

MoneyMe
2019 Annual Financial Report
for the year ended 30 June 2019

MoneyMe Financial Group Pty Ltd and its controlled entities

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Directors' Report

The Directors of MoneyMe Financial Group Pty Ltd (the Company) submit herewith the Annual Financial Report of the Company and its controlled entities (the Group) for the financial year ended 30 June 2019.

Information about The Directors

Name:	Scott Emery
Title:	Director
Experience and expertise:	Scott has 20+ years of experience and expertise in commercial property development and accommodation businesses.
Other current directorships:	Magnate Developments Pty Ltd, Magnate Prahran Pty Ltd, Magnate Marvel Pty Ltd, YVS Number One Pty Ltd, Magnate Marvel Pty Ltd, Emery Pty Ltd, Scott Emery Super Pty Ltd, TWE Investments (VIC) Pty Ltd, Marvel Street Investments Pty Ltd, Magnate East Brighton Pty Ltd, Emery Number 2 Pty Ltd, Byron Property Developments Pty Ltd
Former directorships (last 3 years):	Ubi Group Pty Ltd
Interests in shares:	88,479 ORD Shares
Interests in options:	Nil
Name:	Steven Bannigan
Title:	Director
Experience and expertise:	Steven has 25+ years of exposure in executive management and strategy within the telecommunications industry
Other current directorships:	Bannigan Nominees Pty Ltd
Former directorships (last 3 years):	Frollo Pty Ltd, Ubi Group Pty Ltd
Interests in shares:	51,665 ORD Shares
Interests in options:	Nil
Name:	Clayton Howes
Title:	CEO, Director and Secretary
Experience and expertise:	Clayton has over 10 years of corporate experience, over 6 years being in financial services.
Other current directorships:	Nil
Former directorships (last 3 years):	Marketplace Finance Pty Ltd and Market Overflow Pty Ltd
Interests in shares:	95,737 ORD Shares
Interests in options:	Nil

Meetings of Directors

Board Meetings

	Held	Attended
Scott Emery	8	8
Steven Bannigan	8	8
Clayton Howes	8	8

Principal Activities

The Group's principal activity in the course of the financial year was to provide retail consumer finance.

Results of Operations

The Group utilises Earnings Before Corporate Interest on Debt, Income Tax, Depreciation and Amortisation (EBITDA) in its presentation of Group performance. EBITDA is non-AASB financial information. The Directors believe that this is a useful measure to support review of the Group's operating performance. The income statement below accordingly reflects the presentation of EBITDA.

	2019 \$'000	2018 \$'000
Total Revenue	31,894	24,053
Loan financing expense ¹	(8,430)	(5,444)
Sales & marketing expense	(3,388)	(2,772)
Product design & development expense	(1,557)	(1,692)
General & administrative expense	(6,199)	(3,390)
Loan impairment expense	(11,850)	(9,766)
EBITDA (Earnings Before Corporate Interest on Debt, Income Tax, Depreciation and Amortisation)	470	989
Depreciation & amortisation	(231)	(118)
Corporate interest on debt ¹	(114)	(211)
PBT²	125	660
Income tax benefit	199	61
NPAT³	324	721
Other comprehensive income	-	-
Total Comprehensive Income	324	721

This is the first set of the Group's annual financial statements in which AASB 15 *Revenue from Contracts with Customers* and AASB 9 *Financial Instruments* have been applied. Under the transition methods chosen, comparative information has not been restated. The 2019 results are therefore not directly comparable to prior year. Changes to significant accounting policies and the impact of applying the new standards are described in the notes to the financial statements.

Year-on-year revenue growth reflects gross loan receivable growth. 2019 EBITDA and PBT reflects an increase in expenses incurred to support loan book growth and the first-time adoption of AASB 9 *Financial Instruments*.

2019 NPAT reflects PBT plus an income tax benefit that materially reflects the effect of tax related concessions.

Refer to the Financial Statements and accompanying notes for further information.

Changes in State of Affairs

During the financial year, the Group saw the establishment of two entities, MoneyMe Horizon Warehouse Trust and List Ready Pty Ltd.

¹ Refer to note 6 of the annual financial report for further information.

² PBT: Profit Before Tax

³ NPAT: Net Profit After Tax

In addition, as noted above, the Group adopted AASB 9 and AASB 15 in 2019. The adoption of AASB 9 resulted in a net reduction to the Group's opening retained earnings as at 1 July 2018 of \$1,172,000. The adoption of AASB 15 has not materially impacted the measurement of any revenues. This reflects how the majority of the Group's revenue falls under AASB 9.

Other than the above, there was no significant change in the state of affairs of the Group during the financial year.

Subsequent Events

There has not been any matter or circumstance occurring subsequent to the end of the financial year that has significantly affected, or may significantly affect, the Group's financial position as at 30 June 2019.

Future Developments

The Group will continue to pursue long term growth to support sound returns to shareholders. This includes growing its loan book, investing in its core operating platform capabilities, and diversifying and expanding access to debt and capital to support these initiatives.

Environmental Regulations

The Group is not subject to any particular or significant environmental regulation under laws of the Commonwealth or of a State or Territory.

Dividends

In respect of the financial year ended 30 June 2019, no dividend was declared to the holders of fully paid ordinary shares.

Movements in options

No.	Opening	Granted	Forfeited	Buyback	Closing
2018	-	5,225	-	-	5,225
2019	5,225	2,059	(504)	(2,500)	4,280

No options were exercised or lapsed in the current or prior year.

Indemnification of Officers and Auditors

The Group has not indemnified or agreed to indemnify an officer or auditor of the Group or of any related body corporate against a liability incurred as such an officer or auditor, during or since the financial year, except to the extent permitted by law.

Proceedings on behalf of the Group

No persons were granted leave to bring or intervene in, proceedings on behalf of the Group, during or since the end of the financial year. There were also no proceedings on behalf of the Group during or since the end of the financial year.

Auditor's Independence Declaration

A copy of the Auditor's Independence Declaration as required under section 307C of the Corporations Act 2001 is set out as part of the Annual Financial Report.

This Directors' Report is signed in accordance with a resolution of directors made pursuant to Section 298(2) of the *Corporations Act 2001*.

On behalf of the Directors:



.....
Clayton Howes
CEO, Director

Sydney, 14 October 2019

Directors' Declaration

In the opinion of the Directors:

- a) the Financial Statements and Notes are in accordance with the *Corporations Act 2001*, and give a true and fair view of the financial position of the Group as at 30 June 2019, and of its performance for the financial year ended at that date;
- b) the Financial Statements are in compliance with International and Australian Financial Reporting Standards; and
- c) there are reasonable grounds to believe that the Group will be able to pay its debts as and when they become due and payable.

