



Annual Report 2016

DirectMoney is a pioneer in the rapidly growing marketplace lending industry. It brings together borrowers and lenders through web-based technology to offer more attractive lending interest rates than the Big Four and to deliver Australians more financial choice.



- Marketplace/P2P consumer lending showed growth in 2015 as per the Cambridge Centre for Alt Finance’s *“Harnessing Potential – Asia Pacific Benchmarking Report”*.
- DirectMoney expects 2016 and 2017 will see far bigger loan volumes shared amongst the leading players in Australia as they take a piece of the \$90 billion consumer finance market.

Volumes (\$ mill) of marketplace/P2P consumer loans written on online platforms in Australia 2013 – 2017

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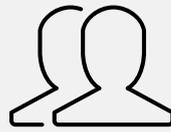
# Highlights

DIRECTMONEY LIMITED | ANNUAL REPORT 2016



**517 NEW LOANS**  
**\$11.2M**

**+77%** YOY



**~5,400 NEW APPLICANTS**  
**100% ONLINE**

**+30%** YOY



**\$1.2M REVENUE**  
**10% OF LOAN VOLUME**

**+171%** YOY



**DIRECTMONEY PERSONAL**  
**LOAN FUND**

**7.7%**  
return FY 2016



**ACCESS TO 5,000+ BROKERS**  
**500+ ACCREDITED BROKERS**

**50%**  
of loan volume



**LOW PROVISIONS**

**0.4%**  
against new 2016 loans

**The DirectMoney Personal Loan Fund has provided investors with a 7.7% return, net of fees and provisions, in the year ended 30 June 16.**

Assets under management are expected to increase significantly in the coming year as investors gain experience with the asset class.

### LOAN ASSETS UNDER MANAGEMENT

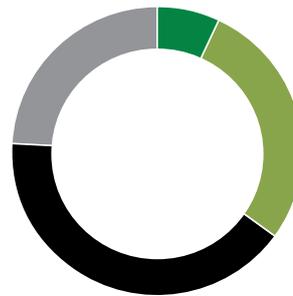
\$13.31 Million as of 30 June 2016



● DM Owned	\$7.21M
● DirectMoney Personal Loan Fund	\$0.66M
● Noteholders (Non-recourse)	\$1.00M
● Macquarie Bank	\$4.44M

### AGE GROUP

41% of borrowers in the 35-49 age group



● <25 Years	7%
● 25-34 Years	28%
● 35-49 Years	41%
● 50+ Years	24%

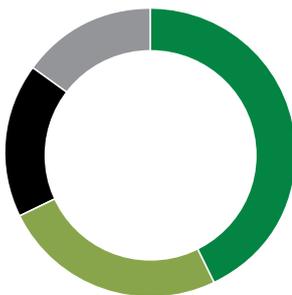
**Australians are borrowing approximately \$32 billion of debt on credit cards at interest rates above 17%\* and we think they can get a better deal.**

DirectMoney provides a debt consolidation personal loan for borrowers with excellent credit at rates from 9.95%.

\* Source: <https://www.moneysmart.gov.au/borrowing-and-credit/credit-cards/credit-card-debt-clock>

### LOAN PURPOSE

43% of loans written for Debt Consolidation



● Debt Consolidation	43%
● Housing	25%
● Vehicle	17%
● Others	15%



# Chairman's Review

DIRECTMONEY LIMITED | ANNUAL REPORT 2016



John Nantes, Executive Chairman

On behalf of the Board of Directors of DirectMoney Limited (DirectMoney) I am pleased to present the Annual Report for the financial year ended 30 June 2016. This was a year of significant investment and adaptation as a new, publicly listed fintech lender. We laid many of the foundations critical to the Company's success of applying advanced technology to offer borrowers and investors better financial deals, and we will continue to disrupt and create a new lending market ahead.

## VISION

We believe a technology-enabled marketplace can be a far more efficient mechanism to bring together borrowers and investors than the traditional banking system. There continues to be a large opportunity in Australia to disrupt the personal loan market with technology and provide borrowers and investors a better user experience and better financial outcomes. DirectMoney's vision is to become Australia's most respected and innovative marketplace lender and take a growing share of the \$90 billion unsecured consumer credit market and grow to having \$500+ million of loan assets under management.

## STRATEGY

DirectMoney's strategy throughout 2016 consisted of building market position by offering a simple, attractively priced unsecured personal loan product via both direct online and introducer channels, managed entirely using DirectMoney's proprietary, end-to-end technology platform. This strategy proved successful in producing quarter-on-quarter growth in loan volumes, lower "cost-per-settlement" and improved portfolio credit performance, highlighted by only 0.4% of loans written in the period needing to be provisioned for.

The Company also invested significant resources toward enhancing the **DirectMoney Personal Loan Fund**. The Fund buys eligible loans from DirectMoney, linking retail and wholesale investors with our borrowers and providing cash to the Company for new lending. Investors in the Fund have the comfort of the Fund having an experienced, independent Responsible Entity in place. One Investment Managed Funds Limited, which differentiates the Fund from others operating in the marketplace lending sector.

Matched against these achievements, the Company's timelines for establishing institutional loan funding facilities to support our ambitious loan growth targets have not been met.

After selling \$5 million of our loans to Macquarie Bank Limited in February 2016, negotiations with other financiers have been extended beyond the Company's initial timelines and remain ongoing. The Company's executive team continues to work intently with several key partners and we expect to close one or more loan sale facilities in Q4 2016.

During July 2016 the Board instituted a strategic review of the business, recognising the dynamic and competitive nature of the consumer lending business, the evolution of the fintech segment and the imperative to improve outcomes for the Company's shareholders. The strategic review is to consider:

- The optimal product offering that will best support the vision and our positioning in the Australian market place, short and long term;
- Our most appropriate organisational structure to enhance our capabilities, continue to manage business risk tightly and drive our growth initiatives;
- How to continually lead the disruption of lending practices to the betterment of our customers through technology, service and innovation; and
- The most appropriate remuneration and reward practices to make DirectMoney an employer of choice, aligning improved customer outcomes and profitability to shareholders with staff and Board key focusses and incentives.

As part of the review process and wanting to move as expediently as possible, the Board were pleased to announce the appointment of Anthony Nantes as CEO and Peter Beaumont as COO. The Board have confidence in both Anthony and Peter to further DirectMoney as a leading fintech lender and responsible finance services business. We look forward to presenting the outcomes of the review and you hearing directly from Anthony at the AGM in November 2016.

## FINANCIALS

In its first full year of operation DirectMoney earned revenue of \$1.2 million, up 171% over FY 2015. The Company's loss of \$8.8 million for FY 2016 reduced to \$4.7 million when allowing for non-operational costs associated with the July 2015 capital raising and reverse acquisition and fees to Macquarie Bank for loan funding.

The operating loss reflects \$5.8 million of expenses and the investment the Company has made in several key areas including developing its end-to-end technology platform, expanding the team to 20 staff and building an ecosystem of partners, marketing strategies and loan sales channels to drive loan growth.

The Company will continue to invest to grow our market presence, particularly in developing technology and mechanisms that further improve our customer experience and open up new channels through which to write personal loans.

Credit losses recognised from the \$11.2 million loans written in FY 2016 have been minimal at approximately \$40,000 which reflects the work done by the Company and lessons learned in 2014/2015.

The DirectMoney Personal Loan Fund had a successful year, returning 7.7% to investors after consideration of costs and credit provisions. DirectMoney earns a gross management fee of ~2.75% p.a. (pre GST). We shall continue to promote the benefits of the Fund and expect assets under management to grow substantially through the coming year.

A more detailed review of the Company's financial and operational performance is included in the Director's report of the Annual Report.

## CAPITAL MANAGEMENT

The Company raised \$11.3 million (before costs) in equity capital in July 2015 and raised \$5 million via the sale of loans to Macquarie Bank in Feb 2016. The proceeds were used for various purposes including lending to approved loan applicants, meeting costs of operations, repaying a \$1 million note backed by loans, marketing and continuing to enhance our technology platform.

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The Company will continue to invest to grow our market presence, particularly in developing technology and mechanisms that further improve our customer experience and open up new channels through which to write personal loans.

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## REVENUE

**\$1.2** million  
up 171% over FY 2015

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## NET ASSETS

**\$7.9** million

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# Chairman's Review continued

DIRECTMONEY LIMITED | ANNUAL REPORT 2016

At year end the Company had net assets of \$7.9 million including \$1.2 million of cash. Subsequent to year end 30 June 2016 the Company conducted a 1 for 2 non-renounceable entitlement issue to raise a further \$5.7 million (before costs). The Company continues to have no bank debt.

The Company requires significant loan funding and capital to achieve its immediate objective of writing \$100 million in personal loans. Throughout the past year the management team have been participating actively in due diligence with various financial institutions and negotiating the establishment of one or more of these facilities. Given we expect the DirectMoney Personal Loan Fund will take time to establish itself and become a large, steady buyer of

the Company's loans, establishing institutional loan sale facilities is the highest priority for the Company at present and we expect to close one or more loan sale facilities in Q4 2016.

## OUTLOOK

The Board believe that the appointment of Anthony Nantes as our new CEO, and retaining Peter Beaumont as our COO, provides our fintech business with an ideal executive lead that will allow us to enhance our technological capability and growth plans, while improving our operational excellence. The strategic review will direct our next phase of investment, and as we have done with the executive appointments, we will move fast where we can to make appropriate decisions that create shareholder benefit.

DirectMoney is intent on establishing the loan financing arrangements that allow the company to grow its business in a rapid and sustainable manner, and this remains our key priority for the board and the executive team. We would like to thank our shareholders, staff, customers and suppliers for their support during the past year. We look forward to achieving success with you all in the year ahead.



**John Nantes**  
Chairman



# Board of Directors



## JOHN NANTES

### Executive Chairman

LLB, B.Comm, B.A., Dip Financial Planning

Mr Nantes has over 20 years of experience in Financial Services. Prior to being the Chief Executive Officer of Adcock Private Equity Pty Ltd, Mr Nantes was Group Head of Financial Services at Crowe Horwath, which held over \$10 billion in funds under management and was Australia's largest SMSF provider with over 10,000 funds. Mr Nantes has also been the CEO of Prescott Securities, a Stockbroking and Financial Planning business managing over \$2 billion in FUM, as well as the CEO of WHK Eastern Victoria, an accounting and specialist tax business. Mr Nantes has also held various Senior Executive roles in St George Bank and Colonial State Bank across retail, private banking and wealth management. Mr Nantes is also currently a non-executive director and responsible manager for Cashwerkz Pty Ltd, a financial services company.



## STEPHEN PORGES

### Non-Executive Director

BSC Agr. U. Sydney; MBA, FAICD

Mr Porges was previously Chief Executive Officer of SAI Global and CEO of Aussie Home Loans from 2008 to 2013. Stephen was also CEO of Newcastle Permanent Building Society, Australia's largest building society. From 2004 till 2007, he was CEO of ASX listed biotechnology company Proteome Systems (PXL).

From 2002 to 2007 Stephen was Chairman and then Executive Chairman of BMC Media Ltd.



## CRAIG SWANGER

### Non-Executive Director

BSC Agr. U. Sydney; MBA, FAICD

Mr Swanger has 20 years of experience in financial services. He was previously Executive Director of Macquarie Global Investments, responsible for managing around \$10 billion in client funds across Asia, North America and Australia.

He has extensive board experience, including Macquarie Bank's major funds management entity, Macquarie Investment Management Limited and a total of 15 internal and external boards since 2003.

Mr Swanger more recently has worked with Australia's largest corporate bond and securitization distribution specialists, FIIG Securities.



## CHRIS WHITEHEAD

### Non-Executive Director

BSc in Chemistry, Wharton Advanced Management Program, FAICD, F Fin

Mr Whitehead has over 30 years' experience in financial services and technology, over a wide range of roles. He was formerly CEO of Credit Union Australia Limited (2009 to 2015) and CEO Retail Banking at BankWest (2001 to 2007). He has served as CIO at BankWest and Advance Bank and prior to this worked within the IT industry. Chris has previously served as non-executive director for Cuscal Limited, St Andrews Insurance Group, Unisys West and a number of other financial services, technology and community organisations.

# Financial Report

FOR THE YEAR ENDED 30 JUNE 2016



# Directors' Report

FOR THE YEAR ENDED 30 JUNE 2016

Your directors present their report on the consolidated entity (referred to hereafter as the Group) consisting of DirectMoney Limited (referred to hereafter as the Company) and the entities it controlled at the end of, or during, the year ended 30 June 2016.

## DIRECTORS

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

Name	Position	Period
John Nantes	Executive Chairman (from 19 August 2016 to date)	– Appointed 7 June 2016
	Non-Executive Director (from 7 June 2016 up to 19 August 2016)	
Stephen Porges	Non-Executive Director (from 19 August 2016 to date)	– Appointed 3 July 2015
	Executive Chairman (from 3 July 2015 up to 19 August 2016)	
Craig Swanger	Non-Executive Director	– Appointed 3 July 2015
Chris Whitehead	Non-Executive Director	– Appointed 18 September 2015
Campbell Gordon McComb	Executive Director	– Appointed 27 October 2014 Resigned 18 November 2015
Winton William Willesee	Non-Executive Chairman	– Appointed 27 October 2014 Resigned 3 July 2015
Andrew Gordon McKay	Non-Executive Director	– Appointed 27 October 2014 Resigned 3 July 2015
Robert Norman Parton	Non-Executive Director	– Appointed 27 October 2014 Resigned 3 July 2015

## PRINCIPAL ACTIVITIES

On 3 July 2015, Basper Limited acquired 100% of the issued capital of DirectMoney Pty Ltd (now renamed DirectMoney Finance Pty Ltd) and renamed itself DirectMoney Limited. Following this acquisition DirectMoney Limited completed a capital raising of \$11.3 million to support its ongoing activities as a participant in the marketplace lending industry.

During the year, the Group's primary activity was writing unsecured personal loans for 3 and 5 year maturities to Australian consumers, then on-selling these loans to either the DirectMoney Personal Loan Fund (ARSN 602 325 628) or to institutional and wholesale investors.

## REVIEW OF OPERATIONS

The Group reported a net loss after tax of \$8.8 million for the full-year ended 30 June 2016. This result includes costs related to the purchase of DirectMoney Finance Pty Ltd and the \$11.3 million capital raising conducted by the Company in July 2015 and \$0.5 million in one-off fees paid in relation to loan funding. At 30 June 2016 the Group was managing approximately \$12.8 million of personal loans assets and held \$7.6 million of personal loan assets on its balance sheet.

# Directors' Report

FOR THE YEAR ENDED 30 JUNE 2016

Table 1. Key financial results

<b>FY2016</b>	<b>Reported</b>	<b>Excluding significant one-off items<sup>1</sup></b>
Revenues from ordinary activities	\$1.2 million	\$1.2 million
Loss before income tax	\$8.8 million	\$4.7 million
Earnings per share	(3.3) cents	(1.7) cents
<b>FY2015<sup>2</sup></b>	<b>Reported</b>	<b>Excluding significant one-off items<sup>3</sup></b>
Revenues from ordinary activities	\$0.4 million	\$0.4 million
Loss before income tax	\$4.2 million	\$4.1 million
Earnings per share	(1.6) cents	(1.6) cents

1. Excludes one-off expenses related to the purchase of DirectMoney Finance Pty Ltd (\$2.7 million), the non-recurring capital raising costs conducted by the Company in July 2015 (\$0.9 million) and Macquarie Bank Limited's Funder Fee (\$0.5 million).
2. Comparative results reflect the operations of DirectMoney Finance Pty Ltd.
3. Excludes the one-off legal costs related to the purchase of DirectMoney Finance Pty Ltd (\$0.1 million).

