

DirectMoney Limited

ABN: 80 004 661 205

Appendix 4E Preliminary Final Report

Name of entity:	DirectMoney Limited
ABN:	80 004 661 205
Reporting period:	Financial Year ended 30 June 2016
Previous corresponding period:	Financial Year ended 30 June 2015

Results for announcement to the market *

				\$A'000
Revenues from ordinary activities	Up	171%	to	1,181
Loss from ordinary activities after tax attributable to members	Up	90%	to	(7,935)
Net loss for the period attributable to members	Up	90%	to	(7,935)

* Comparative results reflect the operations of DirectMoney Finance Pty Ltd.

Dividends

The Directors have proposed that there will be no payment of dividends for the year ended 30 June 2016.

Statement of Comprehensive Income

Refer Preliminary Financial Report

Statement of Financial Position

Refer Preliminary Financial Report

Statement of Changes in Equity

Refer Preliminary Financial Report

Statement of Cash Flows

Refer Preliminary Financial Report

Details of individual and total dividends and payment dates

There were no dividends declared or paid in the reporting period.

Details of dividend reinvestment plan

Not Applicable.

DirectMoney Limited

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Net tangible assets

	Current period	Previous corresponding period *
Net tangible asset backing per ordinary security	2.89 cents per share	(0.18) cents per share

* Comparative results reflect the operations of DirectMoney Finance Pty Ltd

Control gained over / loss of entities having material effect

On 3 July 2015, the Company acquired 100% of the issued capital of DirectMoney Finance Pty Ltd (formerly DirectMoney Pty Ltd) for an amount of shares in the Company. Refer to Note 1 and Note 21 to the Preliminary Financial Report for further details.

On 29 February 2016, a dormant subsidiary of DirectMoney Finance Pty Ltd (i.e. HomeStake Capital Inc.) was deregistered.

Details associated and joint venture entities

Not Applicable.

Significant information

Refer to 'Commentary on results for the period' below

For foreign entities, which set of accounting standards is used in compiling the report?

Not Applicable.

Commentary on results for the period

The commentary on the results for the period is contained in the accompanying media release.

This report is based on accounts which are in the process of being audited.



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Date: 31 August 2016

Stephen Porges
Director

DirectMoney Limited

ABN: 80 004 661 205

Preliminary Financial Report

For the Year Ended 30 June 2016

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DirectMoney Limited

ABN: 80 004 661 205

30 June 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
Expenses			
Employee benefits expense		(2,290,336)	(894,530)
Depreciation and amortisation expense		(2,782)	(1,502)
Listing expense		(2,708,757)	-
Other expenses		(4,093,871)	(3,512,597)
Finance costs		(75,649)	(213,155)
Loss before income tax expense	4	(7,934,594)	(4,165,559)
Income tax expense		-	-
Loss after income tax for the year		(7,934,594)	(4,165,559)
Other comprehensive income			
<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
Total comprehensive income for the year		(7,938,804)	(4,161,349)
Loss for the year is attributable to:			
Owners of DirectMoney Limited		(7,938,804)	(4,161,349)
Total comprehensive income for the year is attributable to:			
Owners of DirectMoney Limited		(7,938,804)	(4,161,349)
		Cents	Cents
Earnings per share for loss attributable to the owners of DirectMoney Limited			
Basic earnings per share	27	(2.95)	(1.61)
Diluted earnings per share	27	(2.95)	(1.61)

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

DirectMoney Limited

ABN: 80 004 661 205

30 June 2016

Consolidated Statement of Financial Position As at 30 June 2016

	Note	2016 \$	2015 \$
ASSETS			
Current assets			
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
Total current assets		3,221,760	1,372,449
Non-current assets			
Loan receivables	5	6,047,018	3,407,280
Property, plant and equipment	10	4,547	7,330
Financial assets	6	500,000	-
Total non-current assets		6,551,565	3,414,610
TOTAL ASSETS		9,773,325	4,787,059
LIABILITIES			
Current liabilities			
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
Total current liabilities		1,908,751	5,286,738
Non-current liabilities		-	-
TOTAL LIABILITIES		1,908,751	5,286,738
NET ASSETS / (LIABILITIES)		7,864,574	(499,679)
EQUITY			
Issued capital	14	22,409,803	6,106,746
Reserves	15	-	4,210
Accumulated losses	15	(14,545,229)	(6,610,635)
TOTAL EQUITY / (DEFICIENCY IN EQUITY)		7,864,574	(499,679)

