO THE FINANCIAL REPORT

### 7. ACCOUNTING POLICIES AND NEW STANDARDS (CONTINUED)

#### 7.3 New accounting standards for application in future periods (continued)

Reference	Title	Summary	Application date of standard	Application date for Company
AASB 9 (continued)  AASB 2014-7 (continued)	<i>Financial Instruments</i> (December 2014)  Amendments to Australian Accounting Standards arising from AASB 9 (December 2014)	<p>The key inputs into the measurement of ECLs are likely to be the term structures of the following variables;</p> <ul style="list-style-type: none"> <li>- provability of default (PD);</li> <li>- loss given default (LGD); and</li> <li>- exposure at default (EAD).</li> </ul> <p>These parameters will be derived from internally developed statistical models and other historical data that leverage regulatory models. They will be adjusted to reflect forward-looking information. For loans secured by residential and commercial property, loan to valuation ratios are likely to be a key parameter in determining LGD. LGD estimates will be adjusted for changes in economic cycles, and the expected impact on LVR outcomes. They will be calculated on a discounted cash flow basis using the effective interest rate as the discounting factor.</p> <p>The Company has not yet completed its model which will be used to determine ECL provisions. The ECL approach will however likely lead to future volatility in profit or loss.</p> <p><i>Disclosures</i></p> <p>AASB 9 will require extensive new disclosures, which will be incorporated into future period financial reports.</p>		
AASB 15  AASB 2014-5 AASB 2015-8 AASB 2016-3	<i>Revenue from Contracts with Customers</i>  Amendments to Australian Accounting Standards arising from AASB 15	<p>The standard contains a single model that applies to contracts with customers and two approaches to recognising revenue: at a point in time or over time. The model features a contract-based five-step analysis of transactions to determine whether, how much and when revenue is recognised.</p> <p>The Company's assessment is the adoption of this standard will not have a material impact on the timing or amounts recognised in the Company's financial report, however it will result in new disclosures, which will be incorporated into future period financial reports.</p>	1 January 2018	1 July 2018

## NOTES TO THE FINANCIAL REPORT

### 7. ACCOUNTING POLICIES AND NEW STANDARDS (CONTINUED)

#### 7.3 New accounting standards for application in future periods (continued)

Reference	Title	Summary	Application date of standard	Application date for Company
AASB 16	<i>Leases</i>	<p>AASB 16 removes the classification of leases as either operating leases or finance leases – for the lessee – effectively treating all leases as finance leases.</p> <p>Short-term leases (less than 12 months) and leases of low-value assets (such as personal computers) are exempt from the lease accounting requirements.</p> <p>Upon adoption of the standard, the Company will recognise a lease asset and corresponding lease liability.</p> <p>There are also changes in accounting over the life of the lease. In particular, companies will now recognise a front-loaded pattern of expense for most leases, even when they pay constant annual rentals as a result of the amortisation of the lease asset and financing expense recognised on the lease liability.</p> <p>It is not possible to quantify the impact of the adoption of this standard as the material proportion of the Company's operating leases expire prior to the implementation date, and the Company is yet to formalise new or extended lease arrangements.</p>	1 January 2019	1 July 2019
AASB 2016-5	<i>Amendments to Australian Accounting Standards – Classification and Measurement of Share-based Payment Transactions</i>	<p>The amendments clarify:</p> <ul style="list-style-type: none"> <li>- cash-settled share-based payments should be measured using the same approach as for equity-settled share-based payments – i.e. the modified grant date method</li> <li>- classification of share-based payments settled net of tax withholdings and</li> <li>- accounting for a modification of a share-based payment from cash-settled to equity-settled.</li> </ul>	1 January 2018	1 July 2018

## DIRECTORS' DECLARATION

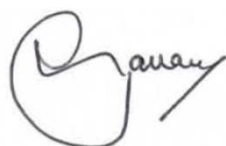
In accordance with a resolution of the Directors of Goldfields Money Limited, I state that:

1. In the opinion of the Directors:

- a. The financial statements and notes of Goldfields Money Limited for the financial year ended 30 June 2018 are in accordance with the Corporations Act 2001, including:
  - i. Giving a true and fair view of its financial position as at 30 June 2018 and performance for the financial year ended on that date;
  - ii. Complying with Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001.
- b. The financial statements and notes also comply with International Financial Reporting Standards as disclosed in Note 1.
- c. There are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

2. This declaration has been made after receiving the declarations required to be made to the Directors in accordance with section 295A of the Corporations Act 2001 for the financial year ended 30 June 2018.