Important operational achievements for the Group during the period include:

- Engagement with approximately 9,500 unsecured personal loan applicants;
- Writing \$11.2 million of new unsecured personal loans;
- Significant investment in the delivery and enhancement of the Group's proprietary end-to-end technology platform;
- Updating the Product Disclosure Statement for the DirectMoney Personal Loan Fund in conjunction with the Responsible Entity, One Managed Investment Funds Limited. The Fund is open to retail and wholesale investors and provides a straightforward means of investing in pools of unsecured personal loans. The Fund returned 7.7% to investors net of fees and credit provision during the year ended 30 June 2016;
- Establishing agreements with 10+ broker aggregators including leading aggregator firms AFG, Loan Market, Finsure and the McMillan Shakespeare entities National Financial Choice and United Financial Services;
- Accrediting 500+ brokers with the capability to introduce loans to the Group and supporting this process via an integrated, web-based on-boarding portal;
- Raising equity capital of \$11.3 million (before costs) in July 2015; and
- Selling \$5 million of loans to Macquarie Bank in February 2016.

## REVENUE

The Group generated revenue of \$1.2 million in the year. Revenue was derived from interest earned on loans held on balance sheet, crystallisation of loan establishment and other fees, fees earned from servicing loans sold to third parties and ongoing fees from borrowers related to late payments.

In February 2016 the Group sold a \$5 million loan portfolio to Macquarie Bank Limited which provided the Group with cash for additional lending and crystallised revenues from loan establishment fees and broker fees included in the loan principal amounts. The Group did not complete any material loan sales for the remainder of the year which had the effect of deferring revenue recognition related to loans held on balance sheet and delaying the release of cash for additional lending.

## EXPENSES

The Group incurred operational expenses of \$5.8 million in the year, excluding costs related to the purchase of DirectMoney Finance Pty Ltd, the capital raising conducted by the Group in July 2015 and funder fees. These expenses arose from the Group's commitment toward building out its marketplace lending business, in particular the continued development of the web based, integrated, end-to-end platform for writing personal loans and building an ecosystem of partners and loan sales channels to support future growth.

The Group spent \$2.6 million on staff and contractor costs, increasing staff and contractor numbers during the year to approximately 20, adding capacity and skills in the critical areas of IT development, broker business development and loan processing.

The Group invested \$0.5 million in a range of marketing and advertising programs to support the DirectMoney brand, attract personal loan applications and attract applications for units in the **DirectMoney Personal Loan Fund**. The Group monitored the acquisition cost for loan applications and costs for loan settlements continually during the year and refined its marketing spending by channel regularly.

# Directors' Report

FOR THE YEAR ENDED 30 JUNE 2016

The Group worked extensively with One Investment Group during the year to update the Product Disclosure Statement for the **DirectMoney Personal Loan Fund** and to enhance online access to the Fund for investors. The Group incurred \$0.3 million in legal and other costs related to the Fund reflecting the Group's commitment to the Fund as a key source of loan sales in the future and an attractive investment proposition for investors. The Fund generated a return to investors of 7.7%, after all costs and credit provisions, during the year ended 30 June 2016.

The Group recognised expenses of \$0.5 million in the period related to the \$5 million loan sale transaction to Macquarie Bank Limited and their ongoing advisory role.

The Group recognised expenses of \$0.8 million in the period related to the granting of performance rights.

Expenses relating to bad debts, doubtful debts and loss on sale of impaired loans recognised in the year totalled \$0.4 million, of which approximately 90% related to loans written in the period from October 2014 to February 2015. Significant adjustments to the Group's credit team and credit processes made during Q1 and Q2 2015 have materially improved the credit performance on loans written subsequently, which is reflected in the fact that of the 517 loans (\$11.2 million) written in the year, only approximately \$0.04 million have been provided for.

## BUSINESS STRATEGIES, FUTURE DEVELOPMENTS AND PROSPECTS

The Group's strategy to achieve its vision is centred on applying technology to grow loan volumes, differentiating our product offering, enhancing the overall customer experience and achieving the necessary scale economies to drive shareholder value. Growing loan volumes, which drives growth in assets under management, requires the Group to have well-established institutional loan sale channels operating in concert with the DirectMoney Personal Loan Fund.

The Group understands the dynamic and competitive nature of both the consumer lending business and the fintech segment. The Group is committed to responding quickly and appropriately to changing market conditions and commercial challenges as they arise.

To support the Group's growth ambitions, the Company has recently undertaken a \$5.7 million Rights issue (July/August 2016) and has also recently welcomed a new Executive Chairman, John Nantes, to a key leadership position.

The key immediate priorities for the Group are as follows:

- finalising institutional loan sale facilities, which are currently in late stage negotiation and due diligence phase with several parties, to provide new loan funding for the Company and grow assets under management;
- continuing to market and develop sales channels for the DirectMoney Personal Loan Fund to provide new loan funding to the Group and grow assets under management;
- continuing the process of optimising our proprietary, integrated, end-to-end web-based loan processing platform, including rolling out customer facing initiatives to enhance user experience and leverage the Group's technology skill set;
- increasing the number of accredited brokers, introducers and referrers significantly to deploy new loan funding; and
- maintaining focus and discipline on achieving credit performance from the loan portfolio within the target parameters to support loan sales to the DirectMoney Personal Loan Fund and institutional investors.

The Board have also instituted a strategic review of the business to consider:

- the optimal product offering that will best support our vision and our positioning in the Australian market place short and long term;
- our most appropriate organisational structure to enhance our capabilities, continue to manage business risk tightly and forward our growth initiatives;
- how to continually lead the disruption of lending practices to the betterment of our customers through technology, service and innovation; and
- the most appropriate remuneration and reward practices to make DirectMoney an employer of choice, aligning improved customer outcomes and profitability to shareholders with staff and Board key focusses and incentives.

## DIVIDENDS

There were no dividends declared or paid in the financial year.

## SIGNIFICANT CHANGES IN STATE OF AFFAIRS

On 3 July 2015 the Company completed the acquisition of 100% of the issued capital and voting rights of DirectMoney Finance Pty Ltd (formerly DirectMoney Pty Ltd) (DMF). In consideration for the acquisition, DMF shareholders received 195,800,000 shares in the Company, equal to 95.1% of the voting rights (refer to Note 1 for full details of this transaction). Subsequent to this acquisition, the Company raised \$11,297,000 in a public offering at 20 cents per share, valuing the DirectMoney business at \$39.16 million. On 13 July 2015 the Company was reinstated to trade on the ASX under the name "DirectMoney Limited" and under the code "DM1".

## EVENTS SINCE THE END OF THE FINANCIAL YEAR

On 17 August 2016, the Company completed a 1 for 2 Pro Rata Non-Renounceable Rights Issue. Eligible shareholders were entitled to apply for one new share for every two shares held at an offer price of 4.2 cents per new share. The rights issue was fully underwritten and raised \$5.7 million (before costs) for the Company.

## ENVIRONMENTAL MATTERS

The Group is not subject to any significant environmental regulations under Australian Commonwealth or State law.

# Directors' Report

FOR THE YEAR ENDED 30 JUNE 2016

## INFORMATION ON DIRECTORS

The names and details of the Company's directors in office during the financial year and until the date of this report are presented below.

### John Nantes – Executive Chairman (from 19 August 2016 to date) – Non-Executive Director (from 7 June 2016 until 19 August 2016)

Qualifications	– LLB, B.Comm, B.A., Dip Financial Planning
Experience	– Mr Nantes has over 20 years of experience in Financial Services. Prior to being the Chief Executive Officer of Adcock Private Equity Pty Ltd, Mr Nantes was Group Head of Financial Services at Crowe Horwath, which held over \$10b in funds under management and was Australia's largest SMSF provider with over 10,000 funds. Mr Nantes has also been the CEO of Prescott Securities, a Stockbroking and Financial Planning business managing over \$2b in FUM, as well as the CEO of WHK Eastern Victoria, an accounting and specialist tax business. Mr Nantes has also held various Senior Executive roles in St George Bank and Colonial State Bank across retail, private banking and wealth management. Mr Nantes is also currently a non-executive director and responsible manager for Cashwerkz Pty Ltd, a financial services company.
Interest in shares and options	– Nil
Special responsibilities	– Executive Chairman
Former directorships (last 3 years)	– None
Other current directorships	– None

### Stephen Porges – Non-Executive Director (from 19 August 2016 to date) – Executive Chairman (from 3 July 2015 until 19 August 2016)

Qualifications	– BSC Agr., MBA, FAICD
Experience	– Prior to joining the DirectMoney Group, Mr Porges was Chief Executive Officer of SAI Global. Prior to that, he was CEO of Aussie Home Loans from 2008 to 2013 where they were awarded Mortgage Broker of the Year for each year of his tenure. From 2007 until he joined Aussie Home Loans, Stephen was CEO of Newcastle Permanent Building Society, Australia's largest Building Society. During his tenure, the Society was recognised with two Building Society of the Year awards by Money Magazine. From 2004 till 2007, he was CEO of ASX listed biotechnology company Proteome Systems (PXL). From 2002 to 2007 Stephen was Chairman and then Executive Chairman of BMC Media Ltd. In 2002, Stephen was a founding partner in Cabonne Partners which specialised in advising on re-capitalisations and strategic turnarounds of public companies. Having spent the previous 20 years in international banking, stockbroking and investment banking, Stephen has experience in most significant global capital markets. Stephen is also a founder of international payments company SecureOne.
Interest in shares and options	– Ordinary shares held: 3,557,400 Performance rights held: 12,500,000
Special responsibilities	– Member of the Remuneration and Nominations Committee (established 19 August 2016)
Former directorships (last 3 years)	– None
Other current directorships	– None

# Directors' Report

FOR THE YEAR ENDED 30 JUNE 2016

## **Craig Swanger – Non-Executive Director (from 3 July 2015)**

Qualifications	- BCom (Hons), Graduate Diploma in Financial Markets
Experience	- Mr Swanger has 20 years of experience in financial services. He was Executive Director of Macquarie Global Investments, responsible for managing around \$10bn in client funds across Asia, North America and Australia.  Mr Swanger has direct experience in structuring and raising funds from retail investors, including through managed funds, structured products and listed vehicles in several jurisdictions. He has extensive board experience, including Macquarie Bank's major funds management entity, Macquarie Investment Management Limited and a total of 15 internal external boards since 2003.  Mr Swanger was Chairman of 5 of the largest debt listed investment companies in Australia and New Zealand issued over the past decade, and more recently worked with Australia's largest corporate bond and securitization distribution specialists, FIIG Securities.
Interest in shares and options	- Ordinary shares held: Nil Performance rights held: 5,000,000
Special responsibilities	- Member of the Remuneration and Nominations Committee (established 19 August 2016)
Former directorships (last 3 years)	- None
Other current directorships	- None

## **Chris Whitehead – Non-Executive Director (from 18 September 2015)**

Qualifications	- BSc in Chemistry, Wharton Advanced Management Program, FAICD, F Fin
Experience	- Mr Whitehead has over 30 years' experience in financial services and technology, over a wide range of roles. He was formerly CEO of Credit Union Australia Limited (2009 to 2015) and CEO Retail Banking at BankWest (2001 to 2007). He has served as CIO at BankWest and Advance and prior to this worked within the IT industry. Chris has previously served as non-executive director for Cuscal Limited, St Andrews Insurance Group, Unisys West and a number of other financial services, technology and community organisations.
Interest in shares and options	- Ordinary shares held: Nil Performance rights held: 1,500,000
Special responsibilities	- Member of the Remuneration and Nominations Committee (established 19 August 2016)
Former directorships (last 3 years)	- None
Other current directorships	- None

## **Campbell Gordon McComb – Executive Director (from 3 July 2015 until 18 November 2015) – Non-Executive Director (from 27 October 2014 until 3 July 2016 )**

Qualifications	- BEcon, FFin, GAICD
Experience	- Mr McComb has worked in the funds management industry for over 20 years, both in Australia and the UK and is currently the Head of Venture Capital for an Australian Investment Manager.  From 2002, Mr McComb was involved (and later the CEO and major shareholder of) an Australian equities fund manager focused on private client portfolios.  After 10 years in this role, he moved on to become the Managing Director of Easton Investments, an ASX listed financial services business which he helped build from a shell company to one with over \$500m in funds under advice and management.
Interest in shares and options	- Ordinary shares held: 3,674,559
Special responsibilities	- None
Former directorships (last 3 years)	- None
Other current directorships	- None

# Directors' Report

FOR THE YEAR ENDED 30 JUNE 2016

## Winton William Willesee – Non-Executive Chairman (from 27 October 2014 until 3 July 2015)

Qualifications	- BBus., DipEd., PGDipBus., MCom., FFin, CPA, MAICD, ACIS/ACSA
Experience	- Mr Willesee is an experienced company director. Winton brings a broad range of skills and experience in strategy, company development, corporate governance, company public listings, merger and acquisition transactions and corporate finance. Mr Willesee has considerable experience with ASX listed and other companies over a broad range of industries having been involved with many successful ventures from early stage through to large capital development projects. Winton has fulfilled the role of chairman and/or director of a number of listed companies. Mr Willesee holds formal qualifications in economics, finance, accounting, education and governance. He is a Fellow of the Financial Services Institute of Australasia, a Member of the Australian Institute of Company Directors, a Member of CPA Australia and a Chartered Secretary.
Interest in shares and options	- Ordinary shares held: Nil. Performance rights held: 500,000
Special responsibilities	- Nil.
Former directorships (last 3 years)	- Bioprospect Limited (retired 15 September 2013), Base Resources Limited (retired 26 November 2013), Basper Limited (retired 3 July 2015), Coretrack Limited (retired 6 March 2015), Otis Energy Limited (retired 21 January 2015), Torrens Energy Limited (retired 2 May 2014) and Newera Resources Limited (resigned 31 July 2014).
Other current directorships	- Chairman of Birimian Limited (appointed 31 January 2013), Metallum Limited (appointed 14 March 2011) and xTV Networks Limited (appointed 7 July 2016), Executive director of Ding Sheng Xin Co Limited (appointed 10 November 2015), and non-executive director of DroneShield Limited (appointed 4 November 2015) and MMJ PhytoTech Limited (appointed 21 October 2014).

## Andrew Gordon McKay – Non-Executive Director (from 27 October 2014 until 3 July 2015)

Qualifications	- B.Comm, SAFin
Experience	- After completing a commerce degree at the University of Melbourne, Mr McKay's experience in the financial markets began as a cash hand securities dealer for the Bank of New York in Sydney. After a few years, he moved to London and accepted a position as foreign Exchange dealer for Shearson Lehman Hutton subsidiary. Mr McKay progressed rapidly to the position of Senior Dealer, Futures and Options, with responsibility for implementing the hedging strategy of the treasury department, and trading futures, FX and options. Upon his return to Australia in 1990, he launched an asset management company to apply his extensive knowledge of markets, developed during his banking days to proprietary trading and the broader asset / fund management world. Mr McKay has been managing money for clients through Asia since 1996. He is also a founder of the business that is now known as Newport Private Wealth Pty Ltd.
Interest in shares and options	- Ordinary shares held: 264,502 as at 31 August 2016 Performance rights held: 500,000
Special responsibilities	- None
Former directorships (last 3 years)	- None
Other current directorships	- None

# Directors' Report

FOR THE YEAR ENDED 30 JUNE 2016

## Robert Norman Parton – Non-Executive Director (from 27 October 2014 until 3 July 2015)

- Qualifications – B.Bus (Acc), CPA
- Experience – Commencing his career in 1987, Mr Parton spent almost 20 years providing business analysis and management companies including BHP, Kraft Foods, Crane Group, Mitre 10 and PDL Electronics (part of the Schneider Electric Group).  
Since 2006, Mr Parton has been providing corporate advisory services utilising his extensive experience in business management, project evaluation and capital-raising across many sectors including real estate, cleantech, IT and manufacturing sectors. He has been involved in transaction management from sourcing, analysis and due diligence evaluation through to settlement and is a qualified accountant with over 20 year's membership with CPA Australia.
- Interest in shares and options – Ordinary shares held: Nil.  
Performance rights held: 500,000
- Special responsibilities – None
- Former directorships (last 3 years) – Red Mountain Mining Limited (RMX), Telesso Technologies Limited (TEO), Motopia Limited (MOT) and Viculus Limited (VCL)
- Other current directorships – Nil.

