**MONEY3 CORPORATION LIMITED ABN 63 117 296 143**
**Annual Financial Report for the Year Ended 30 June 2012**

**Corporate Information**
Money3 Corporation Limited is a company incorporated and domiciled in Australia.

**Company Directors**

| | |
|---|---|
| Geoffrey Joseph Sam OAM, B.Comm MHA MA (Econ & Soc Stud) FAICD FACHSE | Non Executive Chairman (from 24 August 2010) |
| Bettina Evert BA LLB MAICD | Non Executive Director (from 28 February 2006) |
| Robert James Bryant | Executive Director (from 25 November 2005) |
| Kang Hong Tan ACA(UK) FIPA (Aust) | Non Executive Director (from 25 November 2005) |
| Christopher James Baldwin CPA | Non Executive Director (from 25 November 2005) |
| Scott Joseph Baldwin B.Eng (Hons) MBA | Executive Director (from 13 January 2009) |

**Chief Executive Officer**
Robert James Bryant (from 4 April 2008)

**Company Secretary**
Craig Alan Harris (from 17 September 2010)

**Head Office**
Unit 4, 60-70 Mahoneys Road
Thomastown Victoria 3074
Telephone: (03) 9469 8200 Facsimile: 03 9460 8300

**Registered Office**
Level 1, 48 High Street
Northcote Victoria 3070

**Solicitors**
Foster Nicholson Legal Pty Ltd
Level 6
406 Collins Street
Melbourne Victoria 3000

**Banker**
Westpac Banking Corporation
360 Collins Street
Melbourne Victoria 3000

National Australia Bank
Level 1, 381 Wyndham Street
Shepparton Victoria 3630

**Share Registry**
Link Market Services Limited
Level 9, 333 Collins Street
Melbourne Victoria 3000

**Auditors**
BDO East Coast Partnership
Level 14,
140 William Street
Melbourne Victoria 3000

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## CEO and CHAIRMANS REPORT

On behalf of the board of directors of MONEY3 Corporation Ltd (Money3), it is our pleasure to present the Annual Report for end of financial year 2012(FY 2012).

**2012 Financial Highlights**:

- ⬆ Revenue has increased by 15% to $15,494,893
- ⬆ Profit after tax increased by 5.1% to $2,525,840
- ⬆ Loan book has increased by 43.7% to 17,008,383
- ⬆ Net assets increased by 9.5% to $33,436,731
- ⬆ Net tangible assets per share increased by 4.5% to 37 cents

**Operational activities**

Money3 Corporation Ltd has 2 main focuses.

**Money3 Branches**

Money3 is a flexible and innovative provider of short term loans. Through our 34 branch network, Money3 provides credit to people who would not otherwise be able to access credit from mainstream lenders. Our key products are:

- Line of Credit — loans from $50 to $1000 for 1 month
- Unsecure personal loans — loans from $500 to $3000 for 3 to 12 months
- Cheque cashing
- International money transfer

This year included a thorough review of our business and the adoption of a detailed strategic plan. From that plan we have continued to expand our branch network with the addition of 10 new sites during the last financial year. Going forward we will be looking to expand our branch network into states where we lack presence. In Mid August 2012 we have opened our first store in Sydney and we plan to open several more in the next 12 months.

Through this branch network we are able to source leads for the auto division and in the car rental business 80% of all leads were sourced from the branch network. The branch network currently has in excess of 50,000 active customers.

**M3 Auto Assist** (Loan Centre and Car Leasing)

M3 Auto Assist contains all loans secured and provides the following products:

- Secured vehicle loans — loans from $5000 to $35000 for 18 months to 4 years
- Car Rental — vehicles valued from $3000 to $12000 for 2 to 3 years
- Micro Motor loans — loans for $2000 to $5000 for 1 to 2 years

This division has emerged over the past couple of year from the demand we had from our existing customers but also from a number of sub-prime customers who couldn't access funds to acquire vehicle finance. As the division developed we have not only helped the sub-prime market but have been able to lend to the prime customers, as mainstream financial providers tighten their credit criteria. Over the next 12 months we plan on not only serving our existing customer base but also to move up the credit curve to serve customers who are finding it hard to access credit from major banking institutions.

Money3 expects to see some significant opportunity for growth in this area and therefore in mind is in the process of obtaining a finance facility to enable this growth to occur. The directors believe that going forward this part of the business will become the driving force of Money3.