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

On behalf of the Directors



.....
Clayton Howes
CEO, Director

Sydney, 14 October 2019

The Board
MoneyMe Financial Group Pty Limited
3/131 Macquarie St,
Sydney, NSW, 2000

14 October 2019

Dear Board Members

Auditor's Independence Declaration to MoneyMe Financial Group Pty Limited

In accordance with section 307C of the Corporations Act 2001, I am pleased to provide the following declaration of independence to the Board Members of MoneyMe Financial Group Pty Limited.

As lead audit partner for the audit of the financial report of MoneyMe Financial Group Pty Limited for the year ended 30 June 2019, I declare that to the best of my knowledge and belief, there have been no contraventions of:

- (i) the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and
- (ii) any applicable code of professional conduct in relation to the audit.

Yours faithfully

Deloitte Touche Tohmatsu
DELOITTE TOUCHE TOHMATSU


Joshua Tanchel
Partner
Chartered Accountants

Independent Auditor's Report to the Directors of MoneyMe Financial Group Pty Ltd

Opinion

We have audited the financial report of MoneyMe Financial Group Pty Ltd (the "Group"), which comprises the consolidated statement of financial position as at 30 June 2019, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and the directors' declaration.

In our opinion, the accompanying financial report of the MoneyMe Financial Group Pty Ltd (the "Group") is in accordance with the *Corporations Act 2001*, including:

- (i) giving a true and fair view of the Group's financial position as at 30 June 2019 and of their financial performance for the year then ended; and
- (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of the Company, would be in the same terms if given to the directors as at the time of this auditor's report.

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

Other information

The directors are responsible for the other information. The other information comprises the information included in the Group's annual report for the year ended 30 June 2019, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Financial Report

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

In preparing the financial report, the directors are responsible for assessing the ability of the Group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Report

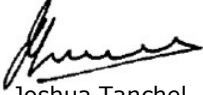
Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Deloitte Touche Tohmatsu
DELOITTE TOUCHE TOHMATSU

A handwritten signature in black ink, appearing to read 'Joshua Tanchel', written over a horizontal line.

Joshua Tanchel
Partner
Chartered Accountants
Sydney, 14 October 2019

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 30 June 2019

	Notes	2019 \$'000	2018 \$'000
Loan interest income		27,548	21,767
Other income	5	4,346	2,286
Total Revenue		31,894	24,053
Interest expense	6.2	(8,544)	(5,655)
Sales & marketing expense	6.1	(3,388)	(2,772)
Product design & development expense	6.1	(1,557)	(1,692)
General & administrative expense	6.1	(6,199)	(3,390)
Depreciation & amortisation expense		(231)	(118)
Loan impairment expense	11.3	(11,850)	(9,766)
Total Operating Expenses		(31,769)	(23,393)
Profit Before Tax		125	660
Income tax benefit	7	199	61
Net Profit After Tax		324	721
Other comprehensive income		-	-
Total Comprehensive Income		324	721
		cents	cents
Basic profit per share	8	1.32	2.93
Diluted profit per share	8	1.31	2.90

The financial statements are to be read in conjunction with the notes to the financial statements.

Consolidated Statement of Financial Position

As at 30 June 2019

	Notes	2019 \$'000	2018 \$'000
Cash and cash equivalents	9	6,062	3,503
Trade receivables	10	506	458
Net loan receivables	11	78,332	45,116
Current tax asset	7	4	-
Deferred tax asset	7	760	83
Property, plant & equipment	12	145	51
Intangible assets	13	781	482
Total assets		86,590	49,693
Trade payables	10	1,099	450
Borrowings	14	81,564	44,392
Current tax payable	7	-	188
Employee related provisions	15	229	145
Total liabilities		82,892	45,175
Net assets		3,698	4,518
Issued capital	16	2,794	2,794
Prior period retained earnings		1,634	913
AASB 9 retained earnings adjustment		(1,172)	-
Current year profit after tax		324	721
Retained earnings	2	786	1,634
Share based payments reserve	17	118	90
Total equity		3,698	4,518

The financial statements are to be read in conjunction with the notes to the financial statements.

Consolidated Statement of Changes in Equity

For the year ended 30 June 2019

	Ordinary Shares \$'000	Reserves \$'000	Retained Earnings \$'000	Total \$'000
Balance as at 1 July 2017	1,694	-	913	2,607
Profit for the year	-	-	721	721
Other comprehensive income	-	-	-	-
Shares issued	1,100	-	-	1,100
Share based payment reserve	-	90	-	90
Balance as at 30 June 2018	2,794	90	1,634	4,518
Adjustment on adoption of AASB 9	-	-	(1,172)	(1,172)
Balance after AASB 9 adjustments	2,794	90	462	3,346
Profit for the year	-	-	324	324
Other comprehensive income	-	-	-	-
Shares issued	-	-	-	-
Share based payment reserve	-	28	-	28
Balance as at 30 June 2019	2,794	118	785	3,698

The financial statements are to be read in conjunction with the notes to the financial statements.

Consolidated Statement of Cash Flows

For the year ended 30 June 2019

	Notes	2019 \$'000	2018 \$'000
Receipts from customers		31,770	23,700
Payments to suppliers and employees		(10,753)	(8,038)
Net interest paid		(7,315)	(4,655)
Income tax (paid) / received		(32)	115
Net cash inflows from operating activities	9.2	13,670	11,122
Payments for property, plant and equipment		(158)	(27)
Payments for intangible asset development		(466)	(322)
Net loan disbursements		(46,684)	(16,508)
Net cash outflows from investing activities		(47,308)	(16,857)
Proceeds from borrowings		39,476	42,837
Repayment of borrowings		(3,279)	(40,000)
Proceeds from issued share capital		-	1,100
Net cash inflows from financing activities		36,197	3,937
Net increase (decrease) in cash and cash equivalents		2,559	(1,798)
Cash and cash equivalents at the beginning of the year		3,503	5,301
Cash and cash equivalents as at 30 June 2019	9.1	6,062	3,503

The financial statements are to be read in conjunction with the notes to the financial statements.

Notes to the Consolidated Financial Statements

For the year ended 30 June 2019

1. Group Information

1.1 Company Information

MoneyMe Financial Group Pty Ltd (the Company) is a Company limited by shares incorporated and registered in Australia. The Company is also the parent and ultimate holding entity of the MoneyMe Group. The address of its registered office and principal place of business is:

MoneyMe Financial Group Pty Ltd
Level 3
131 Macquarie Street
Sydney NSW 2000
T: +61 1300 669 059

The principal activity of the Company and its controlled entities (the Group) is to provide retail consumer finance.