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

DirectMoney Limited

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30 June 2016

Consolidated Statement of Changes in Equity For the year ended 30 June 2016

	Note	Issued capital \$	Accumulated losses \$	Reserves \$	Total \$
Balance at 1 July 2014		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
Balance at 30 June 2015		6,106,746	(6,610,635)	4,210	(499,679)
Balance at 1 July 2015					
Loss for the year		-	(7,934,594)	-	(7,934,594)
Other comprehensive income for the year, net of tax		-	-	(4,210)	(4,210)
Total comprehensive income for the year		-	(7,934,594)	(4,210)	(7,938,804)
<i>Transactions with owners in their capacity as owners:</i>					
Shares issued during the year	14	16,303,057	-	-	16,303,057
Balance at 30 June 2016		22,409,803	(14,545,229)	-	7,864,574

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 \$
Cash flows from operating activities			
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)		<u>(6,115,949)</u>	<u>(3,008,317)</u>
		(8,596,630)	(7,339,157)
Interest received		55,302	5,767
Management fees received		35,302	-
Interest and other finance costs paid		<u>(158,835)</u>	<u>(123,664)</u>
Net cash used in operating activities	26	<u>(8,664,861)</u>	<u>(7,457,054)</u>
Cash flows from investing activities			
Payments for investments		(500,000)	-
Payments for property, plant and equipment		<u>-</u>	<u>(8,831)</u>
Net cash used in investing activities		<u>(500,000)</u>	<u>(8,831)</u>
Cash flows from financing activities			
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		<u>(1,000,000)</u>	<u>(2,010,000)</u>
Net cash from financing activities		<u>10,297,800</u>	<u>7,256,557</u>
Net increase / (decrease) in cash and cash equivalents		1,132,939	(209,328)
Cash and cash equivalents at the beginning of the financial year		131,856	341,184
Cash and cash equivalents at the end of the financial year	7	<u>1,264,795</u>	<u>131,856</u>

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

Notes to the Financial Statements

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 30 August 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 Account 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.

Notes to the Financial Statements (cont.)

1. Summary of Significant Accounting Policies (cont.)

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.

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.

Notes to the Financial Statements (cont.)

1. Summary of Significant Accounting Policies (cont.)

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.

Notes to the Financial Statements (cont.)

1. Summary of Significant Accounting Policies (cont.)

vi) New accounting standards for application in future periods (cont.)

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.

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) Business Combinations

The acquisition method of accounting is used to account for business combinations regardless of whether equity instruments or other assets are acquired.

The consideration transferred is the sum of the acquisition-date fair value of the assets transferred, equity instruments issued or liabilities incurred by the acquirer to former owners of the acquiree and the amount of any non-controlling interests in the acquiree. For each business combination, the non-controlling interest in the acquiree is measured at either fair value at the proportionate share of the acquiree's identifiable net assets. All acquisition costs are expensed as incurred.

On the acquisition of a business, the consolidated entity assesses the financial assets acquired and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic conditions, the consolidated entity's operating or accounting policies and other pertinent conditions in existence at the acquisition-date.

Where the business combination is achieved in stages, the consolidation entity remeasures its previously held equity interest in the acquiree at the acquisition-date, fair value and the difference between the fair value and the previous carrying amount is recognised in profit or loss.

Contingent consideration to be transferred by the acquirer is recognised at the acquisition-date fair value. Subsequent changes in the fair value of contingent consideration classified as an asset or liability is recognised in profit or loss. Contingent consideration classified as equity is not measured and its subsequent settlement is

Notes to the Financial Statements (cont.)

1. Summary of Significant Accounting Policies (cont.)

b) Business Combinations (cont.)

accounted for within equity.

The difference between the acquisition-date fair value of assets acquired, liabilities assumed and any non-controlling interest in the acquiree and the fair value of the consideration transferred and the fair value of any pre-existing investment in the acquiree is recognised as goodwill. If the consideration transferred and the pre-existing fair value is less than the fair value of the identifiable net assets acquired, being a bargain purchase to the acquirer, the difference is recognised as a gain directly in profit or loss by the acquirer on the acquisition-date, but only after a reassessment of the identification and measurement of the net assets acquired, the non-controlling interest in the acquiree, if any, the consideration transferred and the acquirer's previously held equity interest in the acquirer.

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.

Notes to the Financial Statements (cont.)

1. Summary of Significant Accounting Policies (cont.)

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.

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

Notes to the Financial Statements (cont.)

1. Summary of Significant Accounting Policies (cont.)

f) Income tax (cont.)