**Slow Debt**

As predicted in last year's annual report bad debt would reduce. As a percentage of revenue bad debt has reduced from 13.77% in FY11 to 9.84% in FY12. This is as a result of two factors, first being better credit controls being put in place and second being the mixture of business moving more towards the secured car lending business.

**System Upgrade**

Over the last 2 years Money3 has been working on sourcing and implementing a new integrated IT platform. Challenging as the rollout of new systems can be we can report that we are within 2 months of having all branches on the new platform. All staff have been above reproach in their commitment to this game changing upgrade and not one customer or sale has been lost. This system used by many securitized lenders will enable Money3 to meet the growth objectives as projected in our strategic plan.

**Regulation**

Both Houses of Parliament have now voted in support of the Credit Enhancement Bill (2012) which is awaiting Royal Assent. As a result of strong industry consultation and thorough review and recommendations by the Parliamentary Joint Committee on Corporations and Financial Services and Senate Economics Legislation Committee workable and meaningful regulations will give certainty to the “legitimate short term small amount lending industry’ as described by Minister Bill Shorten.

From 1st March 2013 more responsible lending obligations will apply. Many of these obligations have been standard practice at Money3. We are pleased that the government has adopted many of our recommendations which will protect consumers from themselves and unscrupulous lenders.

Commencing 1st July 2013 caps on small amount credit contracts will apply. For loans greater than 15 days and less than 12 months and less than $2000 the permitted establishment fee will be 20% with an allowable monthly fee of 4% on the amount of credit provided.

For loans between $2000 and $5000 for a period less than 2 years the permitted establishment fee is $400 and an annual interest rate of 48% per annum on a daily reducing balance applies. For all other loans the cap on charges is 48% per annum on the daily reducing balance.

As Money3 has anticipated these regulations for a number of years the impact on its business will be minimal as it continues to shift further towards larger secured loans. Currently 70% of assets are tied up in secured loans above $5000 and return on these assets is not affected by the caps while the legislated caps on smaller loans will allow a sustainable business model.

Under this model the Money3 branch network is set to grow through acquisition as smaller providers, unable to remain viable under the new regulations, exit the industry.

The most pleasing aspect of the lengthy legislative process is the bipartisan political support that short term credit is expensive to provide and that there is legitimate place for small amount lenders to fill the gaps for people who need a temporary cash injection.

**Dividends**

On 30th August 2012, the directors declared a fully franked final dividend to the holders of fully paid ordinary shares in respect of the financial year ended 30 June 2012. The final dividend payable of 2.25 cents per share brings the full year dividend to 4.00 cents per share fully franked.

**Management Team**

Over the past 12 months the company has acquired two businesses, set up a new car rental division, opened several new branches and expanded our broker network. The Directors would like to thank all the time that the staff have put in over the past 12 months and would like to thank them in advance for the time they will put in over the next 12 months.

**Outlook**

**Branch Expansion**

Money3 have considered several acquisition and growth opportunities for the FY2013. We have opened 4 new branches (Campbelltown in August 2012, Sunshine, Prospect and Morphett Vale in July 2012) and have expanded our customer base organically and via acquisition. With the certainty around the new federal legislation and the difficulty of smaller credit providers to remain viable we will continue to open new branches organically and/or by acquisition.

**M3 Auto Assist** (secured lending)

As announced earlier negotiations are well underway for a substantial debt facility to fund the growth of the secured loans business M3 Auto Assist. M3 Auto Assist which contains the secured car loan and car rental business currently represents 70% of our assets. Systems, personnel and delivery channels are in place and ready to be ramped up. The debt facility will allow this business to grow to its potential.

Yours sincerely,

| | |
|---|---|
| Geoff Sam OAM | Robert Bryant |
| Chairman | Chief Executive Officer |
| 30 August 2012 | 30 August 2012 |

## Corporate Governance Statement

The Board of Directors (Board) of Money3 Corporation Limited (Money3) is responsible for the corporate governance of the Company. The Board guides and monitors the business and affairs of the Company on behalf of the shareholders by whom they are elected and to whom they are accountable. The Company is committed to implementing the highest standards of corporate governance.

The Board supports the core principles and best practice recommendations of the ASX Corporate Governance Council. However in view of the Company's size, full adoption of the recommendations is currently not practical. The Board will continue to work towards full adoption of the recommendations in line with growth and development of the Company. The corporate governance policies of the Company and departures from the recommendations are discussed below.