## COMPANY SECRETARY

### Erlyn Saromines Dale – from 27 October 2014 until 3 July 2015

- Qualifications – BCom., GradDipACG, AGIA, ACIS
- Experience – Miss Dale has a broad range of experience in company administration and corporate governance having held positions as non-executive director and/or company secretary for a number of ASX listed public companies across a range of industries. Ms Dale holds a Bachelor of Commerce (Accounting and Finance) and a Graduate Diploma of Applied Corporate Governance and is an Associate Member of both the Institute of Chartered Secretaries and Administrators and the Governance Institute of Australia.

### Leanne Ralph – from 3 July 2015 to date.

- Qualifications – B.Bus, Graduate Diploma in Applied Corporate Governance
- Experience – Ms Ralph is the Founder and Director of Boardworx, a specialist company secretarial firm. Ms Ralph has more than 15 years' experience in company secretarial and governance matters. She holds a Bachelor of Business, a Graduate Diploma in Applied Corporate Governance and is a member of the Governance Institute of Australia's Corporate and Legal Issues Committee.

### May Ho – from 3 July 2015 to date.

- Qualifications – LLB, B.Bus
- Experience – Miss Ho holds a Bachelor of Laws and Bachelor of Business (Accounting Major) degree. She is currently Office Manager and Compliance Officer of the Group and has been with DirectMoney Finance Pty Ltd since August 2010, responsible for accounting and administrative duties.  
Miss Ho has also had over 3 years' experience practicing as a solicitor in a private law firm in Sydney. Miss Ho is currently undertaking a Graduate Diploma in Applied Corporate Governance with the Governance Institute of Australia.

# Directors' Report

FOR THE YEAR ENDED 30 JUNE 2016

## INDEMNIFICATION AND INSURANCE OF OFFICERS AND AUDITORS

The Company has entered into agreements with the directors listed on page 9 of this report to indemnify them against liabilities incurred in their capacity as an officer of the Company to the extent permitted by law.

During the financial year, the Group incurred a premium to insure the directors and officers of the Group. Disclosure of the nature of the liabilities covered and the amount of the premium payable is prohibited by the insurance contract.

The Company has not otherwise, during or since the end of the financial year, except to the extent permitted by law indemnified or agreed to indemnify an officer or auditor of the company or any of its controlled entities against a liability incurred as such an officer or auditor.

## MEETINGS OF DIRECTORS

The number of meetings of the Company's Board of Directors and of each board committee held during the year ended 30 June 2016, and the number of meetings attended by each director were:

	Directors' Meetings		Audit Committee Meetings		Remuneration and Nomination Committee Meetings	
	Number eligible to attend	Number attended	Number eligible to attend	Number attended	Number eligible to attend	Number attended
Stephen Porges	13	13	-	-	-	-
Craig Swanger	13	8	-	-	-	-
Chris Whitehead	11	11	-	-	-	-
John Nantes	2	2	-	-	-	-
Campbell Gordon McComb	6	5	-	-	-	-
Winton William Willesee	1	1	-	-	-	-
Andrew Gordon McKay	1	1	-	-	-	-
Robert Norman Parton	1	1	-	-	-	-

## PROCEEDINGS ON BEHALF OF THE COMPANY

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

## NON-AUDIT SERVICES

BDO East Coast Partnership were appointed Company auditor on 20 May 2015 and will continue in office in accordance with section 327 of the *Corporations Act 2001*. The Company may decide to engage the auditor on assignments additional to their statutory audit duties where the auditor's expertise and experience with the Group are important.

The following fees were paid or payable to BDO East Coast Partnership for non-audit services provided during the year ended 30 June 2016:

	\$
Taxation services	42,780
	42,780

The directors are satisfied that the provision of non-audit services during the financial year, by the auditor (or by another person or firm on the auditor's behalf), is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*.

# Directors' Report

FOR THE YEAR ENDED 30 JUNE 2016

The directors are of the opinion that the services as disclosed in Note 18 to the financial statements do not compromise the external auditor's independence requirements of the Corporations Act 2001 for the following reasons:

- all non-audit services have been reviewed and approved to ensure that they do not impact the integrity and objectivity of the auditor; and
- none of the services undermine the general principles relating to auditor independence as set out in APES 110 Code of Ethics for Professional Accountants issued by the Accounting Professional and Ethical Standards Board, including reviewing or auditing the auditor's own work, acting in a management or decision-making capacity for the company, acting as advocate for the company or jointly sharing economic risks and rewards.

## AUDITOR'S INDEPENDENCE DECLARATION

The auditor's independence declaration in accordance with section 307C of the Corporations Act 2001 for the year ended 30 June 2016 has been received and can be found within the financial report.

## PERFORMANCE RIGHTS

At the date of this report, the unissued ordinary shares of DirectMoney Limited under option are as follows:

Effective Grant Date	Date of Expiry	Exercise Price	Number under Performance Rights
13 July 2015	19 June 2018	Nil	19,000,000
4 September 2015	4 September 2018	Nil	11,675,000
18 November 2015	18 November 2018	Nil	1,500,000
			32,175,000

Performance rights holders do not have any rights to participate in any issues of shares or other interests of the company or any other entity.

There have been no performance rights granted over unissued shares or interests of any controlled entity within the Group during or since the end of the reporting period.

For details of performance rights issued to directors and executives as remuneration, refer to the remuneration report.

## CORPORATE GOVERNANCE STATEMENT

Our Corporate Governance Statement is available on our website at: [www.directmoney.com.au/About/Policies](http://www.directmoney.com.au/About/Policies).

# Directors' Report

FOR THE YEAR ENDED 30 JUNE 2016

## REMUNERATION REPORT (AUDITED)

The Directors present DirectMoney Limited's 2016 remuneration report which sets out remuneration information for the Company's non-executive directors and other key management personnel.

The report contains the following sections:

- a) Key management personnel disclosed in this report
- b) Remuneration governance
- c) Service agreements
- d) Details of remuneration
- e) Equity instruments held by key management personnel
- f) Movement in performance rights
- g) Fair value of performance rights

### a) Key management personnel disclosed in this report

During the year ended 30 June 2016 and up to the date of this report, the following were classified as key management personnel:

#### Directors

- John Nantes  
*Executive Chairman – from 19 August 2016 to date.*  
*Non-Executive Director – commenced 7 June 2016 up to 19 August 2016.*
- Stephen Porges  
*Non-Executive Director – from 19 August 2016 to date.*  
*Executive Chairman – commenced 3 July 2015 up to 19 August 2016.*
- Craig Swanger  
*Non-Executive Director – commenced 3 July 2015.*
- Chris Whitehead  
*Non-Executive Director – commenced 18 September 2015 to date.*
- Campbell Gordon McComb  
*Executive Director – from 3 July 2015 and retired 18 November 2015.*  
*Non-Executive Director – commenced 27 October 2014 up to 3 July 2015.*
- Winton William Willesee  
*Non-Executive Chairman – commenced 27 October 2015 and retired 3 July 2015.*
- Andrew Gordon McKay  
*Non-Executive Director – commenced 27 October 2014 and retired 3 July 2015.*
- Robert Norman Parton  
*Non-Executive Director – commenced 27 October 2014 and retired 3 July 2015.*

#### Executives

- Peter Beaumont  
*Chief Executive Officer – KMP from 31 August 2015 to date.*
- David Doust  
*Executive Director of DirectMoney Finance Pty Ltd – KMP from 3 July 2015 to date.*

# Directors' Report

FOR THE YEAR ENDED 30 JUNE 2016

## b) Remuneration governance

Prior to 3 July 2015, the remuneration governance was conducted by the remuneration committee, a committee of the Board. Following completion of the acquisition of DirectMoney Finance Pty Ltd by Basper Limited, remuneration governance was conducted by a management committee consisting of Peter Beaumont, CEO, and David Doust the Executive Director of DirectMoney Finance Pty Ltd. The committee was primarily responsible for making recommendations to the Board for approval of salaries and performance incentives for staff.

The Board ensures that executive reward satisfies the following key criteria for good reward governance practices:

- competitiveness and reasonableness;
- acceptability to shareholders;
- performance linkage/alignment of executive compensation;
- transparency; and
- capital management.

The Company is structuring an executive remuneration framework that is market competitive and complimentary to the reward strategy of the organisation. Aligning to shareholders' interests, the framework:

- has economic profit as a core component;
- focuses on sustained growth in shareholder wealth as well as focusing the executive on key non-financial drivers of value; and
- attracts and retains high calibre executives who receive a base salary (which is based on factors such as length of service and experience), superannuation, and performance incentives.

In accordance with best practice corporate governance, the structure of non-executive director and executive remuneration is separate and distinct.

## Company performance

Based on overall performance during the first half of the year ended 30 June 2016 and the prior period, the Board approved salary increases for a small selection of staff. In addition the Board awarded Performance Rights in September 2015 to the CEO and a group of senior staff including the Credit Manager, Compliance Officer, Chief Information Officer and Head of Operations.

Given the early stage nature of the Company, the lack of profit and other key financial variables as shown in the table below, these adjustments in salary and the award of Performance Rights were made on the basis of each individual's contribution to their specific role in the Company to date and their expected importance to the future of the Company. Performance Rights were deemed to provide an appropriate performance incentive for each individual.

	30 June 2016 \$	30 June 2015 <sup>1</sup> \$
Revenue	1.182m	0.437m
Loss	(8.754m)	(4.166m)
Dividend	nil	nil
Cash balance	1.265m	0.132m
Share price	\$0.05	n.a. <sup>2</sup>

1. DirectMoney Finance Pty Ltd audited results.

2. DirectMoney Finance Pty Ltd was an unlisted company as at 30 June 2015. The acquisition by Basper Limited occurred on 3 July 2015 and relisting on the ASX occurred on 13 July 2015.

# Directors' Report

FOR THE YEAR ENDED 30 JUNE 2016

## **REMUNERATION REPORT (AUDITED)** (continued)

### **Non-executive directors**

From 3 July 2015, a committee consisting of Stephen Porges, the Executive Chairman and David Doust, the Executive Director of DirectMoney Finance Pty Ltd, set remuneration for non-executive directors. Remuneration was designed to attract and retain directors of the highest calibre, whilst incurring a cost which is acceptable to shareholders. This committee was replaced by a permanent Remuneration and Nominations Committee established on 19 August 2016 with Non-Executive Directors Chris Whitehead, Craig Swanger and Stephen Porges as members.

The Constitution and the ASX Listing Rules specify that the aggregate remuneration of non-executive directors shall be determined from time to time by a general meeting. An amount not exceeding the amount determined is then divided between the directors as agreed. The latest determination was adopted by a special resolution passed at the Annual General Meeting held on 24 November 2006 when shareholders approved an aggregate remuneration of up to a maximum of \$500,000 per year. The aggregate remuneration is reviewed annually. The remuneration for non-executive directors is comprised of cash, superannuation contributions and performance rights.

### **Retirement allowances for non-executive directors**

There is no scheme to provide retirement benefits, other than statutory superannuation, to non-executive directors.

### **CEO remuneration**

From 3 July 2015 to 31 August 2015, the CEO role was filled by the Executive Chairman, Stephen Porges. On 31 August 2015, Peter Beaumont was appointed CEO and remains in the position as at 30 June 2016.

The remuneration aspects of the contract for the CEO aims to reward the CEO with a level and mix of remuneration commensurate with the position and responsibilities within the Company and so as to:

- align the interests of the CEO with those of the shareholders; and
- ensure total remuneration is competitive by market standards.

The Board assesses the appropriateness of the nature and amount of remuneration of the CEO on a periodic basis by reference to relevant employment market conditions with the overall objective of ensuring maximum stakeholder benefit from the retention of a high quality CEO.

### **Fixed remuneration**

The level of fixed remuneration for the CEO is set so as to provide a base level of remuneration which is both appropriate to the position and is competitive in the market. The CEO receives fixed remuneration by way of salary and company superannuation payments.

### **Other employees' remuneration**

The Company aims to reward employees with a level of remuneration commensurate with their position and responsibilities within the Company and so as to ensure total remuneration was competitive by market standards. Following completion of the reverse acquisition, the management committee consisting of the CEO and a senior executive make assessments and recommendations to the Board regarding employee remuneration.

### **Retirement benefits**

No executives have entered into employment agreements that provide additional retirement benefits.

# Directors' Report

FOR THE YEAR ENDED 30 JUNE 2016

## c) Service agreements

The remuneration agreements of the current key management personnel are set out below:

	Position held as at 30 June 2016 and any Change during the Year	Contract details (Duration and termination)	Agreed Gross Cash Salary incl. Superannuation \$
Mr J Nantes	Non-Executive Director (became Executive Chairman as of 19 August 2016)	Appointed director from 7 June 2016 until next Annual General Meeting of the Company of which Mr Nantes will be up for election as a director. No notice period.	50,000
Mr S Porges	Executive Chairman (became Non-Executive Director as of 19 August 2016)	3 year term from 3 July 2015. No notice period.	100,000
Mr C McComb	Executive Director (resigned 18 November 2015)	3 year term from 3 July 2015. No notice period.	50,000
Mr C Swanger	Non-Executive Director	3 year term from 3 July 2015. No notice period.	50,000
Mr C Whitehead	Non-Executive Director	3 year term from 18 November 2015. No notice period.	50,000
Mr P Beaumont	Chief Executive Officer	No fixed term. 12 weeks' termination notice. 4 weeks' resignation notice.	191,625
Mr D Doust	Executive Director of DirectMoney Finance Pty Ltd	No fixed term. Formal contract pending.	191,625

In addition to the above salary based compensation, the following key management personnel have been granted performance rights to align their compensation with the performance of the company, as reflected in its share price. Performance rights are granted in tranches and are linked to increasing share prices over designated periods, as per the following table:

Director/Executive	Share Price Target*	25 cents	35 cents	50 cents
Stephen Porges	No. of Performance Rights that will vest**	5,000,000	5,000,000	2,500,000
	Minimum period to remain a Director after re-admission	None	12 months from 13 July 2015	24 months from 13 July 2015
Craig Swanger	No. of Performance Rights that will vest**	2,000,000	2,000,000	1,000,000
	Minimum period to remain a Director after re-admission	None	12 months from 13 July 2015	24 months from 13 July 2015
Chris Whitehead	No. of Performance Rights that will vest***	500,000	500,000	500,000
	Minimum period to remain a Director after re-admission	None	12 months from 13 July 2015	12 months from 13 July 2015
Peter Beaumont	No. of Performance Rights that will vest****	560,000	1,120,000	1,120,000
	Minimum period to remain an Employee after re-admission	None	12 months from 13 July 2015	24 months from 13 July 2015

\* The Performance Rights will be issued and will vest in tranches based on the volume weighted average price at or above the hurdle price for at least ten consecutive trading days. In addition, the Director's term hurdle must be met.

\*\* The Performance Rights will lapse if the conditions are not met within three (3) years from 19 June 2015.

\*\*\* The Performance Rights will lapse if the conditions are not met within three (3) years from 18 November 2015.

\*\*\*\* The Performance Rights will lapse if the conditions are not met within three (3) years from 4 September 2015.

# Directors' Report

FOR THE YEAR ENDED 30 JUNE 2016

## REMUNERATION REPORT (AUDITED) (continued)

### d) Details of remuneration

The key management personnel are those persons having authority and responsibility for planning, directing and controlling the major activities of the Group, directly or indirectly, including any director (whether executive or otherwise) of the parent Company. At 30 June 2016, the key management personnel comprised the Board of Directors and the CEO and the Executive Director of DirectMoney Finance Pty Ltd.