On behalf of the board

A handwritten signature in dark ink, appearing to read 'G. Wallace', with a large, stylized initial 'G'.

Peter Wallace  
Director

29 August 2018

# Independent Auditor's Report

To the shareholders of Goldfields Money Limited

## Report on the audit of the Financial Report

### Opinion

We have audited the **Financial Report** of Goldfields Money Limited (the Company).

In our opinion, the accompanying Financial Report of the Company is in accordance with the *Corporations Act 2001*, including:

- Giving a true and fair view of the Company's financial position as at 30 June 2018 and of its financial performance for the year ended on that date; and
- Complying with *Australian Accounting Standards* and the *Corporations Regulations 2001*.

The **Financial Report** comprises:

- Statement of financial position as at 30 June 2018
- Statement of profit or loss, Statement of comprehensive income, Statement of changes in equity, and Statement of cash flows for the year ended 30 June 2018
- Notes including a summary of significant accounting policies
- Directors' Declaration.

### Basis for opinion

We conducted our audit in accordance with *Australian Auditing Standards*. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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 Company in accordance with the *Corporations Act 2001* and the ethical requirements of the *Accounting Professional and Ethical Standards Board's APES 110 Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the Financial Report in Australia. We have fulfilled our other ethical responsibilities in accordance with the Code.

## Key Audit Matters

The **Key Audit Matters** we identified are:

- Provision for impairment of Loans and Advances
- Information Technology systems and controls
- Off Balance Sheet Loans.

**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.

## Provision for impairment of Loans and Advances (\$239,719)

Refer to Note 3.2 to the Financial Report

The key audit matter	How the matter was addressed in our audit
<p>The specific and collective provision for impairment of loans and advances, is considered a key audit matter as:</p> <ul style="list-style-type: none"> <li>• the Company has significant credit exposure to a large number of customers through loans and advances;</li> <li>• the value of loans and advances on the balance sheet is significant.</li> <li>• the estimation of impairment provisions involves a high degree of complexity and judgment by the Company in estimating these provisions. The Company uses a model to calculate collective impairment provisions.</li> </ul> <p>This resulted in significant audit effort to address the risks around loan recoverability and adequacy of the impairment provision.</p>	<p>Our procedures included:</p> <ul style="list-style-type: none"> <li>• Testing a sample of credit risk monitoring controls, including key IT controls over reports on loan arrears and delinquencies.</li> <li>• Evaluating the Company's collective and specific provisioning methodology against established market practices and criteria in the accounting standards.</li> </ul> <p>For specific provisions</p> <ul style="list-style-type: none"> <li>• Performing credit assessments for a sample of large loans and comparing these against the Company's provision. We did this using our understanding of the macroeconomic environment in which the Company's customers operate and: <ul style="list-style-type: none"> <li>• assessing information in the Company's loan files for evidence of security and valuations of security;</li> <li>• inspecting correspondence with the borrower; and</li> <li>• inquiring with the Company.</li> </ul> </li> </ul> <p>For collective provisions</p> <ul style="list-style-type: none"> <li>• Understanding the Company's processes to validate the model used to calculate</li> </ul>