In setting its standards the Company has considered the 2nd edition of the ASX Corporate Governance Principles and Recommendations (Revised Recommendations). Whilst the Company continues to develop and improve its corporate governance processes and standards, the Board is pleased to advise that Money3's practices are largely consistent with the ASX guidelines.

The Corporate Governance Statement that follows contains certain specific information and discloses the extent to which the Company has followed the guidelines during the 2012 year. Money3's Corporate Governance Statement is structured with reference to the ASX Corporate Governance Principles and Recommendations.

***Principle 1 Lay solid foundations for management and oversight***

Money3 has a Board Charter which establishes the functions reserved to the Board and to senior management. The Board is responsible for setting the strategic direction of the Company and for overseeing and monitoring its businesses and affairs. Directors are accountable to the shareholders for the Company's performance. The Board's overriding objective is to increase shareholder value within an appropriate framework that protects the rights and enhances the interests of all shareholders, whilst ensuring that the Company is properly managed.

The functions of the Board include:
- setting overall financial goals for the Company;
- approving strategies, objectives and plans for the Company's businesses to achieve these goals;
- ensuring that business risks are identified and approving systems and controls to manage those risks and monitor compliance;
- approving the Company's major HR policies and overseeing the development strategies for senior and high performing executives;
- approving financial plans and annual budget;
- monitoring financial results on an on-going basis;
- monitoring executive management and business performance in the implementation and achievement of strategic and business objectives;
- approving key management recommendations (such as major capital expenditure, acquisitions, divestments, restructuring and funding);
- appointing and removing the Chief Executive Officer (CEO) and ratifying the appointment and removal of executives reporting directly to the CEO (senior executives);
- reporting to shareholders on the Company's strategic direction and performance including constructive engagement in the development, execution and modification of the Company's strategies;
- overseeing the management of occupational health and safety and environmental performance;
- determining that satisfactory arrangements are in place for auditing the Company's financial affairs; and
- meeting statutory and regulatory requirements and overseeing the way in which business risks and the assets of the Company are managed.

In carrying out its responsibilities and functions, the Board may delegate any of its powers to a Board committee, a Director, employee or other person. However, the Board acknowledges that it retains ultimate responsibility for the exercise of such powers under the *Corporations Act 2001* (Cth).

The Board has guidelines for its Directors to address potential conflicts of interest, including a requirement that they declare their interests as required by the Corporations Act and the ASX Listing Rules.

## Corporate Governance Statement (Cont'd)

***Principle 2 Structure the Board to add value***

The Board of Directors is structured to add long term value to Money3. The Board consists of two executive and four non-executive directors. The non-executive directors, being Ms Bettina Evert, Mr Kang Tan, Mr Geoffrey Sam and Mr Christopher Baldwin, are regarded for corporate governance purposes as independent, notwithstanding the existence of certain relationships identified in the ASX's Corporate Governance Principles and Recommendations. [Box 2.1 of Principle 2]

Mr Geoffrey Sam has over 30 years experience in the healthcare industry, and has held multiple hospital CEO positions in the public and private sectors.

Ms Bettina Evert is a consultant of FC Law Pty Ltd which has in the past provided legal services to the Company and subsidiaries. Fees for each of the last three years have not exceeded $10,000. During the financial year ending 30th June 2012, the Company's legal affairs were handled by Foster Nicholson Legal Pty Ltd.

Mr Kang Tan held the position of Chief Financial Officer until the 17th September 2010. Mr Tan continues to provide consulting advice to the company in the area of accounting and IT. Mr Tan holds a significant number of securities in the Company and is classified as a substantial shareholder as defined in section 9 of the Corporations Act.

Mr. Christopher Baldwin is a partner of Brown Baldwin which has in the past provided accounting, taxation and secretarial services to the Company and subsidiaries. Brown Baldwin continues to provide taxation and statutory secretarial services to the Group and annual fees for the 30 June 2012 financial year were $16,430(2011: $31,349). Mr. Baldwin holds a significant number of securities in the Company but is not a substantial shareholder as defined in section 9 of the Corporations Act. Mr Baldwin is the uncle of Mr Scott Baldwin who is an executive director of the Company.

The Directors also believe they are open and transparent in disclosing their plans and financial results to shareholders. They believe the AGM provides a good opportunity for shareholders to evaluate their performance. Directors are subject to re-election every three years. The Board has a policy of operating a tight structure, but appoints external parties experienced in specific sectors from time to time to provide expert advice.