The following table of benefits and payment details, in respect to the financial year, represents the components of remuneration for each member of the key management personnel of the Group:

	Short term benefits		Post employment benefits	Long-term benefits	Share based payments	Total \$	% Performance Related
	Cash salary & fees \$	Leave entitlements paid \$	Super-annuation \$	Long service leave \$	Performance rights \$		
<b>Directors (2016)</b>							
John Nantes	3,002	-	285	-	-	3,287	-
Stephen Porges	91,324	-	8,676	-	231,467	331,467	69.83
Craig Swanger	45,662	-	4,338	-	92,587	142,587	64.93
Chris Whitehead	38,052	-	3,615	-	23,765	65,432	36.32
Campbell Gordon McComb <sup>1</sup>	20,489	-	1,807	-	62,257	84,553	73.63
Winton William Willesee <sup>2</sup>	-	-	-	-	15,564	15,564	100
Andrew Gordon McKay <sup>2</sup>	-	-	-	-	15,564	15,564	100
Robert Norman Parton <sup>2</sup>	-	-	-	-	15,564	15,564	100
<b>Total</b>	<b>198,529</b>	<b>-</b>	<b>18,721</b>	<b>-</b>	<b>456,768</b>	<b>674,018</b>	
<b>Executives (2016)</b>							
Peter Beaumont	181,067	-	16,518	-	86,172	283,757	30.37
David Doust	175,000	-	6,927	-	-	181,927	-
<b>Total</b>	<b>356,067</b>	<b>-</b>	<b>23,445</b>	<b>-</b>	<b>86,172</b>	<b>465,684</b>	
<b>Directors (2015)<sup>3</sup></b>							
Alan Ian Beckett <sup>4</sup>	19,833	-	1,884	-	-	21,717	-
Grantly Martin Anderson <sup>4</sup>	12,983	-	1,233	-	-	14,216	-
Sean Ingram Balding <sup>4</sup>	12,983	-	1,233	-	-	14,216	-
Winton William Willesee	32,000	-	-	-	-	32,000	-
Campbell Gordon McComb	12,000	-	-	-	-	12,000	-
Andrew Gordon McKay	12,000	-	-	-	-	12,000	-
Robert Norman Parton	12,000	-	-	-	-	12,000	-
<b>Total</b>	<b>113,799</b>	<b>-</b>	<b>4,350</b>	<b>-</b>	<b>-</b>	<b>118,149</b>	

1. Retired from directorship on 18 November 2015.

2. Retired from directorship on 3 July 2015.

3. These directors were directors of Basper Ltd, the Company as it was then known prior to completion of the acquisition of DirectMoney Finance Pty Ltd.

4. Retired from directorship on 27 October 2014.

# Directors' Report

FOR THE YEAR ENDED 30 JUNE 2016

## e) Equity instruments held by key management personnel

The table below shows the number of ordinary shares in the Company held by key management personnel. There were no ordinary shares granted during the reporting period as compensation.

	Balance at the start of the year	Received during the year	Other changes during the year	Balance at end of the year
<b>Directors (2016)</b>				
John Nantes	-	-	-	-
Stephen Porges <sup>1</sup>	-	-	3,557,400	3,557,400
Craig Swanger	-	-	-	-
Chris Whitehead	-	-	-	-
Campbell Gordon McComb <sup>1,2</sup>	-	-	3,674,559	3,674,559
Winton William Willesee <sup>3</sup>	-	-	-	-
Andrew Gordon McKay <sup>3</sup>	1,169,959	-	(905,457)	264,502
Robert Norman Parton <sup>3</sup>	-	-	-	-
<b>Total</b>	<b>1,169,959</b>	<b>-</b>	<b>6,326,502</b>	<b>7,496,461</b>
<b>Executives (2016)</b>				
Peter Beaumont	-	-	150,000	150,000
David Doust <sup>1</sup>	-	-	28,967,470	28,967,470
<b>Total</b>	<b>-</b>	<b>-</b>	<b>29,117,470</b>	<b>29,117,470</b>
<b>Directors (2015)<sup>4</sup></b>				
Alan Ian Beckett	16,661	-	-	16,661
Brett Andrew Jones	-	-	-	-
Grantly Martin Anderson	-	-	-	-
Winton William Willesee	-	-	-	-
Campbell Gordon McComb	-	-	-	-
Andrew Gordon McKay	-	-	1,169,959	1,169,959
Robert Norman Parton	-	-	-	-
<b>Total</b>	<b>16,661</b>	<b>-</b>	<b>1,169,959</b>	<b>1,186,620</b>

1. These key management personnel received these shares as vendor consideration upon completion of the reverse acquisition.

2. Retired from directorship on 18 November 2015.

3. Retired from directorship on 3 July 2015.

4. These directors were directors of Basper Ltd, the Company as it was then known prior to completion of the acquisition of DirectMoney Finance Pty Ltd.

# Directors' Report

FOR THE YEAR ENDED 30 JUNE 2016

## REMUNERATION REPORT (AUDITED) (continued)

### f) Movement in performance rights

The table below provides the number of performance rights held by Key Management Personnel at 30 June 2015 and 30 June 2016.

Name	Rights held at 30 June 2015 Number	Rights granted during FY16 Number	Rights exercised during FY16 Number	Rights lapsed during FY16 Number	Rights held as at 30 June 2016 Number	Vested at 30 June 2016 ** Number		% Vested	% Forfeited	% Available for vesting
						Not exercisable	Exercisable			
<b>Directors (2016)</b>										
J Nantes	-	-	-	-	-	-	-	-	-	-
S Porges*	-	12,500,000	-	-	12,500,000	5,000,000	-	40	-	60
C Swanger*	-	5,000,000	-	-	5,000,000	2,000,000	-	40	-	60
C Whitehead	-	1,500,000	-	-	1,500,000	500,000	-	33.33	-	66.67
C McComb*	-	5,000,000	-	(5,000,000)	-	-	-	100	100	-
W Willesee*	-	500,000	-	-	500,000	500,000	-	100	-	-
A McKay*	-	500,000	-	-	500,000	500,000	-	100	-	-
R Parton*	-	500,000	-	-	500,000	500,000	-	100	-	-
<b>Total</b>	-	25,500,000	-	(5,000,000)	20,500,000	9,000,000	-			
<b>Executives (2016)</b>										
P Beaumont	-	2,800,000	-	-	2,800,000	560,000	-	20	-	80
D Doust	-	-	-	-	-	-	-	-	-	-
<b>Total</b>	-	2,800,000	-	-	2,800,000	560,000	-			

\* Performance rights were granted 19 June 2015 but were 100% contingent on the completion of the acquisition of DirectMoney Finance Pty Ltd and re-admission of the Company to the ASX therefore the effective grant date was 13 July 2015.

\*\* These Performance Rights will automatically vest and exercise for nil consideration on satisfaction of the Vesting Conditions.

The Vesting Conditions for the Performance Rights are:

- 1) The holder being a director/employee of the Company as at the relevant vesting determination dates specified in table g) below; and
- 2) The relevant volume weighted average price (VWAP) of the Company's ordinary shares is at least the price specified in table g) below for a period of 10 consecutive trading days.

# Directors' Report

FOR THE YEAR ENDED 30 JUNE 2016

## g) Fair value of Performance Rights

	Performance Rights granted			Vesting Conditions		
	Number	Effective grant date	Fair Value per right at effective grant date (\$)	Earliest vesting determination date	VWAP Share Price condition (\$)	Expiry date
<b>Directors (2016)**</b>						
J Nantes	-	-	-	-	-	-
S Porges**	5,000,000	13 Jul 2015*	0.031128	13 Jul 2015	0.25	19 Jun 2018
	5,000,000	13 Jul 2015*	0.014440	13 Jul 2016	0.35	19 Jun 2018
	2,500,000	13 Jul 2015*	0.005125	13 Jul 2017	0.50	19 Jun 2018
C Swanger**	2,000,000	13 Jul 2015*	0.031128	13 Jul 2015	0.25	19 Jun 2018
	2,000,000	13 Jul 2015*	0.014440	13 Jul 2016	0.35	19 Jun 2018
	1,000,000	13 Jul 2015*	0.005125	13 Jul 2017	0.50	19 Jun 2018
C Whitehead**	500,000	18 Nov 2015	0.031128	18 Nov 2015	0.25	18 Nov 2018
	500,000	18 Nov 2015	0.014440	13 Jul 2016	0.35	18 Nov 2018
	500,000	18 Nov 2015	0.005125	13 Jul 2017	0.50	18 Nov 2018
W Willesee	500,000	13 Jul 2015*	0.031128	13 Jul 2015	0.25	19 Jun 2018
A McKay	500,000	13 Jul 2015*	0.031128	13 Jul 2015	0.25	19 Jun 2018
R Parton	500,000	13 Jul 2015*	0.031128	13 Jul 2015	0.25	19 Jun 2018
<b>Executives (2016)</b>						
P Beaumont**	560,000	4 Sep 2015	0.067623	4 Sep 2015	0.25	4 Sep 2018
	1,120,000	4 Sep 2015	0.036867	13 Jul 2016	0.35	4 Sep 2018
	1,120,000	4 Sep 2015	0.015677	13 Jul 2017	0.50	4 Sep 2018
D Doust	-	-	-	-	-	-

\* Performance rights were granted 19 June 2015 but were 100% contingent on the completion of the acquisition of DirectMoney Finance Pty Ltd and re-admission of the Company to the ASX therefore the effective grant date was 13 Jul 2015.

\*\* These Performance Rights will automatically vest and exercise for nil consideration on satisfaction of the Vesting Conditions.

The Vesting Conditions for the Performance Rights are:

- 1) The holder being a director/employee of the Company as at the relevant vesting determination dates specified in the table; and
- 2) The relevant volume weighted average price (VWAP) of the Company's ordinary shares is at least the price specified in the table for a period of 10 consecutive trading days.

\*\*\* Mr McComb has not been included in this table as his performance rights lapsed as shown in the table in f above.

The total fair value of rights at grant date issued to key management personnel is \$567,934. The value of rights granted during the period differs to the expense recognised as part of each key management person's remuneration in table d) above because this value is the grant date fair value calculated in accordance with AASB 2 *Share Based Payment*.

# Directors' Report

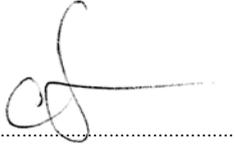
FOR THE YEAR ENDED 30 JUNE 2016

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## **REMUNERATION REPORT (AUDITED)** (continued)

This concludes the remuneration report, which has been audited.

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

A handwritten signature in black ink, appearing to be 'CS', written over a horizontal dotted line.

**Craig Swanger**

Director  
Sydney

22 September 2016

# Auditors Independence Declaration

FOR THE YEAR ENDED 30 JUNE 2016



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Australia

## DECLARATION OF INDEPENDENCE BY ARTHUR MILNER TO THE DIRECTORS OF DIRECTMONEY LIMITED

As lead auditor of DirectMoney Limited for the year ended 30 June 2016, I declare that, to the best of my knowledge and belief, there have been:

1. No contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
2. No contraventions of any applicable code of professional conduct in relation to the audit.

This declaration is in respect of DirectMoney Limited and the entities it controlled during the year.

A handwritten signature in black ink, appearing to read 'A Milner', is written over a light grey horizontal line.

Arthur Milner

Partner

**BDO East Coast Partnership**

Sydney, 22 September 2016

# Consolidated Statement of Profit or Loss and Other Comprehensive Income

FOR THE YEAR ENDED 30 JUNE 2016

	Note	2016 \$	2015 \$
Revenue	2	1,181,499	436,730
Other income	3	55,302	19,495
<b>Expenses</b>			
Employee benefits expense		(2,290,336)	(894,530)
Depreciation and amortisation expense		(2,782)	(1,502)
Listing expense	21	(2,708,757)	-
Other expenses		(3,593,871)	(3,512,597)
Finance costs		(75,649)	(213,155)
Share based payment expense	30	(1,319,894)	-
<b>Loss before income tax expense</b>	4	(8,754,488)	(4,165,559)
Income tax expense	17	-	-
<b>Loss after income tax for the year</b>		(8,754,488)	(4,165,559)
<b>Other comprehensive income</b>			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Foreign currency translation		(4,210)	4,210
Other comprehensive income for the year, net of tax		(4,210)	4,210
<b>Total comprehensive income for the year</b>		(8,758,698)	(4,161,349)
<b>Loss for the year is attributable to:</b>			
Owners of DirectMoney Limited		(8,754,488)	(4,165,559)
<b>Total comprehensive income for the year is attributable to:</b>			
Owners of DirectMoney Limited		(8,758,698)	(4,161,349)
		<b>Cents</b>	<b>Cents</b>
<b>Earnings per share for loss attributable to the owners of DirectMoney Limited</b>			
Basic earnings per share	27	(3.26)	(1.61)
Diluted earnings per share	27	(3.26)	(1.61)

The above consolidated statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes.

# Consolidated Statement of Financial Position

AS AT 30 JUNE 2016

	Note	2016 \$	2015 \$
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and cash equivalents	7	1,264,795	131,856
Loan receivables	5	1,554,125	1,004,907
Trade and other receivables	8	110,555	210,315
Other assets	9	292,285	25,371
<b>Total Current Assets</b>		<b>3,221,760</b>	<b>1,372,449</b>
<b>Non Current Assets</b>			
Loan receivables	5	6,047,018	3,407,280
Property, plant and equipment	10	4,547	7,330
Available-for-sale financial assets	6	500,000	-
<b>Total Non-Current Assets</b>		<b>6,551,565</b>	<b>3,414,610</b>
<b>TOTAL ASSETS</b>		<b>9,773,325</b>	<b>4,787,059</b>
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
Trade and other payables	11	782,851	725,171
Employee benefits	12	125,900	38,675
Convertible notes	13	1,000,000	4,522,892
<b>Total Current Liabilities</b>		<b>1,908,751</b>	<b>5,286,738</b>
<b>Non-Current Liabilities</b>			
		-	-
<b>TOTAL LIABILITIES</b>		<b>1,908,751</b>	<b>5,286,738</b>
<b>NET ASSETS/(LIABILITIES)</b>		<b>7,864,574</b>	<b>(499,679)</b>
<b>EQUITY</b>			
Issued capital	14	22,409,803	6,106,746
Reserves	15	819,894	4,210
Accumulated losses	15	(15,365,123)	(6,610,635)
<b>TOTAL EQUITY/(DEFICIENCY IN EQUITY)</b>		<b>7,864,574</b>	<b>(499,679)</b>

The above consolidated statement of financial position should be read in conjunction with the accompanying notes.

# Consolidated Statement of Changes in Equity

FOR THE YEAR ENDED 30 JUNE 2016

	Note	Issued capital \$	Accumulated losses \$	Reserves \$	Total \$
<b>Balance at 1 July 2014</b>		2,798,031	(2,445,076)	-	352,955
Loss for the year		-	(4,165,559)	-	(4,165,559)
Other comprehensive income for the year, net of tax		-	-	4,210	4,210
Total comprehensive income for the year		-	(4,165,559)	4,210	(4,161,349)
<i>Transactions with owners in their capacity as owners:</i>					
Shares issued during the year		3,308,715	-	-	3,308,715
<b>Balance at 30 June 2015</b>		<b>6,106,746</b>	<b>(6,610,635)</b>	<b>4,210</b>	<b>(499,679)</b>
<b>Balance at 1 July 2015</b>					
Loss for the year		-	(8,754,488)	-	(8,754,488)
Other comprehensive income for the year, net of tax	15	-	-	(4,210)	(4,210)
Total comprehensive income for the year		-	(8,754,488)	(4,210)	(8,758,698)
<i>Transactions with owners in their capacity as owners:</i>					
Shares issued during the year		16,303,057	-	-	16,303,057
Share based payments	15	-	-	819,894	819,894
<b>Balance at 30 June 2016</b>		<b>22,409,803</b>	<b>(15,365,123)</b>	<b>819,894</b>	<b>7,864,574</b>

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

# Consolidated Statement of Cash Flows

FOR THE YEAR ENDED 30 JUNE 2016

	Note	2016 \$	2015 \$
<b>Cash flows from operating activities</b>			
Net loans to customers		(8,303,384)	(4,455,112)
Proceeds from sale of loans		5,822,703	124,272
Payments to suppliers and employees (inclusive of GST)		(6,115,949)	(3,008,317)
		(8,596,630)	(7,339,157)
Interest received		55,302	5,767
Management fees received		35,302	-
Interest and other finance costs paid		(158,835)	(123,664)
<b>Net cash used in operating activities</b>	26	<b>(8,664,861)</b>	<b>(7,457,054)</b>
<b>Cash flows from investing activities</b>			
Payments for investments		(500,000)	-
Payments for property, plant and equipment		-	(8,831)
<b>Net cash used in investing activities</b>		<b>(500,000)</b>	<b>(8,831)</b>
<b>Cash flows from financing activities</b>			
Proceeds from issue of shares		11,297,800	2,904,487
Proceeds from issue of convertible notes		-	4,362,070
Proceeds from issue of secured note		-	2,000,000
Repayment of convertible notes		(1,000,000)	(2,010,000)
<b>Net cash from financing activities</b>		<b>10,297,800</b>	<b>7,256,557</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>1,132,939</b>	<b>(209,328)</b>
Cash and cash equivalents at the beginning of the financial year		131,856	341,184
<b>Cash and cash equivalents at the end of the financial year</b>	7	<b>1,264,795</b>	<b>131,856</b>

The above consolidated statement of cash flows should be read in conjunction with the accompanying notes.

# Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2016

## 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial report of DirectMoney Limited (the Company) for the year ended 30 June 2016 was authorised for issue in accordance with a resolution of the directors on 21 September 2016. The directors have the power to amend and revise the financial report.

The financial report includes the consolidated financial statements of the Company and its controlled entities (the Group).

The comparative results represent the consolidated results of DirectMoney Finance Pty Ltd only (see Acquisition of DirectMoney Finance Pty Ltd and its Controlled Entities below).

DirectMoney Limited is a company limited by shares incorporated and domiciled in Australia whose shares are publicly traded on the Australian Stock Exchange.

### Acquisition of DirectMoney Finance Pty Ltd and its Controlled Entities

During the year, DirectMoney Finance Pty Ltd's original shareholders obtained a majority share interest in DirectMoney Limited (formerly Basper Limited) after the reverse acquisition transaction. This transaction did not meet the definition of a business combination in accordance with Australian Accounting Standard AASB 3 Business Combinations. The transaction has therefore been accounted for in the consolidated financial statements in accordance with Australian Accounting Standard AASB 2 Share-based Payment and has been accounted for as a continuation of the financial statements of DirectMoney Finance Pty Ltd with a deemed issue of shares equivalent to the shares held by the former shareholders of DirectMoney Limited. The deemed issue of shares is, in effect, a share based payment transaction whereby DirectMoney Finance Pty Ltd is deemed to have received the net assets of DirectMoney Limited, together with the listing status of DirectMoney Limited. The overall accounting effect is very similar to a business combination.

Because the consolidated financial statements represent the continuation of the financial statements of DirectMoney Finance Pty Ltd, the principles and guidance on the preparation and presentation of the consolidated financial statements in a reverse acquisition set out in AASB 3 have been applied as follows:

- fair value adjustments arising at acquisition were made to DirectMoney Limited assets and liabilities, not those of DirectMoney Finance Pty Ltd;
- the cost of the acquisition, and amount recognised as issued capital to effect the transaction, is based on the notional amount of shares that DirectMoney Finance Pty Ltd would have needed to issue to acquire the same shareholding percentage in DirectMoney Limited on the acquisition date;
- accumulated losses and other equity balances in the consolidated financial statements at acquisition date are those of DirectMoney Finance Pty Ltd;
- a share-based payment transaction arises whereby DirectMoney Finance Pty Ltd is deemed to have issued shares in exchange for the net assets of DirectMoney Limited (together with the listing status of DirectMoney Limited). The listing status does not qualify for recognition as an intangible asset and has therefore been expensed in profit or loss as a listing expense;
- the equity structure in the consolidated financial statements (the number and type of equity instruments issued) at the date of the acquisition reflects the equity structure of DirectMoney Limited, including the equity instruments issued to effect the acquisition;
- the results for the year ended 30 June 2016 comprise the consolidated results for the year of DirectMoney Finance Pty Ltd together with the results of DirectMoney Limited from the acquisition date, being 3 July 2015; and
- the comparative results represent the consolidated results of DirectMoney Finance Pty Ltd only.

The accounting policies set out below have been applied within this context.

### a) Basis of preparation

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board and the *Corporations Act 2001*. DirectMoney Limited is a for-profit entity for the purpose of preparing the financial statements.

When required by Accounting Standards, comparative figures have been adjusted to conform to changes in presentation for the current financial year.

### i) Compliance with IFRS

The consolidated financial statements of the DirectMoney Limited group also comply with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

### ii) Historical cost convention

These financial statements have been prepared under the historical cost convention unless otherwise stated in the notes.

### iii) Going concern

These financial statements have been prepared under a going concern basis due to the following event:

- On 17 August 2016, the Company completed a 1 for 2 Pro Rata Non-Renounceable Rights Issue. Eligible shareholders were entitled to apply for one new share for every two shares held at an offer price of 4.2 cents per new share. The rights issue was fully underwritten and raised \$5.7 million for the Company. Therefore, the Directors believe that the Company will have sufficient resources to pay its debts and meet its commitments for at least the next 12 months from the date of this financial report.

# Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2016

## iv) Early adoption of standards

The Group has not elected to apply any pronouncements before their operative date in the annual reporting period beginning 1 July 2015.

## v) New and revised accounting standards and interpretations

The accounting policies adopted reflect the change in basis of preparation of the financial report and set out in this note. The Group has adopted all of the new, revised or amending Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period.

Any new, revised or amending Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

The adoption of these Accounting Standards and Interpretations did not have any significant impact on the financial performance or position of the Group.

## vi) New accounting standards for application in future periods

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2016 reporting periods and have not been early adopted by the Group.

### **AASB 9 Financial Instruments**

This standard is applicable to annual reporting periods beginning on or after 1 January 2018. The standard replaces all previous versions of AASB 9 and completes the project to replace IAS 39 'Financial Instruments: Recognition and Measurement'. AASB 9 introduces new classification and measurement models for financial assets. A financial asset shall be measured at amortised cost, if it is held within a business model whose objective is to hold assets in order to collect contractual cash flows, which arise on specified dates and solely principal and interest. All other financial instrument assets are to be classified and measured at fair value through profit or loss unless the entity makes an irrevocable election on initial recognition to present gains and losses on equity instruments (that are not held-for-trading) in other comprehensive income ('OCI'). For financial liabilities, the standard requires the portion of the change in fair value that relates to the entity's own credit risk to be presented in OCI (unless it would create an accounting mismatch). New simpler hedge accounting requirements are intended to more closely align the accounting treatment with the risk management activities of the entity. New impairment requirements will use an 'expected credit loss' ('ECL') model to recognise an allowance. Impairment will be measured under a 12-month ECL method unless the credit risk on a financial instrument has increased significantly since initial recognition in which case the lifetime ECL method is adopted. The standard introduces additional new disclosures. The Group will adopt this standard from 1 July 2018 but the impact of its adoption is yet to be assessed by the Group.

### **AASB 15 Revenue from contracts with customers**

This standard is applicable to annual reporting periods beginning on or after 1 January 2018. The standard provides a single standard for revenue recognition. The core principle of the standard is that an entity will recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The standard will require: contracts (either written, verbal or implied) to be identified, together with the separate performance obligations within the contract; determine the transaction price, adjusted for the time value of money excluding credit risk; allocation of the transaction price to the separate performance obligations on a basis of relative stand-alone selling price of each distinct good or service, or estimation approach if no distinct observable prices exist; and recognition of revenue when each performance obligation is satisfied. Credit risk will be presented separately as an expense rather than adjusted to revenue. For goods, the performance obligation would be satisfied when the customer obtains control of the goods. For services, the performance obligation is satisfied when the service has been provided, typically for promises to transfer services to customers. For performance obligations satisfied over time, an entity would select an appropriate measure of progress to determine how much revenue should be recognised as the performance obligation is satisfied. Contracts with customers will be presented in an entity's statement of financial position as a contract liability, a contract asset, or a receivable, depending on the relationship between the entity's performance and the customer's payment. Sufficient quantitative and qualitative disclosure is required to enable users to understand the contracts with customers; the significant judgments made in applying the guidance to those contracts; and any assets recognised from the costs to obtain or fulfil a contract with a customer. The Group will adopt this standard from 1 July 2018 but the impact of its adoption is yet to be assessed by the Group.

### **AASB 16: Leases (applicable to annual reporting periods beginning on or after 1 January 2019).**

When effective, this Standard will replace the current accounting requirements applicable to leases in AASB 117: Leases and related Interpretations. AASB 16 introduces a single lessee accounting model that eliminates the requirement for leases to be classified as operating or finance leases.

The main changes introduced by the new Standard include:

- recognition of a right-to-use asset and liability for all leases (excluding short-term leases with less than 12 months of tenure and leases relating to low-value assets);
- depreciation of right-to-use assets in line with AASB 116: Property, Plant and Equipment in profit or loss and unwinding of the liability in principal and interest components;
- variable lease payments that depend on an index or a rate are included in the initial measurement of the lease liability using the index or rate at the commencement date;
- by applying a practical expedient, a lessee is permitted to elect not to separate non-lease components and instead account for all components as a lease; and
- additional disclosure requirements.

# Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2016

## 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The transitional provisions of AASB 16 allow a lessee to either retrospectively apply the Standard to comparatives in line with AASB 108 or recognise the cumulative effect of retrospective application as an adjustment to opening equity on the date of initial application.

Although the directors anticipate that the adoption of AASB 16 will impact the Group's financial statements, it is impracticable at this stage to provide a reasonable estimate of such impact.

### b) Share based payments

The Company provides benefits to employees in the form of share-based payment transactions, whereby employees render services in exchange for shares or performance rights ("equity-settled transactions").

The cost of the transactions with employees is measured by reference to the fair value at the date at which they are granted. The fair value is determined by an external valuer using a binomial model. In valuing equity-settled transactions, no account is taken of any performance conditions, other than conditions linked to the price of the shares of the Company ("market conditions"). The cost of equity-settled transactions is recognised as an expense, together with a corresponding increase in equity, over the period in which the performance conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to exercise the rights ("vesting date").

The cumulative expense recognised for equity-settled transactions at each reporting date until vesting date reflects (i) the extent to which the vesting period has expired and (ii) the number of rights that, in the opinion of the Directors of the Company, will ultimately vest. This opinion is formed based on the best available information at balance date. No adjustment is made for the likelihood of market performance conditions being met as the effect of these conditions is included in the determination of fair value at grant date. Where the terms of an equity-settled option are modified, at a minimum an expense is recognised as if the terms had not been modified. In addition, an expense is recognised for any increase in the value of the transaction as a result of the modification, as measured at the date of the modification.

### c) Principles of consolidation

The consolidated financial statements incorporate the assets and liabilities of the Company and all subsidiaries as at 30 June 2016, and the results of all subsidiaries for the year then ended.

Subsidiaries are all those entities over which the Group has the power to govern the financial and operating policies, generally accompanying a shareholding of 100% of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

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

Investments in subsidiaries are accounted for at cost in the individual financial statements of the Company, less any impairment charges.

### d) Foreign currency transactions and balances

#### Functional and presentation currency

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

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised through profit or loss, except when deferred in equity as qualifying cash flow hedges and qualifying net investment hedges.

#### e) Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the entity and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

##### i) Interest income

Interest revenue is recognised as interest accrues using the effective interest method. This is a method of calculating the amortised cost of a financial asset and allocating the interest income over the relevant period using the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

##### ii) Loan establishment fees

Loan establishment fees are deferred and recognised as an adjustment to the effective interest rate as these fees are an integral part of generating an involvement with the resulting financial instrument.

# Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2016

## f) Income tax

The income tax expense or benefit for the period is the tax payable / refundable on the current period's taxable income based on the national income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities, attributable to temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements, and to unused tax losses.

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

An exception is made for certain temporary differences arising from the initial recognition of an asset or a liability. No deferred tax asset or liability is recognised in relation to these temporary differences if they arose in a transaction, other than a business combination, that at the time of the transaction did not affect either accounting profit or taxable profit or loss.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in controlled entities where the parent entity is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Current and deferred tax balances attributable to amounts recognised directly in equity are also recognised directly in equity.

DirectMoney Limited and its wholly owned Australian controlled entities have implemented the tax consolidation legislation as of 1 January 2004.

The head entity, DirectMoney Limited, and the controlled entities in the tax consolidated group continue to account for their own current and deferred tax amounts. These tax amounts are measured as if each entity in the tax consolidated group continues to be a standalone taxpayer in its own right.

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

Assets or liabilities arising under tax funding agreements with the tax consolidated entities are recognised as amounts receivable from or payable to other entities in the group.

Any difference between the amounts assumed and amounts receivable or payable under the tax funding agreement are recognised as a contribution to (or distribution from) wholly owned tax consolidated entities.

## g) Impairment of assets

Assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable, and as a minimum, annually. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets, other than goodwill, that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

## h) Cash and cash equivalents

Cash and cash equivalents include cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts.

## i) Property, plant and equipment

All property, plant and equipment except for freehold land and buildings are initially measured at cost and are depreciated over their useful lives on a straight-line basis. Depreciation commences from the time the asset is available for its intended 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 useful lives used for each class of depreciable assets are as follows:

<b>Class of Asset</b>	<b>Useful Life</b>
Plant and equipment	5-20 years

The carrying amount of plant and equipment is reviewed annually by directors to ensure it is not in excess of the recoverable amount. The recoverable amount is assessed on the basis of the expected net cash flows that will be received from the asset's employment and subsequent disposal. The expected net cash flows have not been discounted in determining recoverable amounts.

# Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2016

## 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### j) Leases

Lease payments for operating leases, where substantially all the risks and benefits remain with the lessor, are recognised as expenses in the periods in which they are incurred on a straight line basis.

### k) Financial instruments

#### Recognition and initial measurement

Financial instruments, incorporating financial assets and financial liabilities, are recognised when the entity becomes a party to the contractual provisions of the instruments. Trade date accounting is adopted for financial assets that are delivered within timeframes established by marketplace convention.

#### De-recognition

Financial assets are derecognised where the contractual rights to receipt of cash flows expires or the asset is transferred to another party whereby the entity no longer has any significant continuing involvement in the risks and benefits associated with the asset. Financial liabilities are derecognised where the related obligations are either discharged, cancelled or expire. The difference between the carrying value of the financial liability extinguished or transferred to another party and the fair value of consideration paid, including the transfer of non-cash assets or liabilities assumed is recognised in profit or loss.

#### Classification and subsequent measurement

Financial instruments are subsequently measured at fair value, amortised cost using the effective interest method, or cost. Where available, quoted prices in an active market are used to determine fair value. In other circumstances, valuation techniques are adopted.

*Amortised cost* is calculated as the amount at which the financial asset or financial liability is measured at initial recognition less principal repayments and any reduction for impairment, and adjusted for any cumulative amortisation of the difference between the initial amount and the maturity amount calculated using the effective interest method.

The *effective interest method* is used to allocate interest income or interest expense over the relevant period and is equivalent to the rate that exactly discounts estimated future cash payments or receipts (including fees, transaction costs and other premiums or discounts) through the expected life (or when this cannot be reliably predicted, the contractual term) of the financial instrument to the net carrying amount of the financial asset or financial liability. Revisions to expected future net cash flows will necessitate an adjustment to the carrying amount with a consequential recognition of an income or expense item in profit or loss.

The consolidated entity does not designate any interests in subsidiaries, associates or joint venture entities as being subject to the requirements of Accounting Standards specifically applicable to financial instruments.

### i) Financial assets at fair value through profit or loss

Financial assets are classified at "fair value through profit or loss" when they are held for trading for the purpose of short-term profit taking, derivatives not held for hedging purposes, or when they are designated as such to avoid an accounting mismatch or to enable performance evaluation where a group of financial assets is managed by key management personnel on a fair value basis in accordance with a documented risk management or investment strategy. Such assets are subsequently measured at fair value with changes in carrying amount being included in profit or loss.