1.2 Controlled Entities Information

The Group comprises of MoneyMe Financial Group Pty Ltd as the head entity, with MoneyMe Velocity Warehouse Trust, MoneyMe Horizon Warehouse Trust and List Ready Pty Ltd controlled entities within the Group.

Balances and transactions between the Company and its entities which are related parties of the Company, have been eliminated on consolidation.

Details regarding the controlled entities within the Group are set out below.

Name	Establishment / Incorporation date	Proportion of ownership held by the Company
MoneyMe Velocity Warehouse Trust	17 December 2017	100%
MoneyMe Horizon Warehouse Trust	19 December 2018	100%
List Ready Pty Ltd	29 May 2019	100%

All the entities in the Group are incorporated in Australia.

The MoneyMe Velocity Warehouse Trust has a maturity date of 17 December 2020 and the MoneyMe Horizon Warehouse Trust has a maturity date of 19 December 2021.

2. New and Amended Accounting Standards

2.1 AASB 9 – Financial Instruments

AASB 9 *Financial Instruments* is applicable to annual reporting periods beginning on or after 1 January 2018 and was adopted by the Group from 1 July 2018. This standard replaces the previous standard, AASB 139 *Financial Instruments: Recognition and Measurement*. The Group has applied the new requirements of AASB 9 to only the existing financial assets and financial liabilities as at this date and has not applied the requirements to instruments that have been previously derecognised as at 1 July 2018.

AASB 9 introduces new requirements for:

1. the classification and measurement of financial assets and financial liabilities;
2. the impairment of financial assets classified as amortised cost; and
3. hedging.

The key AASB 9 related change impact for the Group reflects how AASB 9 requires the loan provisions to be calculated on an expected loss and whole of life basis rather than an incurred loss basis.

The application of AASB 9 has had no impact on the consolidated cash flows of the Group.

The table below highlights the different accounting treatments between AASB 139 and AASB 9 as they relate to the Group's Statement of Financial Position and where closing balances have been impacted on adoption of AASB 9. It reflects that the effect on the Group's Financial Position at 30 June 2019 from adopting AASB 9 relates solely to the impact of the new provisioning requirements.

	AASB 139	AASB 9	Carrying Value Impact
Net loan receivables:	Loans & receivables	Amortised cost	Higher impairment provisioning
Cash, cash equivalents, trade receivables, trade payables & commitments:	Loans & receivables	Amortised cost	-
Borrowings:	Loans & receivables	Amortised cost	-

The table below quantifies the impact from adopting AASB 9 by balance sheet item. AASB 9 related adjustments relating to the prior year have been reflected in an adjustment to 2019 opening retained earnings.

	AASB 139 carrying amount \$ '000	AASB 9 carrying amount \$ '000	Retained earnings impact \$ '000
Amortised cost under AASB 139	45,116	45,116	-
Remeasurement based on Expected Credit Loss (ECL)	-	(1,619)	1,619
Total net loan receivables	45,116	43,497	1,619
Opening balance tax effect of ECL remeasurement	-	447	(447)
Total impact on opening retained earnings (1 July 2018)			1,172

2.2 AASB 15 – Revenue from Contracts with Customers

This standard is applicable to annual reporting periods beginning on or after 1 January 2018. The Group has adopted this standard from 1 July 2018.

The standard applies a five-step model to all revenue arising from contracts to determine when to recognise revenue and at what amount. Under AASB 15, the Group recognises revenue relating to the transfer of promised goods or services to customers using values that reflect the consideration to which the entity expects to be entitled in exchange for those goods or services.

The Group has deemed its referral income to be revenue from contracts with customers under AASB 15 and this is presented accordingly in the Group's Consolidated Statement of Profit or Loss and Other Comprehensive Income. Adoption of the standard has not impacted the measurement of any revenues.

2.3 AASB 16 – Leases

This standard is applicable to annual reporting periods beginning on or after 1 January 2019 and is therefore not effective for the 2019 Annual Report.

The accounting treatment for a lessee under AASB 117 was based on categorising the lease either as a finance lease (recognised on balance sheet) or an operating lease (not recognised on balance sheet). Under the new standard, an

entity will be required to recognise a lease liability and a right-of-use asset in its statement of financial position for most leases. There are some optional exemptions for leases with a period of 12 months or less and for low value leases.

The impact on the Group's 30 June 2020 balance sheet, from adopting AASB 16 is recognition of a right-of-use asset and lease liability. No overall material impact to Net Assets and NPAT is expected from adoption of the standard. Management have currently assessed that the undiscounted amount of the lease payments is \$2.2 million at 30 June 2019, as disclosed in note 19.

3. Significant Accounting Policies

3.1 Basis of Preparation

3.1.1 Statement of Compliance

The Group is a for-profit, private sector business. The financial report is a general purpose financial report, which has been prepared in accordance with the *Corporations Act 2001* and authoritative pronouncements of the Australian Accounting Standards Board (AASB) and International Financial Reporting Standards (IFRS).

The consolidated financial statements have been prepared in accordance with AASB 1 *First-time Adoption of Australian Equivalents to International Financial Reporting Standards*. The Group has adopted all the new and revised Standards and interpretations issued by the AASB that are relevant to their operations and effective for the current financial year.

The consolidated financial statements were authorised for issue in accordance with a resolution of the directors on the date as set out on the Directors' Declaration. It is noted that the Directors have the power to amend the financial statements after issuance.

3.1.2 Basis of Accounting

The financial statements have been prepared on the historical cost basis, except for certain assets which, as noted, are measured at fair value.

3.1.3 Basis of Consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company. Control is achieved when the Company:

- Has power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee);
- Is exposed, or has rights, to variable returns from its involvement with the investee; and
- Has the ability to use its power over the investee to affect its returns.

The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above. When the Company has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Company considers all relevant facts and circumstances in assessing whether or not the Company's voting rights in an investee are sufficient to give it power.

Consolidation of an entity begins when the Company obtains control over the entity and ceases when the Company loses control of the entity. Specifically, income and expenses of an entity acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Company gains control until the date when the Company ceases to control the entity.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of entities is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of entities to bring their accounting policies into line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation. This includes elimination of Trust entity residual income units held by the Company that have been classified as financial liabilities at the Trust entity level.

3.1.4 Going Concern

The financial report has been prepared on a going concern basis, which contemplates continuity of normal business activities and realisation of assets and settlement of liabilities in the ordinary course of business.