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:

Class of Asset	Useful Life
Plant and equipment	5-20 years
Leased plant and equipment	10 years

The carrying amount of plant and equipment is reviewed annually by directors to ensure it is not in excess of the recoverable amount. Freehold land and buildings are carried at their recoverable amounts, based on periodic, but at least triennial, valuations by the directors. 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 (cont.)

1. Summary of Significant Accounting Policies (cont.)

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.

Notes to the Financial Statements (cont.)

1. Summary of Significant Accounting Policies (cont.)

k) Financial instruments (cont.)

ii) *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.

iii) *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.

iv) *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. 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

Notes to the Financial Statements (cont.)

1. Summary of Significant Accounting Policies (cont.)

l) Trade receivables (cont.)

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 uncollectable 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

Notes to the Financial Statements (cont.)

1. Summary of Significant Accounting Policies (cont.)

p) Goods and services tax (GST) (cont.)

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.

r) Capital management

(i) Risk management

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.

(ii) Dividends paid during the year

Ordinary shares

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

(iii) 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.

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.

Notes to the Financial Statements (cont.)

1. Summary of Significant Accounting Policies (cont.)

s) Financial risk management (cont.)

(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.

(i) 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.

(ii) 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.

(iii) 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.

(iv) 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.

(v) 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.

Notes to the Financial Statements (cont.)

1. Summary of Significant Accounting Policies (cont.)

s) Financial risk management (cont.)

(vi) 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.

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. Long service leave has not been recognised in the provisions as all employees' years of service at reporting date is less than five years.

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.

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30 June 2015

Notes to the Financial Statements (cont.)

	2016 \$	2015 \$
2. Revenue		
Effective interest income on financial assets	1,036,341	431,064
Other revenue from financial assets	145,158	5,666
	<u>1,181,499</u>	<u>436,730</u>
3. Other Income	2016 \$	2015 \$
Interest on cash	24,290	5,768
Interest from investments	31,012	-
Exchange gains on loan accounts	-	13,727
	<u>55,302</u>	<u>19,495</u>
4. Expenses	2016 \$	2015 \$
Losses from ordinary activities before income tax includes the following specific expenses:		
<i>Marketing costs</i>		
Marketing costs	<u>514,010</u>	<u>589,753</u>
<i>Finance costs</i>		
Interest and finance charges paid/payable	<u>75,649</u>	<u>213,155</u>
<i>Legal expenses</i>		
Legal expenses	<u>455,662</u>	<u>652,734</u>
<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	<u>179,609</u>	<u>139,233</u>
	<u>414,310</u>	<u>930,184</u>
<i>Listing Expense due to the reverse acquisition</i>		
Listing expense from acquisition of DirectMoney Finance Pty Ltd (Note 21)	<u>2,708,757</u>	<u>-</u>

DirectMoney Limited

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30 June 2015

Notes to the Financial Statements (cont.)

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

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 \$
6. Financial Assets		
<i>Non-current</i>		
Investment in DirectMoney Personal Loan Fund	<u>500,000</u>	<u>-</u>

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 measured at fair value through other comprehensive income in accordance with *AASB 9 Financial Instruments*.

	2016 \$	2015 \$
7. Cash and Cash Equivalents		
Cash at bank	<u>1,264,795</u>	<u>131,856</u>
	<u>1,264,795</u>	<u>131,856</u>

Reconciliation to cash and cash equivalents at the end of the financial year
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	<u>1,264,795</u>	<u>131,856</u>
Balance as per statement of cash flows	<u>1,264,795</u>	<u>131,856</u>

	2016 \$	2015 \$
8. Trade and Other Receivables		
<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
	<u>110,555</u>	<u>210,315</u>

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30 June 2015

Notes to the Financial Statements (cont.)

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

	2016	2015
	\$	\$
10. Property, Plant and Equipment		
Plant and equipment, at cost	8,831	8,831
Less: accumulated depreciation	(4,284)	(1,501)
	<u>4,547</u>	<u>7,330</u>

	2016	2015
	\$	\$
11. Trade and Other Payables		
<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
	<u>782,851</u>	<u>725,171</u>

	2016	2015
	\$	\$
12. Employee Benefits		
<i>Current</i>		
Provision for annual leave	<u>125,900</u>	<u>38,675</u>

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 reverse acquisition of DirectMoney Limited by 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 the identified loans within DirectMoney Marketplace Limited's balance sheet. The holders have recourse to the loans and a distribution based on the gross return of the loans less a 4% loss reserve and 1.5% servicing fee.

Notes to the Financial Statements (cont.)