***Principle 3 Promote ethical and responsible decision-making***

As part of its commitment to recognising the legitimate interests of stakeholders, the Company has established certain Codes of Conduct to guide all employees, particularly Directors, the Chief Financial Officer (CFO) and other Senior Executives in respect of ethical behaviour expected by the Company. These Codes of Conduct as outlined below cover conflicts of interest, confidentiality, fair dealing, protection of assets, compliance with laws and regulations; whistle blowing, security trading and commitments to stakeholders.

The Board is committed to ensuring that the group's affairs are conducted in a judicious and ethical manner. Accordingly, the Board fully supports the spirit and letter of the law and the listing rules concerning adequate and reasonable disclosure of information relevant to the Company and its securities in line with contemporary continuous disclosure requirements.

Money3 is committed to providing an inclusive workplace and recognises the value individuals with diverse skills, values, backgrounds and experiences will bring to the company. At the core of the company's diversity policy is a commitment to equality and respect. Diversity in recognised and valuing the unique contribution people can make because of their individual background and different skills, experience and perspectives. People differ not just on the basis of race and gender, but also dimensions such as lifestyle, education, physical ability, age and family responsibility.

The total number of staff as at 30 June 2012 was 133 (2011: 86) of which 107 (2011: 70) are female, the Board comprises 6 members of which 1(2011 :1) is female, and management has 10 (2011: 7) of which 4(2011: 4) are female.

Money3 has a formal Share Trading Policy, a Trading Charter in dealing in the company's securities in addition to complying with legislative and regulatory obligations, for example in regard to provision of credit and confidential information.

The Board is also mindful that trading by Directors and other employees of the Company at certain times may not be in the best interests of the above commitment. Accordingly, the Board has established and promulgated to all Directors and employees a Share Trading Policy to guide those officers in their responsibilities in respect of trading in the Company's and other companies' securities.

The Company's Code of Conduct consists of the following principles: -

- The Company will conduct its business operations with full regard to and in compliance with all legal obligations.
- The Company's employees, contractors and agents:
  - will strive to the utmost of their abilities to deliver quality services to meet our customers' needs and treat our customers with respect, courtesy and a caring attitude toward their business requirements;
  - will present themselves in a fit and tidy condition for work and be fully equipped to perform their work safely and competently;
  - will, when working for customers, adhere to all workplace and occupational health and safety requirements, work instructions and directives and will refrain from any irresponsible, negligent or unsafe actions or work;
  - are expected to work in a supportive and cooperative manner, and the Company will not condone any form of harassment of fellow workers. All cases of harassment will be promptly resolved through counselling and conciliation processes; and
  - will not knowingly reveal confidential information, trade secrets or information concerning intellectual property or practices, which could be injurious to our customers or our own business interests.
- The Company encourages the reporting of unlawful/unethical behaviour by its directors, employees, contractors and agents and will actively promote ethical behaviour and protection for those who report violations in good faith.
- The Company encourages individuals to join appropriate organisations and associations that can effectively represent their work interests.
- The Company will communicate the code of conduct to all its employees, contractors and agents.

***Principle 4 Safeguard integrity in financial reporting***

The Board has in place an Audit Committee which comprises a non-executive Director (Mr Geoffrey Sam) as Chairman and Ms Bettina Evert, Christopher Baldwin and Kang Tan as the other non-executive Directors.

The primary role of the Audit Committee is to monitor and review the effectiveness of the Company's control environment in the areas of operational risk, legal/regulatory compliance and financial reporting. It will advise and assist the Board to discharge its responsibility to exercise due care, diligence and skill in relation to:

- reporting of financial information to users of financial reports, in particular the quality and reliability of such information;
- assessing the consistency of disclosures in the financial statements with other disclosures made by the Company to the financial markets, governmental and other public bodies;
- review and application of accounting policies;
- financial management;
- review of internal and external audit reports to ensure that where weaknesses in controls or procedures have been identified, appropriate and prompt remedial action is taken by management;
- evaluation of the Company's compliance and risk management structure and procedures, internal controls and ethical standards;
- review of business policies and practices;
- conduct of any investigation relating to financial matters, records or accounts, and to report those matters to the Board;
- protection of the Company's assets; and
- compliance with applicable laws, regulations, standards and best practice guidelines.

*Declaration of the CEO and CFO*

The CEO and CFO provide the Board with written confirmation that:

- The financial reports present a true and fair view, in all material respects, of the Company's financial condition and operational results and are in accordance with relevant accounting standards;
- The statement is founded on a sound system of risk management and internal compliance and control which implements the policies adopted by the Board; and
- The Company's risk management and internal compliance and control system is operating effectively in all material respects in relations to financial reporting risks.