3.1.5 Segment Information

Management has determined that the Group has one reporting segment being the provision of retail consumer finance. The internal reporting framework is based on the principal activity. The assets as presented relate to the reporting segment, as identified above. No one customer represents greater than 10% of the Group's revenue. The Group operates only in Australia.

3.1.6 Functional & Presentation Currency

The financial statements are presented in Australian dollars, which is the Group's functional currency.

3.1.7 Rounding

The Group is of a kind referred to in the Corporations Instrument 2016/191, issued by the Australian Securities and Investments Commission. Amounts in this report have been rounded off to the nearest thousand dollars in accordance with the Corporations Instrument 2016/191.

3.2 Financial Instruments

3.2.1 Net Loan Receivables

3.2.1.1 Recognition, Classification and Measurement

The Group initially recognises Gross Loan Receivables at fair value, net of any transaction costs and subsequently measures them at amortised cost as:

- MoneyMe's business model is to collect contractual cash flows for their products, until the account with the customer is closed. There have been no historic sales and there are no current plans to sell the accounts for fair value gains; and
- The Group's contractual cash flows are solely payments of principal and interest (SPPI) on the principal outstanding (the SPPI test).

Transferred loan receivables into the trust are still recognised in the consolidated financial statements as the Group:

- (a) is exposed to, or has rights to, variable equity returns in its capacity as the residual unit holder (or beneficiary as the case may be) of these trusts;
- (b) has the ability to impact the variable equity returns in its capacity as the originator of loan receivables and the servicer of these loans on behalf of the trusts; and
- (c) is the sole subscriber to the Seller Notes issued by the trusts.

These Seller Notes go towards maintaining the minimum equity contribution/subordination buffer. In addition to the Seller Notes, the Group's asset backed securitisation program includes multiple classes of Notes which carry a floating interest rate.

The effective interest rate method is applied to loan receivable balances to include related fee income. The effective interest rate is the rate that exactly discounts estimated future cash receipts or payments (including all fees and points

paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

The Group derecognises a financial asset when the rights to receive cash flows from the asset have expired, or when it transfers its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full under a 'pass through' arrangement and transferred substantially all the risks and rewards of ownership. There may be situations where the Group has partially transferred the risks and rewards of ownership but has neither transferred nor retained substantially all the risks and rewards of ownership. In such situations, the asset continues to be recognised on the balance sheet to the extent of the Group's continuing involvement in the asset.

Loan receivables are written off when the Group has no reasonable expectations of recovering the financial asset (either in its entirety or a portion of it). This is the case when the Group determines that the borrower does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. A write-off constitutes a derecognition event.

3.2.1.2 Impairment

In accordance with AASB 9, the Group recognises a loss provision in the statement of financial position for ECLs relating to its financial assets. Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets.

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Group expects to receive). It consists of three components:

- (a) Probability of default (PD): PD is an estimate of the likelihood of default over a given time horizon. It is estimated at a point in time. The PD model has been generated using roll rate analysis and projecting monthly roll rates. The roll rate analysis has been computed by taking the stage standings at the end of every month. Historical data on loan behaviours is captured to enable projections on loans going into default. This provides statistical data that is used in the PD model for calculating the probability of default.
- (b) Loss given default (LGD): LGD is an estimate of the loss arising on default. The LGD model has been generated using the method of averages in a two-step process, which includes judgements and estimates based on industry statistics and historical performance of the Group's portfolio. The provision duration is one year for performing instruments but if the credit risk on that financial instrument has increased significantly since initial recognition, or if the financial instrument is a purchased or originated credit-impaired financial asset, the Group provisions for the remaining life of the instrument.
- (c) Exposure at default (EAD): EAD is the total value the business is exposed to when a loan defaults. Management has set the balance owing on the loan to be the EAD. This balance excludes fees, as well as repayment amounts that have been allocated to fees. The EAD is discounted back monthly by the effective interest rate and amortised using the latest contracted principal repayment amount.

The Group applies the three-stage AASB 9 model to determine the loss allowance of its financial assets as follows:

- Stage 1:** At initial recognition, ECL is collectively assessed and measured by classes of financial assets with the same level of credit risk as a product of the PD within the next 12 months and LGDs with consideration to forward looking macro-economic indicators.
- Stage 2:** When the Group determines that there has been a significant increase in credit risk since initial recognition but the loss is not considered to be credit impaired, the Group recognises a lifetime ECL calculated as a product of the PD for the lifetime of the financial asset and LGD, with consideration to forward looking macro-economic indicators. The Group assesses a significant increase in credit risk when a loan exposure is greater than 30 days past due.
- Stage 3:** At each reporting date, the Group assesses whether financial assets carried at amortised cost. A financial asset is in 'default' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred or the financial asset and in reference to loan expenses that are more than 90 consecutive days past payment. Management have determined that consecutive days past payment is a better measure of probability of loss

than days past due as there is a direct relationship between the measure and the ECL. Days past payment offers a more appropriate measure in determining stage 3 financial risk in accordance with the AASB 9 framework. For financial assets that have been assessed as being in default, a lifetime ECL is recognised as a collective or specific provision, and interest revenue is calculated by applying the effective interest rate to the amortised cost instead of the carrying amount. The Group applies the AASB 9 approach to measuring ECLs which uses a lifetime expected loss allowance for all loan receivables. The ECLs were calculated based on the Group's historical credit loss performance adjusted for forward looking expectations based off macro-economic factors. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Management determined that financial assets should be grouped based on shared credit characteristics that typically react in a similar way to the current environment and macroeconomic factors. These characteristics include credit risk ratings, industry, geographical location, gender, date of initial recognition, remaining term to maturity and underlying collateral.

The principal macroeconomic indicators referenced in the economic scenarios considered for the positions at 1 July 2018 and 30 June 2019 are Gross Domestic Product (GDP), GDP index, GDP index change and unemployment. GDP has been determined to have economic correlations to inflation and unemployment, which can have a corresponding impact on loan performance. The model also references information from the Australian Prudential Regulation Authority (APRA) Authorised Deposit-Taking (ADI) quarterly performance statistics for losses data, with a set of variables obtained from the Australian Bureau of Statistics (ABS) including GDP, GDP growth rates, headline Consumer Price Index (CPI) growth rates, trimmed CPI and unemployment. Economic forecast reports from the market are used to support and validate this data further.

Refer to notes 4.2, 11 and 18.2 for further information.

3.2.2 Cash, Trade Receivables, Trade Payables & Commitments

3.2.2.1 Recognition, Classification and Measurement

The Group recognises and measures cash, cash equivalents, trade receivables, trade payables and commitments at amortised cost.