14. Issued Capital

	2016 \$	2015 \$
a) Issued and paid-up capital		
271,954,175 Ordinary shares, fully paid	<u>22,409,803</u>	<u>6,106,746</u>

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.

	2016		2015	
b) Reconciliation of issued and paid-up capital	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	-	-	8,819,521	250,000
Shares issued	-	-	18,331,346	923,477
Shares issued	-	-	4,500,000	35,238
Shares issued	-	-	14,075,050	1,500,000
Shares issued	-	-	5,630,021	600,000
DirectMoney Finance Pty Ltd shares issued prior to acquisition	62,203,896	2,505,169	-	-
Reversal of existing shares on acquisition	(334,047,874)	-	-	-
Existing DirectMoney Limited shares on issue	10,000,443	-	-	-
Issue of DirectMoney Limited shares on acquisition of DirectMoney Finance Pty Ltd	199,609,932	2,000,088	-	-
Issue of DirectMoney Limited shares post acquisition	62,343,800	11,797,800	-	-
Closing balance	<u>271,954,175</u>	<u>22,409,803</u>	<u>271,843,978</u>	<u>6,106,746</u>

15. Equity - Reserves and Accumulated Losses

	2016 \$	2015 \$
Movement in reserves		
Foreign currency translation reserve		
Opening balance	4,210	-
Movement in foreign translation reserve	<u>(4,210)</u>	<u>4,210</u>
Total	<u>-</u>	<u>4,210</u>
Accumulated losses		
Opening balance	(6,610,635)	(2,445,076)
Total loss after income tax for the year	<u>(7,934,594)</u>	<u>(4,165,559)</u>
Total	<u>(14,545,229)</u>	<u>(6,610,635)</u>

Notes to the Financial Statements (cont.)

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

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.

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	(7,934,594)	(4,165,559)
Tax at the tax rate of 30% (2015: 30%)	(2,380,378)	(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	<u>2,320,463</u>	<u>1,183,517</u>
Income tax expense / (benefit)	<u>-</u>	<u>-</u>

As at 30 June 2016, the entity has unrecognised carried forward tax losses of \$12,615,202 (2015: \$4,880,324), the utilisation of which is dependent on the entity satisfying the requirements of the Same Business Test (SBT).

Notes to the Financial Statements (cont.)

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 and due diligence services	42,780	10,000
- Review of Half-Yearly Financial Report	22,500	15,000
	<u>119,780</u>	<u>72,605</u>

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.

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.
- 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.

Notes to the Financial Statements (cont.)

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 and Share Based Payments Expense

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 \$
Assets and liabilities acquired	
Cash and cash equivalents	2,857
Other currents 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

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.

Notes to the Financial Statements (cont.)

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	-	-
Total KMP compensation	<u>596,764</u>	<u>576,051</u>

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

DirectMoney Limited is the parent entity.

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 (cont.)

25. Parent Entity Information

a) Summary financial information

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

	2016 \$	2015 \$
Statement of Financial Position		
Current assets	610,432	124,681
Non-current assets	<u>8,787,402</u>	<u>-</u>
Total assets	<u>9,397,834</u>	<u>124,681</u>
Current liabilities	188,759	854,724
Non-current liabilities	<u>-</u>	<u>-</u>
Total Liabilities	<u>188,759</u>	<u>854,724</u>
<i>Shareholders equity</i>		
Issued capital	15,397,574	3,599,774
Accumulated losses	<u>(6,188,499)</u>	<u>(4,329,817)</u>
	<u>9,209,075</u>	<u>(730,043)</u>
Loss for the year	<u>(1,858,682)</u>	<u>(906,091)</u>
Total comprehensive income	<u>(1,858,682)</u>	<u>(906,091)</u>

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.

Notes to the Financial Statements (cont.)

	2016 \$	2015 \$
26. Cash Flow Information		
<i>Reconciliation of loss after income tax to net cash outflows from operating activities</i>		
Loss for the period	(7,934,594)	(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)	-
Reserves (FX)	(4,210)	4,210
Executive equity compensation	-	404,228
Listing fee	2,708,757	-
Non-cash advisory fee	500,000	-
Other non-cash expenses	261,419	218,755
<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 business capital expenses	-	(104,394)
Increase in trade payables and accruals	(766,831)	711,180
Net cash outflows from operating activities	<u>(8,664,861)</u>	<u>(7,457,054)</u>

27. Earnings Per Share

	Cents	Cents
Basic earnings per share	(2.95)	(1.61)
Diluted earnings per share	(2.95)	(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	<u>269,026,898</u>	<u>258,301,732</u>