The Board has received the above declaration from the CEO and CFO for this year.

***Principle 5 Make timely and balanced disclosure***

The Board is aware of its continuous disclosure obligations in respect of material information, and embraces the principle of providing access to that information to the widest audience.

To ensure that these principles are appropriately actioned, the Board has nominated the Company Secretary as having responsibility for:

- ensuring that the Company complies with continuous disclosure requirements;
- overseeing and co-ordinating disclosure of information to ASX, analysts, brokers, shareholders, the media and the public;
- educating directors and staff on the Company's disclosure policies and procedures and raising awareness of the principles underlying continuous disclosure;
- ensuring that the Chairman and the CEO are aware of all sensitive information that may be required by the ASX Listing Rules and the law to be publicly released through the ASX before disclosing it to any person, including analysts and others outside the Company;
- ensuring that all information released through the ASX is promptly made available to its bankers and other parties to whom it has a similar reporting responsibility;
- the further dissemination of information, after it has been released through the ASX, to investors and other interested parties;
- posting such information on the Company's website immediately after the ASX confirms that it has received such announcements; and
- reviewing all briefings and discussions with media representatives, analysts and major shareholders, to check whether any price sensitive information has been inadvertently disclosed. If so, to immediately announce the information through the ASX.

To safeguard against inadvertent disclosure of price sensitive information, the Board has agreed to keep to a minimum the number of directors and staff authorised to speak on the Company's behalf. In order of precedence, the following combinations of officers have authority to speak on behalf of the Company without the prior approval of the Board:

- the Chairman and/or the Managing Director, separately, then
- the Chairman and a non-executive director, jointly, then
- any 2 non-executive directors and the Managing Director, jointly (by majority), and then
- in extreme circumstances, any 2 directors, jointly.

These officers are also authorised to clarify information that the Company has released publicly through the ASX, but must avoid commenting on other price sensitive matters. All ASX announcements of a non procedural nature are approved by the Chairman before release.

The Company has determined that the Company Secretary must be made aware of any information disclosures in advance, including information to be presented at private briefings. This will minimise the risk of breaching the continuous disclosure requirements.

In accordance with the ASX Listing Rules, the Company immediately notifies the ASX of information:

1) Concerning the Company that a reasonable person would expect to have a material effect on the price or value of the Company's securities; and
2) That would, or would be likely to, influence persons who commonly invest in securities in deciding whether to acquire or dispose of the Company's securities.

Upon confirmation of receipt from the ASX, the Company posts all information disclosed in accordance with this policy on the Company's website in an area accessible by the public.

***Principle 6 Respect the rights of shareholders***

Money3 recognises the importance of effective communications with shareholders and other parties. Shareholders also have other formal and informal rights provided by the Company's constitution, regulatory bodies and proper public company behaviour. These include their entitlement to financial statements, attendance and voting at shareholder meetings. The auditor is invited to attend the AGM and be available to answer shareholder questions about the conduct of the audit and the preparation and content of the auditor's report. Shareholder meetings are conducted in an open forum with wide discussion encouraged by the Chairman.

***Principle 7 Recognise and manage risk***

The identification and effective management of risk, including calculated risk-taking is viewed as an essential part of the Company's approach to creating long-term shareholder value.

Money3 has an established lending policy and policies for the recognition, oversight and management of material business risks. These policies are reviewed on a regular basis for effectiveness and changing economic environment. Given the actual and potential volatility of the present global economic conditions, Money3 regards risk management as a very important issue. In this regard the Board has strengthen the Debt Recovery Department, placed greater management oversight on problem loans and in some cases engaged external professional debt collectors.

Management, through the CEO, is responsible for designing, implementing and reporting on the adequacy of the Company's risk management and internal control system. Management reports to the Audit and Risk Committee on the Company's key risks and the extent to which it believes these risks are being monitored at each Committee meeting. The Audit and Risk Committee review and monitor management's risk management and internal compliance and control systems.

On a continuous basis the Board has charged the Audit and Risk Committee with responsibilities that:

- clearly describe the respective roles of the Board, the Committee, Management and the internal audit function; and
- prescribe the necessary elements of an effective risk management system, namely, oversight, risk profile, risk management, compliance and control, and assessment of system effectiveness.