	<p>collective provisions and evaluating the Company's model methodologies against established market practices and criteria in the accounting standards.</p> <ul style="list-style-type: none"> <li>• Testing key inputs into the model by <ul style="list-style-type: none"> <li>• checking the completeness of data used in the model by comparing the total loan balance and the number of loans in the model to underlying source systems;</li> <li>• checking, for a sample of loans, the year end balances, repayment history and risk rating used in the model to source systems.</li> </ul> </li> <li>• Re-performing, for a sample of loan items, the computations of the collective provisions, and comparing our results to the model output.</li> <li>• Challenging key assumptions in the model such as probability of default and loss given default for a sample of loans. This was performed using our understanding of the macroeconomic environment in which the Company's customers operate, characteristics and risks of the loan portfolio and the Company's historic loss experience.</li> <li>• Assessed the accuracy of the Company's previous modelled estimates of the collective provision against actual losses incurred to inform our evaluation of the collective provision model.</li> <li>• Comparing the output of the Company's collective provision model with the collective provision recorded by the Company.</li> </ul>
--	--

Information Technology systems and controls	
The key audit matter	How the matter was addressed in our audit
<p>This is considered a key audit matter as:</p> <ul style="list-style-type: none"> <li>The operational and financial reporting activities of the Company are heavily dependent on Information Technology (IT) systems, specifically the core banking system and accounting system to record and process a high volume of transactions. This includes automated financial calculations and reconciliations. As a result, controls for access and changes to IT systems are critical to the recording of financial information and preparation of the financial report;</li> <li>The operation and maintenance of these IT systems are outsourced to various third party service providers; and</li> <li>The core banking and accounting systems were replaced during the year.</li> </ul> <p>This led to increased complexity and audit focus required to:</p> <ul style="list-style-type: none"> <li>test the effectiveness of controls for these IT systems throughout the year; and</li> <li>test the implementation of the new IT systems and migration of data from the old IT systems to new IT systems.</li> </ul> <p>Our audit approach could significantly differ depending on the effective operation of the Company's IT environment and controls.</p>	<p>Working with our IT specialists, our procedures included:</p> <ul style="list-style-type: none"> <li>Reading the reports issued by the auditors of the third party service providers (ASAE 3402 <i>Assurance Reports on Controls at a Service Organisation</i>) and evaluating the impact of the reports and relevant findings on our planned audit approach.</li> <li>Testing key controls for access rights given to staff and program changes to the IT systems.</li> <li>Testing operating effectiveness for a sample of controls over both the new and old core banking IT systems as follows: <ul style="list-style-type: none"> <li>automated calculation of financial transactions. This included testing the inputs in the calculation to source data as well as testing the calculation logic for a sample of transactions</li> <li>automated reconciliations between the core banking system and accounting system.</li> </ul> </li> <li>Assessing the data migration by comparing balances transferred to the new IT systems to the underlying database for the old and new IT systems.</li> <li>Checking reconciliation reports prepared by the Company for the data migration from the old IT system to the new IT system.</li> </ul>

## Off Balance Sheet Loans (\$43,004,471)

Refer to Note 3.3 to the Financial Report

The key audit matter	How the matter was addressed in our audit
<p>This is considered a key audit matter as:</p> <ul style="list-style-type: none"> <li>The Company has a Receivable Acquisition and Servicing Agreement (RASA) with a third party and it is the Company's policy for loans sold under this agreement to be derecognized from the Company's balance sheet</li> <li>The size of these loans are significant compared to the Company's balance sheet</li> <li>The accounting standard criteria for de-recognition of these loans are complex, judgmental and dependent upon a quantitative and qualitative assessment by the Company of the risks and rewards of these loans being largely transferred to the third party.</li> </ul> <p>This resulted in significant audit effort to address the risks and judgement for de-recognition of the loans. We focussed on the detailed contractual arrangements in place, the allocation of cash flows, and the expected credit losses associated with the quantitative and qualitative assessment of these loans.</p>	<p>Our procedures included:</p> <ul style="list-style-type: none"> <li>Reading the RASA to understand the key terms and conditions.</li> <li>Using senior team members who are experienced in similar transactions to assess the key terms of the RASA relating to the sale and servicing of the loans sold and the transfer of risks and rewards against the criteria of the accounting standards for de-recognition of financial assets.</li> <li>Assessing the actual and forecast cash flow calculations over the lifetime of the loans for allocation of cash flows and credit losses between the Company and the third party to evaluate the transfer of risks and rewards for these loans to the third party.</li> </ul>

## Other Information

Other Information is financial and non-financial information in Goldfields Money Limited's annual reporting which is provided in addition to the Financial Report and the Auditor's Report. The Directors are responsible for the Other Information.