### ii) Available-for-sale investments

Available-for-sale investments are non-derivative financial assets that are either not capable of being classified into other categories of financial assets due to their nature or they are designated as such by management. They comprise investments in the equity of other entities where there is neither a fixed maturity nor fixed or determinable payments.

They are subsequently measured at fair value with any remeasurements other than impairment losses and foreign exchange gains and losses recognised in other comprehensive income. When the financial asset is derecognised, the cumulative gain or loss pertaining to that asset previously recognised in other comprehensive income is reclassified into profit or loss.

Available-for-sale financial assets are classified as non-current assets when they are not expected to be sold within 12 months after the end of the reporting period. All other available-for-sale financial assets are classified as current assets.

### iii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are subsequently measured at amortised cost. Gains or losses are recognised in profit or loss through the amortisation process and when the financial asset is derecognised.

### iv) Financial liabilities

Non-derivative financial liabilities other than financial guarantees are subsequently measured at amortised cost. Gains or losses are recognised in profit or loss through the amortisation process and when the financial liability is derecognised.

### v) Trade and other payables

Due to their short term nature trade and other payables are not discounted. They represent liabilities for goods and services provided to the Group prior to the end of the financial year that are unpaid and arise when the Group becomes obliged to make future payments in respect of the purchase of these goods and services. The amounts are unsecured and are usually paid within 30 days of recognition.

### Impairment

At the end of each reporting period, the consolidated entity assesses whether there is objective evidence that a financial asset has been impaired.

# Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2016

A financial asset (or group of financial assets) is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events (a "loss event") having occurred which has an impact on the estimated future cash flows of the financial asset(s).

In the case of financial assets carried at amortised cost, loss events may include: indications that the debtors or a group of debtors are experiencing significant financial difficulty, default or delinquency in interest or principal payments; indications that they will enter bankruptcy or other financial reorganisation; and changes in arrears or economic conditions that correlate with defaults.

For financial assets carried at amortised cost (including loans and receivables), a separate allowance account is used to reduce the carrying amount of financial assets impaired by credit losses. After having taken all possible measures of recovery, if management establishes that the carrying amount cannot be recovered by any means, at that point the written-off amounts are charged to the allowance account or the carrying amount of impaired financial assets is reduced directly if no impairment amount was previously recognised in the allowance account.

When the terms of financial assets that would otherwise have been past due or impaired have been renegotiated, the consolidated entity recognises the impairment for such financial assets by taking into account the original terms as if the terms have not been renegotiated so that the loss events have occurred are duly considered.

## **l) Trade receivables**

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method less provision for impairment. Trade receivables are generally due for settlement within 30 days. They are presented as current assets unless collection is not expected for more than 12 months after the reporting date.

Collectability of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off by reducing the carrying amount directly. An allowance account (provision for impairment of trade receivables) is used when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables.

The amount of the impairment loss is recognised in the statement of profit or loss and other comprehensive income. When a trade receivable for which an impairment allowance had been recognised becomes uncollectible in a subsequent period, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited in the statement of profit or loss and other comprehensive income.

## **Fair value estimation**

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement or for disclosure purposes. Unless otherwise disclosed in the notes to the financial statements, the carrying amount of the Group's financial instruments approximates their fair value.

## **m) Trade and other payables**

These amounts represent liabilities for goods and services provided to the Group prior to the end of financial year which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition. Trade and other payables are presented as current liabilities.

## **Fair value estimation**

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement or for disclosure purposes. Unless otherwise disclosed in the notes to the financial statements, the carrying amount of the Group's financial instruments approximates their fair value.

## **n) Contributed equity**

Ordinary shares are classified as equity and recognised at the fair value of the consideration received by the Group. Incremental costs directly attributable to the issue of new shares or options are expensed as incurred.

## **o) Earnings per share**

### *(i) Basic earnings per share*

Basic earnings per share is calculated by dividing the result attributable to equity holders of the Company by the weighted average number of ordinary shares outstanding during the financial year.

### *(ii) Diluted earnings per share*

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

## **p) 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 Taxation 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. The net amount of GST recoverable from, or payable to, the taxation authority is included with other receivables or payables in the statement of financial position.

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

## **q) Parent entity financial information**

The financial information for the parent entity, DirectMoney Limited, has been prepared on the same basis as the consolidated financial statements, except that investments in subsidiaries are accounted for at cost net of impairment in the parent financial statements.

# Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2016

## 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### r) Capital management

Management controls the capital of the Group in order to maintain a sustainable debt to equity ratio, generate long term shareholder value and ensure that the Group can fund its operations and continue as a going concern.

The Group's debt and capital includes ordinary share capital and financial liabilities, supported by financial assets. The Group is not subject to any externally imposed capital requirements.

The Group's objectives when managing capital are to maximize shareholder value and to maintain an optimal capital structure. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders. Management gives particular regard to conservation of liquidity in its recommendations as to the declaration of dividends. There were no dividends declared in the year.

### s) Financial risk management

The business of the Group and the industry in which it operates are subject to risk factors both of a general nature and risks which are specific to the industry and/or the Group's business activities.

The potential effect of these risk factors either individually, or in combination, may have an adverse effect on the future financial and operating performance of the Company, its financial position, its prospects and the value of its shares.

The following are the key risks that specifically relate to the Group.

#### (i) Credit risk

As a lending business, the Group is at risk of a larger than expected number of its borrowers failing or becoming unable to repay their loans. While loans are assessed according to a strict Credit Policy and Credit Manual as well as being targeted at prime retail borrowers (not 'payday' lending customers), the loans are unsecured and so are subject to the capacity of the individual borrower to repay the loan.

All loan balances are monitored on an ongoing basis for collectability and a provision for doubtful debts is raised when appropriate.

The maximum exposure to credit risk by class of recognised financial assets at the end of the reporting period is equivalent to the carrying amount and classification of those financial assets (net of any provisions) as presented in the statement of financial position.

#### (ii) Inability to recover defaulted loans

If a borrower does not meet their required loan payments and the loan goes into default, the Group may not be able to recover the relevant portion of the value of the loan or the cost of recovery of the loan may be deemed to be greater than the amount potentially recoverable, even if the borrower owns assets such as a house. In this case the loan may be written off as a bad debt.

High levels of bad debts could limit profitability and adversely affect future performance. The Group mitigates this risk by approving loans according to a strict credit criteria.

#### (iii) Fraudulent borrowers

There is a general ongoing risk that borrowers may deliberately fabricate evidence to support loan applications and they have no intention of paying off their loan. The Group has procedures in place to detect fraudulent applications and activities, however the risk of fraud cannot be totally removed. The Group has been the subject of a borrower fraud before and these events allowed the Group to learn and adjust procedures to minimise such risk.

#### (iv) Personal loans are unsecured

The Group's loans are issued on an unsecured basis. The Group's reputation and financial position could be adversely impacted if the Group's targeted credit performance of its loan book is not met and collections and debt recovery procedures prove less than effective.

#### (v) Costs of acquiring loans

The Group's business model and on-going commercial viability is directly linked to its ability to attract suitable borrowers and increase the volume of loans funded and managed by the Group. The Group has built its existing loan volumes using a mix of direct channel marketing (using search engine marketing and media advertising) and developing relationships with mortgage and finance brokers to introduce loans. The Group has forecast the future costs of acquiring loans in the desired volumes however these costs are subject to market forces and cannot be predicted with certainty.

#### (vi) Ability to source third party funding and sell loans

The Group's business model and on-going commercial viability is strongly linked to its ability to source sufficient third party funding to enable it to sell its loans and raise the funds to lend to potential borrowers.

The Group seeks to manage this risk by establishing multiple sources of loan buyers. The Group seeks to on-sell loans to the DirectMoney Personal Loan Fund (subject to that fund having sufficient funds available) and to institutional loan buyers.

#### (vii) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash to ensure the ability to meet financial obligations as they fall due. The Group manages liquidity risk by maintaining a cash reserve and continuously monitoring forecast and actual cash flows.

#### (viii) Market risk

##### a. Price risk

The Group's investment in the DirectMoney Personal Loan Fund (Fund) is exposed to variations in the unit price of the Fund. The unit price may vary subject to the credit performance of the loans held in the Fund.

# Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2016

As the Group is the Seller to and Investment Manager of the Fund, the Group has a sound knowledge of the price risk associated with its investment.

## **b. Interest rate risk**

The Group has no bank debt, fixed rate or otherwise. The Group earns interest from a portfolio of fixed rate loans held on its balance sheet.

## **t) Provisions**

Provisions are recognised when the consolidated entity has a legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will result and that outflow can be reliably measured.

Provisions are measured at the best estimate of the amounts required to settle the obligation at the end of the reporting period.

## **u) Employee benefits**

Provision is made for the Group's obligation for employee benefits arising from services rendered by employees to the end of the reporting period. Short term employee benefits are benefits (other than termination benefits) that are expected to be settled wholly before 12 months after the end of the annual reporting period in which the employees render the related service, including wages, salaries and personal leave. Short term employee benefits are measured at the (undiscounted) amounts expected to be paid when the obligation is settled, plus any related costs.

The Group's obligations for short-term employee benefits are recognised as a part of current trade and other payables in the statement of financial position. The Group's obligation for employees' annual leave entitlements are recognised as provisions in the statement of financial position.

## **v) Critical accounting estimates and judgments**

The Directors evaluate estimates and judgments incorporated into the financial statements based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the Group.

## **Key estimates**

### **Impairment of loan receivables**

The Group assesses impairment at the end of each reporting period by evaluating conditions and events specific to the Group that may be indicative of impairment triggers.

Recoverable amounts are estimated using historical amounts received as consideration for sale of impaired loans to factoring organisations and recoveries from court judgments.

Refer to Note 1 k) for further detail on the treatment of impairment of loan receivables.

## **w) Fair value**

The Group measures some of its assets and liabilities at fair value on either a recurring or non-recurring basis, depending on the requirements of the applicable Accounting Standard.

Fair value is the price the Group would receive to sell an asset or would have to pay to transfer a liability in an orderly (ie unforced) transaction between independent, knowledgeable and willing market participants at the measurement date.

As fair value is a market-based measure, the closest equivalent observable market pricing information is used to determine fair value. Adjustments to market values may be made having regard to the characteristics of the specific asset or liability. The fair values of assets and liabilities that are not traded in an active market are determined using one or more valuation techniques. These valuation techniques maximise, to the extent possible, the use of observable market data.

To the extent possible, market information is extracted from either the principal market for the asset or liability (ie the market with the greatest volume and level of activity for the asset or liability) or, in the absence of such a market, the most advantageous market available to the entity at the end of the reporting period (ie the market that maximises the receipts from the sale of the asset or minimises the payments made to transfer the liability, after taking into account transaction costs and transport costs).

For non-financial assets, the fair value measurement also takes into account a market participant's ability to use the asset in its highest and best use or to sell it to another market participant that would use the asset in its highest and best use.

The fair value of liabilities and the entity's own equity instruments (excluding those related to share-based payment arrangements) may be valued, where there is no observable market price in relation to the transfer of such financial instruments, by reference to observable market information where such instruments are held as assets. Where this information is not available, other valuation techniques are adopted and, where significant, are detailed in the respective note to the financial statements.

# Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2016

## 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### x) Fair value measurement

The Group measures and recognises the following assets and liabilities at fair value on a recurring basis after initial recognition:

- available-for-sale financial assets.

The Group does not subsequently measure any liabilities at fair value on a non-recurring basis.

### a. Fair Value Hierarchy

AASB 13: *Fair Value Measurement* requires the disclosure of fair value information by level of the fair value hierarchy, which categorises fair value measurements into one of three possible levels based on the lowest level that an input that is significant to the measurement can be categorised into as follows:

Level 1	Level 2	Level 3
Measurements based on quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date.	Measurements based on inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly.	Measurements based on unobservable inputs for the asset or liability.

The fair values of assets and liabilities that are not traded in an active market are determined using one or more valuation techniques. These valuation techniques maximise, to the extent possible, the use of observable market data. If all significant inputs required to measure fair value are observable, the asset or liability is included in Level 2. If one or more significant inputs are not based on observable market data, the asset or liability is included in Level 3.

### Valuation techniques

The Group selects a valuation technique that is appropriate in the circumstances and for which sufficient data is available to measure fair value. The availability of sufficient and relevant data primarily depends on the specific characteristics of the asset or liability being measured. The valuation techniques selected by the Group are consistent with one or more of the following valuation approaches:

- *Market approach*: valuation techniques that use prices and other relevant information generated by market transactions for identical or similar assets or liabilities.
- *Income approach*: valuation techniques that convert estimated future cash flows or income and expenses into a single discounted present value.
- *Cost approach*: valuation techniques that reflect the current replacement cost of an asset at its current service capacity.

Each valuation technique requires inputs that reflect the assumptions that buyers and sellers would use when pricing the asset or liability, including assumptions about risks. When selecting a valuation technique, the Group gives priority to those techniques that maximise the use of observable inputs and minimise the use of unobservable inputs. Inputs that are developed using market data (such as publicly available information on actual transactions) and reflect the assumptions that buyers and sellers would generally use when pricing the asset or liability are considered observable, whereas inputs for which market data is not available and therefore are developed using the best information available about such assumptions are considered unobservable.

### b. Valuation techniques and inputs used to measure level 2 fair values

Description	Fair Value at 30 June 2016 \$000	Valuation Technique(s)	Inputs Used
<i>Financial assets</i>			
Investment in DirectMoney Personal Loan Fund (Fund)	500	Market approach using monthly valuation reports provided by Fund's Investment Manager and Fund's Administrator.	Monthly valuation report provided Fund's Investment Manager and Fund's Administrator.

There were no changes during the period in the valuation techniques used by the Group to determine Level 2 fair values.

# Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2016

## 2. REVENUE

	2016 \$	2015 \$
Effective interest income on financial assets	1,036,341	431,064
Other revenue from financial assets	145,158	5,666
	1,181,499	436,730

## 3. OTHER INCOME

	2016 \$	2015 \$
Interest on cash	24,290	5,768
Interest from investments	31,012	-
Exchange gains on loan accounts	-	13,727
	55,302	19,495

## 4. EXPENSES

Losses from ordinary activities before income tax includes the following specific expenses:

	2016 \$	2015 \$
<i>Operating lease costs</i>		
Property lease costs	134,910	78,679
<i>Superannuation expense</i>		
Superannuation expense	179,471	73,423
<i>Marketing costs</i>		
Marketing costs	514,010	589,753
<i>Finance costs</i>		
Interest and finance charges paid/payable	75,649	213,155
<i>Legal expenses</i>		
Legal expenses	455,662	652,734
<i>Write off of loan assets</i>		
Doubtful debts expense	87,803	191,494
Bad debt expense	146,898	599,457
Loss on sale of loan assets	179,609	139,233
	414,310	930,184
<i>Listing Expense due to the reverse acquisition</i>		
Listing expense from acquisition of DirectMoney Finance Pty Ltd (Note 21)	2,708,757	-
<i>Performance rights expense</i>		
Performance rights expense	819,894	-

# Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2016

## 5. LOAN RECEIVABLES

	2016 \$	2015 \$
<i>Current</i>		
Loan receivables	1,634,484	1,004,907
Less: Provision for impairment of receivables	(80,359)	-
	1,554,125	1,004,907
<i>Non-current</i>		
Loan receivables	6,245,956	3,598,774
Less: Provision for impairment of receivables	(198,938)	(191,494)
	6,047,018	3,407,280

Loan receivables comprise unsecured personal loans between \$5,000 to \$35,000 with an interest range between 8.5% to 22.75%. The unsecured personal loans are repayable within the ranges of 3 to 5 years.