The CEO and CFO in providing written confirmation to the Board in accordance with the requirements of Section 295A (2) of the Corporations Act 2001 must be satisfied that their certification is founded on a sound system of risk management and internal compliance and control, which implement the policies adopted by the Board and that the Company's risk management and internal compliance and control systems are operating efficiently and effectively in all material respects.

***Principle 8 Remunerate fairly and responsibly***

The Board is responsible for determining and reviewing compensation arrangements for the Directors themselves, the Non-Executive Chairman and the Senior Management team. Money3 has a Remuneration Committee which comprises a non-executive Director (Mr Kang Tan) as Chairman and Mr Christopher Baldwin and Ms Bettina Evert as the other non-executive Directors.

The primary purpose of the Remuneration Committee is to support and report to the Board in fulfilling their responsibilities to shareholders in relation to:

- executive remuneration policy;
- the remuneration of executive directors;
- the remuneration of persons reporting directly to the managing director, and as appropriate, other executive directors;
- the Company's recruitment, retention and termination policies and procedures;
- superannuation arrangements; and
- all equity based remuneration.

The performance of the Board, Committees, individual Directors and key executives is reviewed regularly against both measurable and qualitative indicators.

Performance appraisals are undertaken annually. The performance criteria against which the Board, key executives and committees will be assessed is aligned with key corporate governance needs as well as financial and non-financial objectives.

In relation to the payment of bonuses, options and other incentive payments to executives and other staff, discretion is exercised by the Board having regard to individual, team and Company performance relative to specific targets during the period.

The expected outcomes of remuneration structure are to retain and motivate Directors and key executives, attract quality management and provide performance incentives which align performance and Company success in a manner that is market competitive, consistent with best practice and in the interests of shareholders. Details of the nature and amount of each element of remuneration, including both monetary and non-monetary components, for each Director and the (Non Director) Officers paid during the year can be found in the Directors' Report.

**Directors' Report**

The directors present the annual financial report on the consolidated entity, consisting of Money3 Corporation Limited and the entities it controlled at the end of, or during the year ended 30 June 2012. In order to comply with the provisions of the Corporations Act 2001, the directors report as follows:

**DIRECTORS' DETAILS**

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

**Geoffrey Joseph Sam OAM, B.Comm MHA MA(Econ & Soc Stud) FAICD FACHSE**
**- Non Executive Chairman (Appointed on 24 August 2010)**
**- Member of the Audit Committee (Appointed on 22 June 2011)**

Geoff has over 30 years experience in the healthcare industry, and has held multiple hospital CEO positions in the public and private sectors. Geoff is currently Executive Chairman of Care Australia Pty Ltd, a private hospital operator.

**Bettina Evert BA LLB MAICD** **- Non-Executive Director (Appointed on 28 February 2006)**
**- Member of the Audit and Remuneration Committees**

Bettina is a consultant of FC Law Pty Ltd, a commercial law practice established in 1995 and has been either a director or a partner of that firm since 1997. She is highly experienced in commercial law and litigation. She was, prior to commencing at Fetter Gdanski, a senior solicitor on the work-out team after the collapse of the Tricontinental Bank in 1991 and worked as a senior solicitor at Telstra Corporation advising senior management in relation to corporate governance. Prior to joining Fetter Gdanski in 1996 Bettina was a director of Deloitte Touche Thomatsu. Bettina is currently Deputy Chair of the Law Institute of Victoria, Executive Committee, Litigation Section, the Chair of the Courts Practice Committee of the Law Institute of Victoria and a lay member of the CPA Australia Disciplinary Committee which hears professional disciplinary matters relating to members of CPA Australia.

**Robert James Bryant** **- Chief Executive Officer (Appointed on 4 April 2008)**
**- Executive Director (Appointed on 25 November 2005)**

Robert has been a company director since July 1995 and is the major shareholder in Money3. Before entering the financial services industry in May 2000 he was predominantly involved in agricultural related industries for over 25 years. The shift to financial services in 2000 saw Robert commence a small cash loans franchise in Victoria.

Robert's responsibilities include management and governance, regulation and compliance, expansion and public and government relations.

**Kang Hong Tan ACA (UK) FIPA (Aust)**
**- Non-Executive Director (Appointed on 25 November 2005)**
**- Member of the Audit and Remuneration Committees (Appointed 22 June 2011)**

Kang has been a member of the Institute of Chartered Accountants in England and Wales since 1983, and the National Institute of Accountants in Australia since 1998. Kang spent 10 years as an Accountant with La Trobe University Union and spent 7 years as an owner operator of a Pizza Haven franchise in Thornbury, Victoria. Before coming to Australia, Kang was the Group Financial Controller of Tanming Corporation Berhad for 4 years.