3.2.2.2 Impairment

The Group assesses cash, trade receivables and commitments for impairment. Management have deemed under the simplified approach this to be not material, and therefore no provisioning has been recognised in the financial year.

Refer to note 9 for cash and cash equivalents, note 10 for trade receivables and trade payables and note 19 for commitments.

3.2.3 Borrowings

3.2.3.1 Recognition, Classification and Measurement

The Group recognises and measures financial liabilities when it enters into the obligation at amortised cost. The effective interest rate method is used on borrowings to calculate the amortised cost of a financial liability and to allocate fee expenses over the relevant period.

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Refer to note 14 for further information.

3.3 Revenue

The Group recognises revenue in accordance with AASB 9 or AASB 15 depending on its nature and classification.

Interest income related to loan receivables and bank deposits are measured and presented on an effective interest rate basis. Under AASB 9, the effective interest rate method is used on loan receivables, based on estimated future cash receipts over the expected life of the financial asset. In making their judgement of estimated future cash flows and expected life of the loan receivables balance, management have considered the historical repayment pattern of the loan receivables on a portfolio basis. Further, portfolio income is prepared using the effective interest rate method.

The Group's referral commission income has been classified as revenue from contracts with customers and is recognised under AASB 15 at a point in time when the performance obligation has been satisfied. The performance obligation is deemed satisfied once the lead has been provided to the respective party and is generally payable a month or within a month after the lead has been provided.

Income from previously written off loan balances and loan fee income not classified under the effective interest rate method is reflected as Other Income and recognised as received at a point in time.

Refer to notes 4.4 and 5 for further information.

3.4 Intangible Assets

3.4.1 Recognition, Classification and Measurement

Software development costs are capitalised only when:

- the technical feasibility and commercial viability of the project is demonstrated
- the Group has an intention and ability to complete the project and use it or sell it; and
- the cost can be measured reliably.

Such costs include payments to external contractors to develop the software, systems and personnel costs of employees directly involved in the project.

Subsequent expenditure on capitalised intangible assets is capitalised only when it increases the future economic benefits embodied in the specific assets to which it relates. All other expenditure is expensed as incurred.

The applicable estimated useful life of the Group's intangible asset is 5 years.

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognised in profit or loss when the asset is derecognised.

Refer to notes 4.3 and 13 for further information.

3.4.2 Impairment of Intangible Assets Other Than Goodwill

At the end of each reporting period, the Group reviews the carrying amounts of its intangible assets, including non-financial assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually, and whenever there is an indication that the asset may be impaired.

The recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

When an impairment loss subsequently reverses, the carrying amount of the asset (or a cash generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

4. Critical Accounting Estimates and Judgements

4.1 Overview

In the application of the Group's accounting policies, management is required to make judgements, estimates and assumptions about carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods. The significant estimates and judgements made have been described below.

4.2 Loan Provisions

Loan provisions are determined based on estimates and assumptions of future events, taking into account key inputs, used to assess the recoverability of loan receivables. ECL calculations reflect many factors including historic customer loan repayment behaviours, the macro-economic environment and modelling risks.

When assessing if the borrower is unlikely to pay its credit obligation, the Group takes into account both any qualitative and quantitative indicators. The information assessed depends on the type of the asset. An example of a key quantitative indicator is the overdue status on a loan obligation.

Refer to notes 3.2.1.2, 11 and 18.4 for further information.

4.3 Recognition of Intangible Assets

Judgement is required in determining the effective life of intangible assets, and the cost allocation upon creation of internally generated intangible assets.

Refer to notes 3.4.1 and 13 for further information.

4.4 Fee Income Recognition

The Group recognises fees on customer receivables using the effective interest rate method that reflects the expected useful life of the underlying financial asset and discounts cash flows back to the present value. In making their judgements around the expected life of the underlying customer receivables balance and the discount rate applicable, management have considered the historical repayment patterns and contracted repayments of the customer receivables.

Refer to notes 3.3 and 5 for further information.

5. Other Income	2019 \$'000	2018 \$'000
Referral income	1,373	462
Income from loans previously written off	1,354	722
Other	1,619	1,102
Total other income	4,346	2,286

Refer to note 3.3 for further information.

6. Operating Expenses

6.1 Operating expenses

Operating expenses include employee expenses of \$3,844,000 in 2019 (2018: \$2,815,000). These are attributed across the sales & marketing expense, product design & development expense, and general & administrative expense categories.

The comparatives within the consolidated statement of Profit or Loss and Other Comprehensive Income have been restated to ensure consistency of the current years' classification which is by function rather than by nature as was previously disclosed. This better reflects the Group's current and future operations and resulted in costs being allocated from their previous accounts to sales & marketing expense, product design & development expense and general & administrative expense

6.2 Interest expense

	2019 \$'000	2018 \$'000
Loan financing expense	8,430	5,444
Corporate interest on debt	114	211
Interest expense	8,544	5,655

Loan financing expense reflects the cost of debt financing held within the Group's Warehouse Trust entities. Corporate interest on debt reflects the cost of debt held outside of the Group's Warehouse Trust entities. Refer to notes 14 and 20.2 for further information.

7. Taxation

7.1 Tax consolidation

The Company and its wholly owned Australian resident entities are an Income Tax Consolidated Group (TCG) under the Australian Tax Consolidation System. MoneyMe Financial Group Pty Ltd is the head entity in the TCG, and as a consequence recognises current and deferred tax amounts relating to transactions, events and balances of the entities in the Group as if those transactions, events and balances were its own, in addition to the current and deferred tax amounts arising in relation to its own transactions, events and balances.

7.2 Income tax benefit

	2019 \$'000	2018 \$'000
<i>The components of tax expense comprise:</i>		
Current tax	890	780
Deferred tax	(230)	(30)
R&D tax offset	(859)	(811)
Income tax benefit	(199)	(61)

Numerical reconciliation between tax expense and pre-tax accounting profit:

	2019 \$'000	2018 \$'000
Profit before income tax	125	660
Income tax using the domestic tax rate of 27.5% in 2019 (2018: 27.5%)	34	181
Effect of expenses that are not deductible	4	13
Effect of concessions (research and development and other allowances)	(265)	(225)
Deferred tax benefit / (expense)	28	(28)
Adjustment from prior year	-	(2)
Income tax benefit	(199)	(61)

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

7.3 Current tax asset / payable

The tax currently payable is based on taxable profit for the year. Taxable profit differs from 'profit before tax' as reported in the consolidated statement of profit or loss and other comprehensive income because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

7.4 Net deferred tax

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit. In addition, deferred tax liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in entities and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only

recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax liabilities and assets are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