Our opinion on the Financial Report does not cover the Other Information and, accordingly, we do not express an audit opinion or any form of assurance conclusion thereon, with the exception of the Remuneration Report and our related assurance opinion.

In connection with our audit of the Financial Report, our responsibility is to read the Other Information. In doing so, we 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.



We are required to report if we conclude that there is a material misstatement of this Other Information, and based on the work we have performed on the Other Information that we obtained prior to the date of this Auditor's Report we have nothing to report.

## **Responsibilities of the Directors for the Financial Report**

The Directors are responsible for:

- preparing the Financial Report that gives a true and fair view in accordance with *Australian Accounting Standards* and the *Corporations Act 2001*
- implementing necessary internal control to enable the preparation of a Financial Report that gives a true and fair view and is free from material misstatement, whether due to fraud or error
- assessing the Company's ability to continue as a going concern and whether the use of the going concern basis of accounting is appropriate. This includes disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

## **Auditor's responsibilities for the audit of the Financial Report**

Our objective is:

- 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 *Australian Auditing Standards* will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error. They 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 the 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 at:  
[http://www.auasb.gov.au/auditors\\_responsibilities/ar2.pdf](http://www.auasb.gov.au/auditors_responsibilities/ar2.pdf) This description forms part of our Auditor's Report.



## Report on the Remuneration Report

### Opinion

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

### Directors' 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 responsibilities

We have audited the Remuneration Report included in pages 12 to 21 of the Directors' report for the year ended 30 June 2018.

Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with *Australian Auditing Standards*.

KPMG

Maria Trinci  
Partner  
Perth  
29 August 2018

## ADDITIONAL ASX INFORMATION

Additional information required by the Australian Stock Exchange Ltd and not shown elsewhere in this report is as follows. The information is current as at 27 August 2018.

(a) Distribution of equity securities

Spread of holdings	Number of holders	Number of units	Percentage of total issued capital
1 - 1,000	51	29,697	0.115
1,001 - 5,000	1,606	3,859,554	14.898
5,001 - 10,000	49	383,850	1.482
10,001 - 100,000	112	3,659,870	14.127
100,001+	28	17,974,095	69.379
<b>TOTAL</b>	<b>1,846</b>	<b>25,907,066</b>	<b>100 %</b>

(b) Twenty largest holders of quoted equity securities

Rank	Shareholder	Number of units	Percentage of issued capital
1	AOYIN GROUP LIMITED	2,975,195	11.48
2	FIRSTMAC HOLDINGS LIMITED	2,757,521	10.64
3	ONE MANAGED INVT FUNDS LTD <AURA SPECIAL OPPTS FUND VIII>	2,752,145	10.62
4	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	1,696,512	6.55
5	LORD OF W HOLDINGS PTY LTD <SCHEBESTA FAMILY A/C>	1,570,000	6.06
6	CS THIRD NOMINEES PTY LIMITED <HSBC CUST NOM AU LTD 13 A/C>	1,150,000	4.44
7	MR WAYNE HOSKING + MISS BERNADETTE WILLIAMS <THE HOSKING SUPER FUND A/C>	1,040,000	4.01
8	GOLDFIELDS MONEY INVESTMENTS PTY LTD <GOLDFIELDS MONEY INVEST A/C>	450,000	1.74
9	SANTINO HOLDINGS PTY LTD <MARIA VAROLI SUPER FUND A/C>	436,600	1.69
10	B F A PTY LTD	378,709	1.46
11	QUOTIDIAN NO 2 PTY LTD	360,000	1.39
12	KEMAST INVESTMENTS PTY LTD <S/F NO 2 A/C>	350,000	1.35
13	SIMON PETER LYONS & JENNIFER CORAL LYONS	258,000	1.00
14	PARKFIELD BELLS PTY LTD	256,449	0.99
15	ALPHA INVESTMENT HOLDINGS PTY LTD <ALPHA INVESTMENT A/C>	241,687	0.93
16	PILGRIM PTY LTD <PILGRIM SUPER FUND A/C>	222,500	0.86
17	MR BRETT DONALD RICHARDS + MRS LINDA MARY RICHARDS <RICHARDS SUPER FUND A/C>	200,000	0.77
18	MR PETER BOYNE + MRS JUDITH KAYE BOYNE <BOYNE SUPER FUND A/C>	185,000	0.71
19	RIVERGLEN NOMINEES PTY LTD <BAIN FAMILY S/F A/C>	160,000	0.62
20	MR CHARLES ANTHONY MORGAN + MRS JILLIAN JANE MORGAN <MORGAN SUPER FUND A/C>	156,000	0.60
	<b>TOTAL</b>	<b>17,596,318</b>	<b>67.92</b>