**Christopher James Baldwin CPA**
**- Non-Executive Director (Appointed on 25 November 2005)**
**- Member of the Audit and Remuneration Committees**

Christopher commenced work in 1960 for a public accountant and has continued his accounting professional work in taxation, business and consultancy in Shepparton as a principal and currently heads the public accounting practice of Brown Baldwin in Shepparton and Melbourne. Christopher has extensive experience in business matters, including taxation and accounting.

**Scott Joseph Baldwin B.Eng(Hons) MBA AAICD**
**- Chief Operations Officer (Appointed on 25 April 2008)**
**- Executive Director (Appointed on 13 January 2009)**

Scott has a Masters of Business Administration, Graduate Diploma of Management and a Bachelor of Engineering (Hons). Scott has previously held a number of management positions with several public listed companies. His previous position was with General Electric as a Marketing Manager covering the Asia region.

None of the Company's Directors have held directorships in other listed companies during the past 3 years.

**Directors' Report**

**COMPANY SECRETARYS' DETAILS**

**Craig Alan Harris CPA - CFO and Company Secretary (appointed 17 September 2010)**

Craig is a Certified Practicing Accountant with over 20 years experience in both public and private companies. Craig previous role was as Company Secretary for Wentworth Holdings Ltd, a listed property management company.

**PRINCIPAL ACTIVITIES**

The principal activities of the consolidated entity during the year were providing financial services specialising in the delivery of small cash loans, secured and unsecured personal loans, cheque cashing, equipment and motor vehicle rental, and international money transfer. Although the company has built on its product offering by introducing vehicle rental arrangements, there has been no significant change in nature of the principal activities during the financial year.

**DIVIDENDS**

The Company paid a fully franked final dividend for the year ended 30 June 2011 of 2.5 cents per share on 28 October 2011.

The Company paid a fully franked interim dividend for the year ended 30 June 2012 of 1.75 cents per share on 27 April 2012.

On 30 August 2012, the directors declared a fully franked final dividend of 2.25 cents per share to the holders of fully paid ordinary shares in respect of the financial year ended 30 June 2012, to be paid to shareholders on 26 October 2012. The dividend will be paid to shareholders on the Register of Members on 12 October 2012. This dividend has not been included as a liability in these financial statements.

**RESULTS OF OPERATIONS**

The consolidated net profit after tax for the year was $2,525,840 (2011: $2,402,270).

**REVIEW OF OPERATIONS**

Revenue continued to increase by 15% in the financial year ended June 2012. Money3 has continued to expand and consolidate its business over the 12 months ended 30 June 2012. The Company opened 11 new stores, 4 Greenfield sites and 7 via the acquisition of Personal Finance Co. and Summit.

The company has also set up a rental division and launched its first product in October 2011 being the vehicle rental product. The Company expects that the rental division will complement our customers' needs and is expecting significant grow in this product.

The company also has declared a 2.25 cent fully franked dividend for the second half of the year. For more details of results please refer to the CEO and Chairman's report.

**CHANGE IN THE STATE OF AFFAIRS**

There was no significant change in the state of affairs of Money3.

**SUBSEQUENT EVENTS**

No other matter or circumstances has arisen since the end of the financial year that has significantly affected or may significantly affect the operations of Money3, the results or the state of affairs of the Company.

**FURTHER DEVELOPMENTS**

Disclosure of information, in addition to that provided in this report, regarding likely developments in the operations of the consolidated entity in future financial years and the expected results of those operations is likely to result in unreasonable prejudice to the consolidated entity. Accordingly, this information has not been disclosed in this report.

**ENVIRONMENTAL REGULATION AND PERFORMANCE**

The Company's operations are not regulated by any environmental regulation under a law of the Commonwealth or of a state or territory.

**Directors' Report**

## SHARE OPTIONS

As at the date of this report, there were 800,000 unissued ordinary shares of Money3 Corporation Limited in respect of which there are options outstanding (2011: 1,000,000)

a) Share options granted to directors and executives

Nil share options were granted to directors during the current financial year.

b) Share options on issue at year end

Details of unissued ordinary shares in Money3 Corporation Limited under option at the date of this report are

| Issuing entity | Type | No. of shares under option | Exercise Price | Expiry Date |
|---|---|---|---|---|
| **Money3 Corporation Ltd** | Directors Options | 200,000 | $0.60 | 31 December 2012 |
| **Money3 Corporation Ltd** | Directors Options | 200,000 | $0.70 | 31 December 2013 |
| **Money3 Corporation Ltd** | Directors Options | 200,000 | $0.85 | 31 December 2014 |
| **Money3 Corporation Ltd** | Directors Options | 200,000 | $1.00 | 31 December 2015 |

Each share option converts into one ordinary share of Money3 Corporation Limited on exercise. The options carry neither rights to dividends nor voting rights.