Movements in deferred tax assets and liabilities:

2019	30 June 2018 balance \$'000	AASB 9 related adjustments \$'000	Net balance at 1 July 2018 \$'000	Recognised in profit or loss \$'000	Net deferred tax asset at 30 June 2019 \$'000
Provisions and accruals	52	447	499	230	729
R&D tax offset	31	-	31	-	31
Tax assets	83	447	530	230	760
2018			Net balance at 1 July 2017 \$'000	Recognised in profit or loss \$'000	Net deferred tax asset at 30 June 2018 \$'000
Prepayments			(18)	18	-
Property, plant and equipment			1	(1)	-
Provisions and accruals			366	(314)	52
R&D tax offset			-	31	31
Tax assets			349	(266)	83

7.5 Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of goods and services tax (GST), except:

- Where the amount of GST incurred is not recoverable from the taxation authority, it is recognised as part of the cost of acquisition of an asset or as part of an item of expense; or
- For receivables and payables which are recognised inclusive of GST.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables.

Cash flows are included in the statement of cash flows on a gross basis. The GST component of cash flows arising from investing and financing activities which is recoverable from, or payable to, the taxation authority is classified as operating cash flows.

8. Earnings Per Share

8.1 Basic earnings per share

Basic earnings per share is calculated by dividing the profit attributable to the owners of the Group by the weighted average number of ordinary shares outstanding during the financial year, adjusted for ordinary shares issued during the financial year.

8.2 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.

	2019 No.	2018 No.
Weighted average number of ordinary shares used in calculating basic EPS	246,134	246,134
Share option	2,345	2,500
Weighted average number of ordinary shares used in calculating diluted EPS	248,479	248,634
	Cents	Cents
Basic profit EPS	1.32	2.93
Diluted profit EPS	1.31	2.90

The 2019 financial year diluted earnings per share calculation includes those options that have a dilutive effect, i.e. the average market price of ordinary shares during the period exceeds the exercise price of the options. They are therefore “in the money”.

9. Cash and cash equivalents

9.1 Overview

	2019 \$'000	2018 \$'000
Cash at Bank	947	408
Restricted cash held in the Group's Warehouse Trusts	5,115	3,095
Total cash and cash equivalents	6,062	3,503

9.2 Reconciliation of operating profit after income tax to net cash used in operating activities

	2019 \$'000	2018 \$'000
Operating profit after income tax	324	721
Adjustments for:		
Depreciation and amortisation	231	118
Share-based payment expense	93	90
Share-based payment buyback	(65)	-
Loan impairment expense	11,850	9,766
Interest accrued as part of borrowings	975	551
(Decrease) in trade receivables	(49)	(315)
(Decrease) in current tax	(192)	(215)
(Decrease) / Increase in deferred tax asset	(230)	266
Increase in trade payables	649	68
Increase in provisions	84	72
Net cash from operating activities	13,670	11,122

10. Trade Receivables and Payables

10.1 Trade receivables

	2019 \$'000	2018 \$'000
Rental bond	390	370
Other	116	88
Total trade receivables	506	458

10.2 Trade payables

	2019 \$'000	2018 \$'000
Accrued expenses	507	175
Warehouse trust related payables	240	210
Other	352	65
Total trade payables	1,099	450

11. Loan Receivables

11.1 Overview

	2019 \$'000	2018 \$'000
Gross loan receivables	87,458	48,161
Loan provisions	(9,126)	(3,045)
Net loan receivables	78,332	45,116

11.2 Gross loan receivables

	2019 \$'000	2018 \$'000
Opening balance	48,161	39,314
Loans originated during the year	119,819	71,799
Principal repayments received	(73,134)	(55,292)
Loans written off	(7,388)	(7,660)
Closing balance	87,458	48,161

11.3 Loan provisions

	2019 \$'000	2018 \$'000
Opening balance	3,045	940
AASB 9 adjustment on provisions	1,619	-
Additional provisioning	11,850	9,765
Loans written off	(7,388)	(7,660)
Closing balance	9,126	3,045

The Group's loan book increased significantly in 2019 driven by loan originations. 2019 originations reflects continued growth in the Group's personal loan products and the introduction of a new Line of Credit (LOC) product during 2019. Loan book growth, alongside the booking of stage 1 provisioning, has resulted in an overall increase in the 2019 ECL and loan provisions. From 2018 to 2019, there was an improvement in the Group's LGD, however macroeconomic factors (refer to note 3.2.1.2) resulted in an overall increase in the ECL.

The following table shows movements in gross carrying amounts of loan receivables subject to impairment requirements to net loan receivables as at 1 July 2018, following the impact of AASB 9.

	Stage 1 \$'000	Stage 2 \$'000	Stage 3 \$'000	Total \$'000
1 July 2018				
Gross loan receivables	41,379	5,898	884	48,161
Provision	(2,235)	(1,610)	(819)	(4,664)
Net loan receivables	39,144	4,288	65	43,497

The following table shows movements in gross carrying amounts of loan receivables subject to impairment requirements to net loan receivables for the current year.

	Stage 1 \$'000	Stage 2 \$'000	Stage 3 \$'000	Total \$'000
2019				
Gross loan receivables	72,648	13,382	1,428	87,458
Provision	(4,201)	(3,534)	(1,391)	(9,126)
Net loan receivables	68,447	9,848	37	78,332

The following table shows movements in the provision exposure subject to impairment requirements for the current year related provisioning. The carrying amount at 1 July 2018 includes the AASB 9 retained earnings adjustment and the closing provision amount at 30 June 2018.

	Stage 1 \$'000	Stage 2 \$'000	Stage 3 \$'000	Total \$'000
Provisions as at 30 June 2018				3,045
AASB 9 adjustment				1,619
Provisions as at 1 July 2018	2,235	1,610	819	4,664
Provision	1,966	1,924	572	4,462
Provisions as at 30 June 2019	4,201	3,534	1,391	9,126

Refer to notes 3.2.1.2, 4.2 and 18 for further information.

12. Property, Plant and Equipment

	2019 \$'000	2018 \$'000
Opening balance	51	56
Additions	158	27
Movements in accumulated depreciation	(64)	(32)
Total property, plant and equipment	145	51
	2019 \$'000	2018 \$'000
Property, plant and equipment – at cost	317	158
Accumulated depreciation	(172)	(107)
Total property, plant and equipment	145	51

Property, plant and equipment are stated at cost less accumulated depreciation. Cost includes expenditure that is directly attributable to the acquisition. The Group's policy is to provide for any "make good" property lease related requirements. These are estimated to be immaterial in the 2019 and 2018 financial years.