(c) **Unlisted options**

4,500,000 options are held by 274 option holders. All the options are exercisable on or before 14 May 2019 at an exercise price of \$1.50 each. There are no voting rights attached to these options.

Rank	Shareholder	Number of units	Percentage of issued capital
1	JASPER HILL RESOURCES PTY LTD <SUPERANNUATION ACCOUNT>	175,000	0.97%
2	MR MICHAEL FRANK MANFORD <ATLO SUPER FUND A/C>	175,000	0.97%
3	TWO TOPS PTY LTD	175,000	0.97%
4	KINGSLANE PTY LTD <CRANSTON SUPERANNUATION A/C>	175,000	0.97%
5	KEMAST INVESTMENTS PTY LTD <S/F NO 2 A/C>	175,000	0.97%
6	WULURA INVESTMENTS PTY LTD <PJT SUPER FUND A/C>	175,000	0.97%
7	AVIEMORE CAPITAL PTY LTD	150,000	0.83%
8	NATIONAL NOMINEES LIMITED <DB A/C>	128,500	0.71%
9	FLUE HOLDINGS PTY LTD <BROMLEY SUPERANNUATION A/C>	125,000	0.69%
10	CRANPORT PTY LTD	100,000	0.56%
11	MR DAVID JOHN HOLDEN + DR EUN JUNG HOLDEN	100,000	0.56%
12	ROCKET SCIENCE PTY LTD <THE TROJAN CAPITAL FUND A/C>	100,000	0.56%
13	MARFORD GROUP PTY LTD	100,000	0.56%
14	FUTURE SUPER PTY LTD <JWS SUPER FUND A/C>	75,000	0.42%
15	MR MARK JOHN BAHEN + MRS MARGARET PATRICIA BAHEN <SUPERANNUATION ACCOUNT>	75,000	0.42%
16	MR DANIEL PAUL WISE <ARK INVESTMENTS A/C>	62,500	0.35%
17	OCEAN VIEW WA PTY LTD <DANIEL WISE SUPERFUND A/C>	62,500	0.35%
18	WARREN KALAJZICH NOMINEES PTY LTD <WARREN KALAJZICH NOM S/F A/C>	50,000	0.28%
19	TECCA PTY LTD <C & E RETIREMENT FUND A/C>	50,000	0.28%
20	MOOSEHEAD PTY LTD	50,000	0.28%
	<b>TOTAL</b>	<b>2,278,500</b>	<b>12.65</b>

(d) **Substantial shareholder(s)**

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

Rank	Shareholder	Number of units	Percentage of issued capital
1	AOYIN GROUP LIMITED	2,975,195	11.48
2	FIRSTMAC HOLDINGS LIMITED	2,757,521	10.64
3	ONE MANAGED INVT FUNDS LTD <AURA SPECIAL OPFS FUND VIII>	2,752,145	10.62