	2016 \$	2015 \$
<i>Movements in the provision for impairment of receivables were as follows:</i>		
Opening balance	191,494	-
Doubtful debts provision raised	236,345	358,015
Bad debts written off	(116,881)	(79,650)
Delinquent loans sold	(31,661)	(86,871)
Closing balance	279,297	191,494

As at 30 June 2016 there were \$460,775 of loan receivables past due but not impaired (2015: \$465,461) and \$279,297 of loan receivables were past due and has been determined as impaired (2015: \$191,494).

## 6. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	2016 \$	2015 \$
<i>Non-current</i>		
Investment in DirectMoney Personal Loan Fund	500,000	-

The consolidated entity has invested \$500,000 into the DirectMoney Personal Loan Fund. The DirectMoney Personal Loan Fund is a registered managed investment scheme where investors' money is pooled and invested into unsecured personal loans acquired from DirectMoney Finance Pty Ltd. The investment is classified as available for sale in accordance with AASB 139 *Financial Instruments: Recognition and Measurement*.

## 7. CASH AND CASH EQUIVALENTS

	2016 \$	2015 \$
Cash at bank	1,264,795	131,856
<i>Reconciliation to cash and cash equivalents at the end of the financial year</i>		
The above figures are reconciled to cash and cash equivalents at the end of the financial year as shown in the statement of cash flows as follows:		
Balance as above	1,264,795	131,856
Balance as per statement of cash flows	1,264,795	131,856

# Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2016

## 8. TRADE AND OTHER RECEIVABLES

	2016 \$	2015 \$
<i>Current</i>		
Accrued interest on loan receivables	104,972	34,379
Accrued management fee income	5,583	-
Amounts owing from related parties	-	175,336
Other receivable	-	600
	110,555	210,315

## 9. OTHER ASSETS

	2016 \$	2015 \$
<i>Current</i>		
Prepayments	16,064	7,094
Deposits	18,267	18,277
Cash held in trust	257,954	-
	292,285	25,371

## 10. PROPERTY, PLANT AND EQUIPMENT

	2016 \$	2015 \$
Plant and equipment, at cost	8,831	8,831
Less: accumulated depreciation	(4,284)	(1,501)
	4,547	7,330

## 11. TRADE AND OTHER PAYABLES

	2016 \$	2015 \$
<i>Current</i>		
Trade payables	100,716	582,087
Sundry payables	368,979	26,312
Accrued expenses	261,187	89,491
Superannuation payable	51,969	27,281
	782,851	725,171

## MATURITY ANALYSIS - GROUP - 2016

Financial liabilities	Carrying amount \$	< 6 months \$	6 - 12 months \$	1 - 3 years \$	> 3 years \$
Non-derivatives					
Trade creditors	100,716	96,053	4,663	-	-
Other payables	682,135	679,743	-	-	2,392
Convertible notes <sup>1</sup>	1,000,000	1,000,000	-	-	-
Total non-derivatives	1,782,851	1,775,796	4,663	-	2,392

1 The repayment of the notes is linked to the repayment profile of the loans which provide security for the notes. Given the option the Company has to repay these notes prior to their maturity the notes are shown as being current.

# Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2016

## 12. EMPLOYEE BENEFITS

	2016 \$	2015 \$
<i>Current</i>		
Provision for annual leave	125,900	38,675

## 13. CONVERTIBLE NOTES AND INTEREST BEARING LIABILITIES

On 3 July 2015, convertible notes totalling \$2,505,169 were converted to ordinary shares in DirectMoney Finance Pty Ltd and subsequently transferred to DirectMoney Limited on completion of the acquisition of DirectMoney Finance Pty Ltd.

Convertible notes of \$2,000,000 was issued by DirectMoney Marketplace Limited in the 2015 financial year. During the 2016 financial year, \$1,000,000 of these convertible notes were redeemed. The remaining \$1,000,000 of convertibles notes are secured by identified loans within DirectMoney Marketplace Limited's balance sheet. The carrying value of the loans pledged as security as of 30 June 2016 was \$996,060. The holders have recourse to these loans and a distribution based on the gross return of the loans less a 4% loss reserve and 1.5% servicing fee.

## 14. ISSUED CAPITAL

### a) Issued and paid-up capital

	2016 \$	2015 \$
271,954,175 Ordinary shares, fully paid	22,409,803	6,106,746

Ordinary shares entitle the holder to participate in dividends and the proceeds on the winding up of the Company. At shareholder meetings, each ordinary share is entitled to one vote when a poll is called. Otherwise, each shareholder has one vote on show of hands.

### b) Reconciliation of issued and paid-up capital

	2016		2015	
	Number of shares	\$	Number of shares	\$
Opening balance as at 1 July	271,843,978	6,106,746	220,488,040	2,798,031
Shares issued on 31 October 2014	-	-	8,819,521	250,000
Shares issued on 28 November 2014	-	-	18,331,346	923,477
Shares issued on 19 December 2014	-	-	4,500,000	35,238
Shares issued on 27 February 2015	-	-	14,075,050	1,500,000
Shares issued on 31 March 2015	-	-	5,630,021	600,000
DirectMoney Finance Pty Ltd shares issued prior to acquisition following conversion of convertible notes on 3 July 2015	62,203,896	2,505,169	-	-
Reversal of existing shares on acquisition on 3 July 2015	(334,047,874)	-	-	-
Existing DirectMoney Limited shares on issue as at 3 July 2015	10,000,443	-	-	-
Issue of DirectMoney Limited shares on acquisition of DirectMoney Finance Pty Ltd on 6 July 2015	199,609,932	2,000,088	-	-
Issue of DirectMoney Limited shares post acquisition	62,343,800	11,797,800	-	-
Closing balance	271,954,175	22,409,803	271,843,978	6,106,746

### c) Performance rights

As at 30 June 2016, there were a total of 32,175,000 performance rights outstanding.

Under the Company's Performance Rights Plan, these performance rights were issued at no cost and represent a right to one ordinary share in the Company in the future for no consideration, subject to satisfying the performance conditions and compliance with the rules of the Plan.

# Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2016

## 15. EQUITY - RESERVES AND ACCUMULATED LOSSES

### a. Foreign Currency Translation Reserve

The foreign currency translation reserve records exchange differences arising on translation of the foreign controlled subsidiary, HomeStake Capital Inc. which was deregistered on 29 February 2016.

### b. Employee Equity Benefits Reserve

The employee equity benefits reserve records items recognised as expenses on valuation of employee performance rights.

Movement in reserves	Employee Equity Benefits Reserve \$	Foreign Currency Translation Reserve \$	Total \$
At 1 July 2014	-	-	-
Currency translation differences	-	4,210	4,210
Share based payments expense	-	-	-
<b>At 30 June 2015</b>	-	4,210	4,210
Currency translation differences	-	(4,210)	(4,210)
Share based payments expense	819,894	-	819,894
<b>At 30 June 2016</b>	<b>819,894</b>	<b>-</b>	<b>819,894</b>

	2016 \$	2015 \$
<b>Accumulated losses:</b>		
Opening balance	(6,610,635)	(2,445,076)
Total loss after income tax for the year	(8,754,488)	(4,165,559)
<b>Total</b>	<b>(15,365,123)</b>	<b>(6,610,635)</b>

## 16. CAPITAL AND LEASE COMMITMENTS

### a. Finance Lease Commitments

There are no finance lease commitments. (2015: nil)

### b. Operating Lease Commitments

Non-cancellable operating leases contracted for but not recognised in the financial statements.

	2016 \$	2015 \$
<b>Payable - minimum lease payments:</b>		
i) Within one year	108,490	116,600
ii) One to five years	5,945	6,672
iii) More than five years	-	-
	<b>114,435</b>	<b>123,272</b>

DirectMoney Finance Pty Ltd has two property leases.

The first property lease is a non-cancellable lease with a 36 month term commencing from 21 July 2014, with rent payable monthly in advance. Contingent rental provisions within the lease agreement require that the minimum lease payments shall be increased by reference to the CPI on the anniversary of the lease.

The second property lease is a non-cancellable lease with a term of 12 months commencing from 21 July 2016. Rent is payable monthly in advance.

# Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2016

## 17. INCOME TAX

	2016 \$	2015 \$
<i>Numerical reconciliation of income tax expense to prima facie tax payable</i>		
Loss from continuing operations before income tax expense	(8,754,488)	(4,165,559)
Tax at the tax rate of 30% (2015: 30%)	(2,626,346)	(1,249,668)
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:		
- Temporary differences not recognised	59,915	66,151
- Non-recognition of current year tax losses	2,566,431	1,183,517
Income tax expense/(benefit)	-	-

As at 30 June 2016, the entity has unrecognised carried forward tax losses of \$13,435,096 (2015: \$4,880,324), the utilisation of which is dependent on the entity satisfying the requirements of the Same Business Test (SBT).

## 18. REMUNERATION OF AUDITORS

During the year, the following fees were paid or payable for services provided by the auditor:

	2016 \$	2015 \$
BDO East Coast Partnership		
- Audit of the financial report	54,500	47,605
- Taxation services	42,780	-
- Due diligence services	-	10,000
- Review of Half-Yearly Financial Report	22,500	15,000
	119,780	72,605

## 19. CONTINGENT LIABILITIES

On 19 February 2016, the parent entity entered into a Loan Sale and Management Deed with Macquarie Bank Limited (Macquarie Bank Agreement) of which Macquarie Bank Limited (Macquarie) agreed to purchase a \$5 million loan portfolio from DirectMoney Finance Pty Ltd and provide certain services to the parent entity. A cash consideration for the \$5 million loan portfolio was paid on 23 February 2016 at which point the loan portfolio was derecognised.

The key terms of the Macquarie Bank Agreement are as follows:

- Macquarie (via a custodian agent) has full title and risk to the loan portfolio.
- The Company is responsible for managing the loan portfolio during the term of the Macquarie Bank Agreement. The Company will be paid a monthly fee of 1.5% per annum (plus GST).
- Macquarie has agreed to provide ongoing advisory services to the Company regarding debt capital markets.
- DirectMoney has a right to "call" the remaining balance of the Loan Portfolio from Macquarie any time after 6 months. This has the effect of capping the dollar fee obligation described below.

In relation to the above, the Company has agreed to pay fees to Macquarie in five tranches:

- Tranche 1 was paid at completion of the transaction in ordinary shares issued at a price of \$0.0854 for 5,854,800 Shares (see ASX release 25 Feb 2016).
- Tranches 2, 3 and 4 are expected to be paid in the second half of 2016 calendar year when loan funding facilities are expected to be closed and the loan portfolio held by Macquarie has been transferred to financial institutions providing the loan funding facilities. Assuming a transfer of the loan portfolio occurs on around November 2016 and assuming a VWAP trading price of ordinary shares at that time of \$0.05 per ordinary share, the total ordinary shares issued to Macquarie will be approximately 25,000,000. The actual number of ordinary shares to be issued will depend on the actual VWAP trading price of the Company at that time.

# Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2016

- If DirectMoney and Macquarie are not able to negotiate and close proposed loan funding facilities and transfer the loan portfolio in November 2016 the fees and ordinary shares due to Macquarie will increase, in line with a formula linked to the outstanding, declining balance of the loan portfolio.
- A Tranche 5 fee of \$500,000 less all upfront fees Macquarie has earned on structuring and executing loan funding facilities for the Company may also apply in February 2019. However, this fee will not be payable if negotiations with respect to loan funding facilities are finalised and as such, no shares are expected to be issued under Tranche 5 if negotiations are finalised.

A cap on share issues exists whereby:

- The Company has the right to pay the above fees in cash if Macquarie's shareholding is 10% or more in the Company;
- Macquarie also has the right to elect to receive the above fees in cash if their shareholding is 15% or more.

## 20. SUBSIDIARIES

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries in accordance with the accounting policies described in Note 1:

Name	Status	Country of incorporation	Percentage Owned 2016	Percentage Owned 2015*
DirectMoney Finance Pty Ltd	Registered 2 May 2006	Australia	100%	-
DirectMoney Investment Management Pty Ltd	Registered 20 February 2015	Australia	100%	100%
DirectMoney Loans Servicing Pty Ltd	Registered 20 February 2015	Australia	100%	100%
DirectMoney Credit Management Pty Ltd	Registered 19 March 2015	Australia	100%	100%
DirectMoney Marketplace Limited	Registered 16 March 2015	Australia	100%	100%
HomeStake Capital Inc.	Deregistered 29 February 2016	Australia	0%	100%

\* 'Percentage owned 2015' refers to DirectMoney Finance Pty Ltd's interest in its subsidiaries.

## 21. ACQUISITION ACCOUNTING

On 3 July 2015, DirectMoney Limited completed its acquisition of 100% of the issued capital of DirectMoney Finance Pty Ltd ("DMF") as part of a reverse acquisition.

This transaction was accounted for as discussed in Note 1.

The value of the transaction is as follows:

	3 July 2015 \$
<b>Assets and liabilities acquired</b>	
Cash and cash equivalents	2,857
Other current assets	17,806
Trade and other payables	(729,332)
	(708,669)
Fair value of notional shares that DMF issued to effect the transaction	2,000,088
Listing expense	2,708,757

# Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2016

## 22. EVENTS AFTER THE REPORTING PERIOD

On 17 August 2016, the Company completed a 1 for 2 Pro Rata Non-Renounceable Rights Issue. Eligible shareholders were entitled to apply for one new share for every two shares held at an offer price of 4.2 cents per new share. The rights issue was fully underwritten and raised \$5.7 million (before costs) for the Company.

## 23. KEY MANAGEMENT PERSONNEL DISCLOSURES

### Compensation

The aggregate compensation made to directors and other members of key management personnel of the consolidated entity is set out below:

	2016 \$	2015 \$
Short-term employee benefits	554,597	576,051
Post-employment benefits	42,167	-
Long-term benefits	-	-
Share-based payments	542,940	-
Total KMP compensation	1,139,704	576,051

### Short-term employee benefits

These amounts include fees and benefits paid to the executive Chair and non-executive directors as well as all salary, paid leave benefits, fringe benefits and cash bonuses awarded to executive directors and other KMP.

### Post-employment benefits

These amounts are the current year's estimated cost of providing for the Group's defined benefits scheme post-retirement, superannuation contributions made during the year and post-employment life insurance benefits.

### Other long-term benefits

These amounts represent long service leave benefits accruing during the year, long-term disability benefits and deferred bonus payments.

### Share-based payments

These amounts represent the expense related to the participation of KMP in equity-settled benefit schemes as measured by the fair value of the options, rights and shares granted on grant date.

## 24. RELATED PARTY TRANSACTIONS

### a) Parent entity

For the purposes of the 2016 financial statements the legal parent is DirectMoney Limited, but the accounting parent is DirectMoney Finance Pty Ltd.

### b) Subsidiaries

Interests in subsidiaries are set out in Note 20.

### c) Transactions with related parties

As at 30 June 2016, all transactions that have occurred among the subsidiaries within the Group have been eliminated for consolidation purposes. There were no other related party transactions.

(2015: As at 30 June 2015, DirectMoney Limited owed \$175,336 to DirectMoney Finance Pty Ltd. This was a temporary, unsecured interest-free loan prior to completion of the reverse acquisition).

# Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2016

## 25. PARENT ENTITY INFORMATION

### a) Summary financial information

The individual financial statements for the parent entity show the following aggregate amounts:

Statement of Financial Position	2016 \$	2015 \$
Current assets	610,432	124,681
Non-current assets	8,787,402	-
Total assets	9,397,834	124,681
Current liabilities	188,759	854,724
Non-current liabilities	-	-
Total Liabilities	188,759	854,724
<i>Shareholders equity</i>		
Issued capital	15,397,574	3,599,774
Reserves	819,894	-
Accumulated losses	(7,008,393)	(4,329,817)
	9,209,075	(730,043)
Loss for the year	(2,678,576)	(906,091)
Total comprehensive income	(2,678,576)	(906,091)

### b) Contingent liabilities

See Note 19.

### c) Contractual commitments

The parent entity had no capital commitments for property, plant and equipment as at 30 June 2016 and 30 June 2015.