The depreciable amount of all fixed assets is depreciated on straight-line basis over their estimated useful lives to the entity commencing from the time the asset is held ready for use. Leasehold improvements are amortised over the shorter of either the unexpired period of the lease or the estimated useful lives of the improvements. The estimated useful life, residual values and depreciation method are reviewed at the end of each annual reporting period.

The carrying amount of plant and equipment is reviewed annually to ensure it is not in excess of the recoverable amount from these assets.

The gain or loss arising on disposal or retirement of an item of plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

The estimated useful lives used in calculation of depreciation ranges from 1 to 8 years in relation to the underlying asset being depreciated.

13. Intangible Asset

	2019 \$'000	2018 \$'000
Opening balance	482	247
Software development at cost	466	322
Movements in accumulated amortisation	(167)	(87)
Closing balance	781	482

	2019 \$'000	2018 \$'000
Intangible asset – at cost	1,090	625
Accumulated amortisation	(309)	(143)
Closing balance	781	482

14. Borrowings

14.1 Overview

	2019 \$'000	2018 \$'000
Warehouse trust related borrowings	78,289	40,363
Related party borrowings	3,275	4,029
Total borrowings	81,564	44,392

14.2 Warehouse Trust Related Borrowings

The Company sells originated personal loan receivables and revolving line of credit receivables to special purpose vehicle warehouse (MME Velocity Warehouse Trust 2017 and MME Horizon Warehouse Trust 2018). It is noted that there have been no breach of covenants as at the reporting date.

The table below reconciles the movements in the financial year for the two warehouse trusts.

	2019 \$000	2018 \$000
Opening balance	40,363	-
Drawdowns	37,525	42,450
Repayments	-	-
Other	401	(2,087)
Closing Warehouse Trust Related Borrowings	78,289	40,363

The table below reconciles the gross carrying amounts of securitised loan receivables.

	2019 \$000	2018 \$000
MME Velocity Warehouse Trust	61,846	42,245
MME Horizon Warehouse Trust	18,859	-
MoneyMe Financial Group Pty Ltd	6,753	5,916
Gross Loan Receivables	87,458	48,161

14.3 Related Party Borrowings

The table below shows the movements in the year within the Group's related party borrowings.

	2019 \$'000	2018 \$'000
Opening balance	4,029	41,005
Drawdowns	2,525	3,024
Repayments	(3,279)	(40,000)
Closing balance	3,275	4,029

15. Employee Related Provisions

	2019 \$'000	2018 \$'000
Opening provisions	145	72
Additional provisions	96	96
Provision reductions	(12)	(23)
Closing provisions	229	145

Provision is made for employee benefits accumulated as a result of employees rendering services up to the reporting date. These benefits include annual leave and long service leave.

16. Share Capital

	2019 No.	2018 No.
Opening ordinary shares	246,134	241,211
Shares issued during the year	-	4,923
Closing ordinary shares	246,134	246,134

Ordinary shares are classified as equity.

During the year ended 30 June 2019, no additional ordinary shares were issued to new shareholders.

The holders of ordinary shares are entitled to participate in dividends and the proceeds on winding up of the Group. On a show of hands at meetings of the Group, each holder of ordinary shares has one vote in person or by proxy, and upon a poll each share is entitled to one vote.

17. Share Options

17.1 Overview

The Group operates an ownership-based scheme for executives and eligible employees. Under these shareholder approved schemes, executives and senior employees may be granted options to purchase parcels of ordinary shares at an exercise price of \$240.00, \$290.00 or \$440.16 per ordinary share.

Each employee share option converts into one ordinary share of the Group on exercise. No amounts are paid or payable by the recipient on receipt of the option. The options carry neither rights to dividends nor voting rights. Options may be exercised at any time from the date of vesting to the date of their expiry.

17.2 Share Option Pricing Inputs

The fair value of equity-settled share options is estimated as the date of grant using the Black-Scholes model taking into account the terms and conditions under which the options were granted and key inputs as noted below. The expected price volatility reflects the assumption that the historical volatility over a period similar to the life of the options is indicative of future trends, which may not necessarily be the actual outcome.

	Series 1	Series 2	Series 3
Number at the end of the financial year	-	2,345	1,935
Grant date	17/07/2017	01/12/2017	01/12/2018
Fair value of right	\$34.3000	\$76.2000	\$126.1505
Share price at grant date	\$223.400	\$223.400	\$440.160
Exercise price	\$240.000	\$290.000	\$440.160
Term	15 months	3 years	3 years
Expected price volatility	45.25%	45.25%	37.98%
Expected dividend yield	0.00%	0.00%	0.00%
Risk-free interest rate	1.67%	2.03%	2.53%
Fair value of option at grant date	\$64,765	\$24,952	\$50,506

17.3 Movement in Share Options

	Series 1 No.	Series 2 No.	Series 3 No.	Total No.
2019				
Opening balance	2,500	2,725	-	5,225
Granted	-	-	2,059	2,059
Forfeited	-	(380)	(124)	(504)
Lapsed	-	-	-	-
Exercised	-	-	-	-
Buyback	(2,500)	-	-	(2,500)
Closing balance	-	2,345	1,935	4,280
Shares exercisable at the end of the period	-	-	-	-
2018				
Opening balance	-	-	-	-
Granted	2,500	2,725	-	5,225
Forfeited	-	-	-	-
Lapsed	-	-	-	-
Exercised	-	-	-	-
Buyback	-	-	-	-
Closing balance	2,500	2,725	-	5,225
Shares exercisable at the end of the period	2,500	-	-	2,500

17.4 Share Based Payments Reserve

The share based payments reserve is used to recognise the grant and/or issue of shares and share options.

The following reconciles the movement in the share based payment reserve in the current and prior financial years.

	2019 \$'000	2018 \$'000
Opening balance	90	-
Share-based payments	93	90
Buyback	(65)	-
Closing balance	118	90

18. Financial Risk Management

18.1 Overview

The Group's activities expose it to a variety of financial risks: market risk (such as interest rate risk), credit risk and liquidity risk. The Group uses different methods to measure and manage the different types of risks to which it is exposed. These methods include sensitivity analysis in the case of interest rate, ageing analysis to manage credit risk and cash flow forecasting to monitor and manage liquidity risk.

Risk management is carried out by senior management, identifying and evaluating financial risks within the Group and reporting to the board on a regular basis.

The Group's risks and exposures are as below.

18.2 Credit Risk

The Group's exposure to credit risk arises through potential risk a counterparty will default on its contractual obligations, with the maximum exposure of the risk equal to the carrying amount of these receivables at the end of the reporting period being \$87,458,000 (2018: \$48,161,000). The Group utilises its proprietary risk decisioning to mitigate against credit risk, leveraging multiple data points including credit agency information and bank statement data, to confirm suitability and appropriate credit limits prior to the issuance of credit. The Group regularly reviews customer collections, and collections in arrears. Loan receivables that are deemed uncollectable are written off by the Group with attempts to recover continued post write off.

The Group regularly reviews the adequacy of the ECLs to ensure that it is sufficient for financial reporting purposes as well as reducing the associated risk. The provision is determined through management's best estimates of losses based on historical experience and their experienced judgement.

The Group measures the loss allowance for a financial instrument at an amount equal to the lifetime ECL if the credit risk on that financial instrument has increased significantly since initial recognition.

The maximum exposure to credit risk at the reporting date to recognised financial assets is the carrying amount, net of any allowance for doubtful debts of those assets, as disclosed in the consolidated statement of financial position and notes to the consolidated financial statements.

The loan portfolio's diversification is assessed on an ongoing basis in relation to key criteria that include customer residency and loan purpose, among other factors. The Group does not have any disproportionate exposure to any single debtor or its monitored groups of debtors.

Refer to notes 3.2.1.2, 4.2 and 11 for further information.

18.3 Market Risk

Market risk is the risk that changes in market prices will affect the Group's income or the value of holdings in its financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return. The Group's exposure to market risk arises through interest rate changes and foreign currency exposure.

Interest on borrowings reflects set margins above variable market benchmark rates. The Group earns variable interest from its loan receivables. In the event of a movement in interest rates, the Group reviews its pricing as appropriate.

Interest Rate Sensitivity Analysis

	2019 \$'000	2018 \$'000
Effect on profit before tax:		
1% increase in interest rates	(744)	(427)
1% decrease in interest rates	744	427

Interest rate changes have been minimal during the year and relates to cash and cash equivalents and interest bearing borrowings.

The Group's exposure to foreign exchange risk is minimal and is deemed not to be material in the current financial year.

18.4 Liquidity Risk

The Group's exposure to liquidity risk arises through potential imbalance of cash outflows exceeding inflows. Trade payables and other financial liabilities mainly originate from the financing of loans made to customers, other fixed assets and investments in working capital.

Liquidity risk is managed through continuous monitoring of cash flow forecasts to actuals to ensure that liability obligations are met when they fall due. The Group's balance sheet shows an excess of assets over liabilities as at 30 June 2019 of \$3,698,000 (2018: \$4,518,000), with the Group having access to \$89,000,000 in committed debt facilities to fund continued growth of the loan portfolio. The Group's current assets, available financing facilities, and ongoing positive operating cash flows continue to be sufficient to satisfy all payment obligations within the timeframes required. Management have undertaken an analysis to look at the earliest terms of which contractual obligations may be paid and assessed the cash flows required.

The following tables show all contractually fixed payments and receivables for settlement, repayments and interest resulting from recognised financial assets and liabilities.

2019	Less than 6 months \$'000	6 to 12 months \$'000	1 to 5 years \$'000	Total amounts \$'000
Cash and cash equivalents	6,062	-	-	6,062
Trade receivables	506	-	-	506
Net loan receivables	4,304	22,071	51,957	78,332
Total financial assets	10,872	22,071	51,957	84,900
Trade payables	1,099	-	-	1,099
Warehouse trust borrowings	-	-	78,289	78,289
Related party borrowings	600	-	2,675	3,275
Total financial liabilities	1,699	-	80,964	82,663
Net maturity	9,173	22,071	(29,007)	2,237

2018	Less than 6 months \$'000	6 to 12 months \$'000	1 to 5 years \$'000	Total amounts \$'000
Cash and cash equivalents	3,503	-	-	3,503
Net loan receivables	-	45,116	-	45,116
Total financial assets	3,503	45,116	-	48,619
Trade payables	275	-	-	275
Warehouse trust borrowings	-	-	42,450	42,450
Related party borrowings	-	4,029	-	4,029
Total financial liabilities	275	4,029	42,450	46,754
Net maturity	3,228	41,087	(42,450)	1,865

The fair value of financial assets and liabilities held by the Group approximate the individual carrying values of those assets and liabilities.

It has been further determined by management that the Group's exposure to concentration risk is immaterial given the size of individual loans and the fact that these loans are at the retail level.

19. Commitments

	2019 \$'000	2018 \$'000
Customer loans agreed but not drawn	4,236	-
Not later than one year	523	503
Between one year and five years	1,700	2,252
Minimum lease payments under non-cancellable lease	2,223	2,755

Current year commitments relate to operating leases in place for the office premises at 131 Macquarie Street, Sydney, NSW 2000. Prior year commitments related to operating leases in place for the office premises at 100 Miller Street, North Sydney, NSW 2060.

Refer to note 3.2.2 for further information.

20. Related Parties

20.1 Key management personnel compensation

	2019 \$'000	2018 \$'000
Short-term employee benefits	300	324
Post-employment benefits	25	34
Share-based payments	-	-
Total KMP remuneration	325	358

Key management personnel ("KMP") are defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Group.

20.2 Identification of related party transactions and balances

	2019 \$'000	2018 \$'000
Interest expense on related party borrowings	114	211
Total related party borrowings	3,275	4,029

All unsecured loans, with the exception of one loan, are provided without restrictions on uses on funds and are repayable on demand within 60-90 days of written notice by the lender. One loan has a loan maturity date of 29 August 2021.

Loans have been made in accordance with the normal terms and conditions of the market with an interest rate range of 9.5% to 13.0%. These are deemed to be arm's length interest rates.

Outstanding balances at the year-end are unsecured, interest bearing, and settlement occurs in cash.

The table above provides the total amount of related party loans, and interest expense on related party borrowings in the financial year. Refer to note 13.2 for further information on the movement of the related party borrowings in the year.

20.3 Parent and ultimate controlling entity

It is noted that the Group's Statement of Financial Position and Statement of Profit or Loss and Other Comprehensive Income are the same as the parent entity, MoneyMe Financial Group Pty Ltd, and therefore no separate parent-related disclosure has been included.

21. Remuneration of Auditors

During the financial year the following fees were paid or payable for services provided by Deloitte Touche Tohmatsu, the auditor of the Group:

	2019 \$'000	2018 \$'000
Audit services	219	77
Other services	36	57
Total remuneration	255	133

22. Subsequent Events

There has not been any matter or circumstance occurring subsequent to the end of the financial year that has significantly affected, or may significantly affect, the Group's financial position as at 30 June 2019.