## 26. CASH FLOW INFORMATION

### a) Reconciliation of loss after income tax to net cash outflows from operating activities

	2016 \$	2015 \$
Loss for the period	(8,754,488)	(4,165,559)
<i>Adjustments for non-cash expense items</i>		
Depreciation	2,782	1,502
Loss on disposal of assets	-	6,875
Doubtful debts expense	87,803	191,494
Annual leave expense	87,225	38,675
Accrued interest expense	6,305	89,491
Accrued interest receivable	(105,190)	(24,238)
Exchange gains on loan accounts	-	(13,727)
Non-cash revenue	(38,002)	(417)
Accrued management fee	(20,555)	-
Executive equity compensation	-	404,228
Listing fee	2,708,757	-
Share based payments	1,319,894	-
Other non-cash expenses	257,209	118,571

# Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2016

## 26. CASH FLOW INFORMATION (continued)

	2016 \$	2015 \$
<i>Changes in operating assets and liabilities:</i>		
Increase in loan receivables	(3,223,870)	(4,789,758)
Increase in other assets	(225,900)	(25,371)
Increase in trade payables and accruals	(766,831)	711,180
Net cash outflows from operating activities	(8,664,861)	(7,457,054)

### b) Non-cash financing and investing activities

On 3 July 2015, \$2,505,169 of convertible notes in DirectMoney Finance Pty Ltd converted to ordinary shares in DirectMoney Finance Pty Ltd and formed part of the consideration for the acquisition process – purchase of DirectMoney Finance Pty Ltd. Refer to Note 1 for details of the transaction.

## 27. EARNINGS PER SHARE

	Cents	Cents
Basic earnings per share	(3.26)	(1.61)
Diluted earnings per share	(3.26)	(1.61)

### Weighted average number of shares used as the denominator

	Number of shares	Number of shares
Weighted average number of shares used as the denominator in calculating basic earnings per share	269,026,898	258,301,732
Adjustments for calculation of diluted earnings per share	–	–
Weighted average number of ordinary shares used in calculating dilutive earnings per share	269,026,898	258,301,732

The performance rights on issue have not been considered in the diluted earnings per share as their effect is anti-dilutive.

The Company has issued a further 135,777,153 shares upon completion of its rights issue in August 2016 (see Note 22 for further details).

## 28. OPERATING SEGMENTS

The Group's business includes two related operating activities constituting one operating segment, which forms the basis of the Group's marketplace lending business. The Group makes unsecured personal loans to approved applicants in sizes ranging from \$5,000 to \$35,000 with loan maturities of three to five years. The Group also conducts activities to sell these loans after they have been settled to institutional investors and to the DirectMoney Personal Loan Fund. The Group is the Investment Manager of the Fund.

The information in this report is presented on the same basis as the internal reports provided to the Chief Operating Decision Makers (CODM). The CODM is responsible for the allocation of resources to operating segments and assessing their performance.

## 29. DIVIDENDS

### (i) Dividends paid during the year

Ordinary shares

There were no dividends paid during the year (2015: nil).

# Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2016

## (ii) Franking credits

	2016 \$	2015 \$
Franking credits available for subsequent reporting periods based on a tax rate of 30% (2015 - 30%)	1,542,955	-

The above amounts are calculated from the balance of the franking account as at the end of the reporting period, adjusted for franking credits and debits that will arise from the settlement of liabilities or receivables for income tax and dividends after the end of the year.

The comparison refers to franking credits available in DirectMoney Finance Pty Ltd, whereas the current year balance refers to franking credits available to DirectMoney Ltd.

## 30. SHARE BASED PAYMENTS

The share based payment expense of \$1,319,894 in the statement of profit and loss is comprised of a performance rights expense of \$819,894 and a Macquarie Bank service fee expense of \$500,000.

### a) Performance rights

	Notes	2016		2015	
		Number of performance rights	Exercise price	Number of performance rights	Exercise price
Balance at beginning of year		-	Nil	-	Nil
- granted	(i)	37,175,000	Nil	-	Nil
- forfeited		(5,000,000)	Nil	-	Nil
- exercised		-	Nil	-	Nil
Balance at end of year		32,175,000	Nil	-	Nil

(i) Number of performance rights granted during the year

Number of performance rights granted **	Effective grant date	Vesting Conditions*		Expiry date	Exercise price
		Earliest vesting determination date	VWAP Share Price condition (\$)		
10,500,000	13 Jul 2015	13 Jul 2015	0.25	19 Jun 2018	Nil
9,000,000	13 Jul 2015	13 Jul 2016	0.35	19 Jun 2018	Nil
4,500,000	13 Jul 2015	13 Jul 2017	0.50	19 Jun 2018	Nil
2,335,000	4 Sep 2015	4 Sep 2015	0.25	4 Sep 2018	Nil
1,120,000	4 Sep 2015	13 Jul 2016	0.35	4 Sep 2018	Nil
3,550,000	4 Sep 2015	4 Sep 2016	0.35	4 Sep 2018	Nil
1,120,000	4 Sep 2015	13 Jul 2017	0.50	4 Sep 2018	Nil
3,550,000	4 Sep 2015	4 Sep 2017	0.50	4 Sep 2018	Nil
500,000	18 Nov 2015	18 Nov 2015	0.25	18 Nov 2018	Nil
500,000	18 Nov 2015	13 Jul 2016	0.35	18 Nov 2018	Nil
500,000	18 Nov 2015	13 Jul 2017	0.50	18 Nov 2018	Nil
37,175,000					

\* These Performance Rights will automatically vest and exercise for nil consideration on satisfaction of the Vesting Conditions.

The Vesting Conditions for the Performance Rights are:

- 1) The holder being a director/employee of the Company as at the relevant vesting determination dates specified in the table; and
- 2) The relevant volume weighted average price (VWAP) of the Company's ordinary shares is at least the price specified in the table for a period of 10 consecutive trading days.

\*\* This includes 5,000,000 performance rights that were forfeited during the year upon Mr Campbell McComb's retirement as director of the Company on 18 November 2015.

# Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2016

## 30. SHARE BASED PAYMENTS (continued)

The total fair value of the performance rights at grant date is \$916,278, of which \$819,894 has been recognised as an expense during the year.

The fair value of the performance rights was calculated by an independent advisor using a path-dependent option pricing model, a 2% risk free rate of return and a 40% implied volatility which was based on the historical volatility of suitable reference companies and indexes.

Performance rights granted to key management personnel as share based payments are as follows:

Effective Grant Date	Number*
13 Jul 2015	24,000,000
4 Sep 2015	2,800,000
18 Nov 2015	1,500,000
	28,300,000

\* This includes 5,000,000 performance rights that were forfeited during the year upon Mr Campbell McComb's retirement as director of the Company on 18 November 2015.

These shares were issued as compensation to key management personnel of the Group. Further details are provided in the directors' report.

### b) Macquarie Bank Service Fee

The Company also issued \$500,000 of ordinary shares, being 5,854,800 ordinary shares at a price of \$0.0854 per share, to Macquarie Bank Limited for services provided under the Loan Sale and Management Deed entered into between the parent entity and Macquarie Bank Limited (see Note 19 for further details).

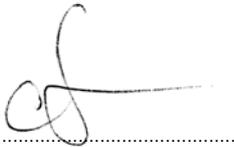
# Directors' Declaration

FOR THE YEAR ENDED 30 JUNE 2016

The directors of the Company declare that, in the opinion of the directors:

- (a) the attached financial statements and notes thereto are in accordance with the *Corporations Act 2001*, including:
  - (i) giving a true and fair view of the financial position and performance of the consolidated entity; and
  - (ii) complying with Australian Accounting Standards, including the interpretations, and the *Corporations Regulations 2001*;
- (b) the financial statements and notes thereto also comply with International Financial Reporting Standards, as disclosed in Note 1;
- (c) the directors have been given the declarations required by s.295A of the *Corporations Act 2001*; and
- (d) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable;

Signed in accordance with a resolution of the directors made pursuant to s.295(5) of the *Corporations Act 2001*.



**Craig Swanger**

Director  
Sydney

22 September 2016

# Independent Auditors Report to the Members of DirectMoney Limited



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Level 11, 1 Margaret St  
Sydney NSW 2000  
Australia

## INDEPENDENT AUDITOR'S REPORT

To the members of DirectMoney Limited

### Report on the Financial Report

We have audited the accompanying financial report of DirectMoney Limited, which comprises the consolidated statement of financial position as at 30 June 2016, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

#### Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with *International Financial Reporting Standards*.

#### Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the company's preparation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

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

# Independent Auditors Report to the Members of DirectMoney Limited



## Independence

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

## Opinion

In our opinion:

- (a) the financial report of DirectMoney Limited is in accordance with the *Corporations Act 2001*, including:
  - (i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2016 and of its performance for the year ended on that date; and
  - (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and
- (b) the financial report also complies with *International Financial Reporting Standards* as disclosed in Note 1.

## Report on the Remuneration Report

We have audited the Remuneration Report included in the directors' report for the year ended 30 June 2016. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

## Opinion

In our opinion, the Remuneration Report of DirectMoney Limited for the year ended 30 June 2016 complies with section 300A of the *Corporations Act 2001*.

## BDO East Coast Partnership

A handwritten signature in black ink, appearing to read 'AM', with the letters 'BDO' written above it.

Arthur Milner  
Partner

Sydney, 22 September 2016

# ASX Additional Information

FOR THE YEAR ENDED 30 JUNE 2016

Additional information required by the ASX Limited Listing Rules and not disclosed elsewhere in this report is set out below. This information is effective as at 31 August 2016.

In accordance with ASX listing rule 4.10.19 the Company confirms that it has used the cash and assets in a form readily convertible to cash that it had at the time of admission to the ASX in a way consistent with its business objectives.

## a. Distribution of shareholders

The distribution of issued capital as at 31 August 2016 were as follows:

Size of Holding	Number of Shareholders	Number of Ordinary Shares	Percentage of Issued Capital (%)
1 – 1,000	106	31,821	0.01
1,001 – 5,000	106	288,082	0.07
5,001 – 10,000	68	555,567	0.14
10,001 – 100,000	193	8,257,871	2.03
100,001 and over	120	398,597,987	97.75
<b>Total</b>	<b>593</b>	<b>407,731,328</b>	<b>100</b>

There were 309 shareholders with unmarketable parcels totalling 1,288,651 shares as at 31 August 2016.

The distribution of unquoted Performance Rights on issue as at 31 August 2016 were as follows:

Size of Holding	Number of Holders	Number of Unquoted Rights
1 – 1,000	–	–
1,001 – 5,000	–	–
5,001 – 10,000	–	–
10,001 – 100,000	–	–
100,001 and over	13	32,175,000
<b>Total</b>	<b>13</b>	<b>32,175,000</b>

## b. Substantial shareholders

The names of Substantial Shareholders listed in the Company's Register as at 31 August 2016:

Shareholder	Number of Ordinary Fully Paid Shares	Percentage of Issued Capital (%)
ADCOCK PRIVATE EQUITY PTY LIMITED <ADCOCK PRIVATE EQUITY A/C>	165,493,695	40.59
DAVID DOUST + SHIRLEY DOUST	28,967,470	7.10
ADCOCK GROUP SUPER PTY LTD <ADCOCK GROUP S/F A/C>	28,350,000	6.95
GREIG HOLDINGS PTY LIMITED <THE GREIG FAMILY A/C>	22,997,903	5.64
<b>Total</b>	<b>245,809,068</b>	<b>60.28</b>

# ASX Additional Information

FOR THE YEAR ENDED 30 JUNE 2016

## c. Twenty largest shareholders of quoted equity securities:

The twenty largest shareholders of quoted equity securities were as follows:

Shareholder	Number of fully paid Ordinary Shares	Percentage of Issued Capital (%)
ADCOCK PRIVATE EQUITY PTY LIMITED <ADCOCK PRIVATE EQUITY A/C>	140,991,600	34.58
ADCOCK GROUP SUPER PTY LTD <ADCOCK GROUP S/F A/C>	28,350,000	6.95
P2P GLOBAL INVESTMENTS PLC	11,996,466	2.94
CS FOURTH NOMINEES PTY LIMITED <HSBC CUST NOM AU LTD 11 A/C>	11,334,329	2.78
GREIG HOLDINGS PTY LIMITED <THE GREIG FAMILY A/C>	7,308,462	1.79
MACQUARIE BANK LIMITED	5,854,800	1.44
CITICORP NOMINEES PTY LIMITED	3,898,286	0.96
BUBBLYDAYS PTY LTD	2,999,998	0.74
CHARANDA NOMINEE COMPANY PTY LIMITED <THE GREYCLIFFE SUPERFUND>	2,750,000	0.67
RICHARD CANSICK	2,513,777	0.62
MLB HOLDINGS PTY LTD <MLB FAMILY A/C>	1,875,000	0.46
MR MICHAEL JAMES PERKINS <MJ & KL PERKINS SUPER A/C>	1,740,000	0.43
MR BRIAN SHERRY RODWELL	1,739,289	0.43
MR BROOK ANTHONY ADCOCK	1,519,631	0.37
MR GERALD FRANCIS PAULEY	1,387,207	0.34
AIRTHREY INVESTMENTS PTY LIMITED <AIRTHREY A/C>	1,350,000	0.33
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED-GSCO ECA	1,260,582	0.31
MR JAMES WALTER UNGER	1,142,000	0.28
STEPHEN PORGES	1,058,692	0.26
MS SONYA MAREE HYAM & MR VINCENT BRIAN HYAM <THE CLOUD 9 SUPER FUND A/C>	1,000,000	0.25
<b>Total</b>	<b>232,070,119</b>	<b>56.93</b>
<b>Total Quoted Equity Securities</b>	<b>268,291,675</b>	<b>65.80</b>

# ASX Additional Information

FOR THE YEAR ENDED 30 JUNE 2016

## d. Unquoted equity securities

The Company had the following unquoted restricted securities on issue as at 31 August 2016:

Class	Number of Unquoted Securities on Issue	Number of Holders
Mandatory Escrow: Fully paid ordinary shares subject to restrictions until 13 July 2017	139,439,653	15
<b>Total</b>	<b>139,439,653</b>	<b>15</b>

The Company did not have unquoted options on issue as at 31 August 2016.

The Company had 13 holders of performance rights issued as part of an employee incentive scheme.

Shareholders holding more than 20% or more of unquoted restricted equity securities:

Shareholder	Number of unquoted equity securities held
DAVID DOUST + SHIRLEY DOUST	28,952,470

## e. Voting rights

### Ordinary Shares

In accordance with the Constitution each member present at a meeting whether in person, or by proxy, or by power of attorney, or in a duly authorised representative in the case of a corporate member, shall have one vote on a show of hands, and one vote for each fully paid ordinary share, on a poll.

### Performance Rights

Holders of Performance Rights have no voting rights.

## f. On-Market Buy-Backs

There is no current on-market buy back in relation to the Company's securities.

# Corporate Directory

FOR THE YEAR ENDED 30 JUNE 2016

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## **DIRECTORS**

John Nantes (Executive Chairman)  
Stephen Porges  
Craig Swanger  
Chris Whitehead

## **COMPANY SECRETARY**

Leanne Ralph  
May Ho

## **REGISTERED OFFICE**

Suite 31, Level 8,  
58 Pitt Street,  
Sydney, New South Wales,  
Australia

Telephone: (02) 9252 2888  
Facsimile: (02) 8076 3341

## **SHARE REGISTER**

Computershare Investor Services Pty Limited  
452 Johnston Street  
Abbotsford, Victoria  
Telephone: (03) 9415 5000

## **AUDITOR**

BDO East Coast Partnership  
Level 11, 1 Margaret Street  
Sydney, New South Wales

## **SOLICITOR**

Clarendon Lawyers  
Level 19, 333 Collins Street  
Melbourne, Victoria

## **BANKERS**

Commonwealth Bank of Australia

## **STOCK EXCHANGE LISTING**

Shares are listed on the Australian Stock Exchange (ASX: DM1)

## **DOMICILE**

Publicly listed company incorporated in Australia



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