## SHARES ISSUED AS A RESULT OF THE EXERCISE OF OPTIONS

No options have been exercised during or since the end of the year.

## INDEMNIFICATION AND INSURANCE OF DIRECTORS AND OFFICERS

The Company has not during or since the end of the financial year,

- Indemnified or agreed to indemnify an officer or auditor of the Company or any related body corporate against a liability, including costs and expenses in successfully defending legal proceedings, as an officer or auditor.

- Paid or agreed to pay a premium in respect of a contract insuring against a liability incurred as an officer for the costs or expenses to defend legal proceedings. The Company has not taken out any insurance during or since the end of the year in respect of any person who is or has been a director.

## DIRECTORS' MEETING

The following table sets out the number of directors' meetings (including meetings of committees of directors) held during the financial year and the number of meetings attended by each director (while they were a director or committee member). During the financial year, there were five Board meetings, two Audit Committees and one Remuneration Committee meeting held. No meeting of the Nominations Committee was held during the year.

| Director | Board meeting | | Audit Committee | | Remuneration Committee | |
|---|---|---|---|---|---|---|
| | Held | Attended | Held | Attended | Held | Attended |
| Geoffrey Sam | 5 | 5 | 2 | 2 | - | - |
| Bettina Evert | 5 | 4 | 2 | 2 | 1 | 1 |
| Robert Bryant | 5 | 5 | - | - | - | - |
| Kang Hong Tan | 5 | 5 | 2 | 2 | 1 | 1 |
| Christopher Baldwin | 5 | 5 | 2 | 2 | 1 | 1 |
| Scott Baldwin | 5 | 5 | - | - | - | - |

**Directors' Report**

**DIRECTOR'S SHAREHOLDING**

The following table sets out each director's relevant interest in shares or options in shares of the Company or a related body corporate as at the date of this report.

| Director | Ordinary Shares | Partly paid ordinary shares | Type of Options | Options over Ordinary Shares |
|---|---|---|---|---|
| Geoffrey Sam | 601,949 | - | - | - |
| Bettina Evert | 155,964 | - | - | - |
| Robert Bryant | 9,102,648 | - | - | - |
| Kang Hong Tan | 5,013,952 | - | - | - |
| Christopher Baldwin | 1,033,002 | - | - | - |
| Scott Baldwin | 1,608,784 | - | Director | 800,000 |

**REMUNERATION REPORT (Audited)**

This report outlines the remuneration arrangements in place for directors and executives of Money3 Corporation Limited.

REMUNERATION PHILOSOPHY

The performance of the Company depends upon the quality of its directors and executives. To prosper, the Company must attract, motivate and retain highly skilled directors and executives.

To that end, the Company embodies the following principles in its remuneration framework:

- Provide competitive rewards to attract high calibre executives;
- Focus on creating sustained shareholder value;
- Significant portion of executive remuneration at risk, dependent upon meeting predetermined performance benchmarks; and
- Differentiation of individual rewards commensurate with contribution to overall results and according to individual accountability, performance and potential.

The Remuneration Committee is responsible for determining and reviewing compensation arrangements for the directors, chief executive officer (CEO) and the senior management team. The committee assesses the appropriateness of the nature and amount of remuneration of directors and senior managers on a periodic basis by reference to relevant employment market conditions with the overall objective of ensuring maximum stakeholder benefit from the retention of a high quality board and executive team.

REMUNERATION STRUCTURE

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

**Directors' Report**

**REMUNERATION REPORT (Audited) (Cont'd)**

NON-EXECUTIVE DIRECTOR REMUNERATION

The Board seeks to set aggregate remuneration at a level which provides the Company with the ability to attract and retain directors of the highest caliber, whilst incurring a cost which is acceptable to shareholders.

The Constitution and the ASX Listing Rules specify that the aggregate remuneration of non-executive directors shall be determined from time to time by a general meeting. An amount not exceeding the amount determined is then divided between the non executive directors as agreed. The current approved aggregate remuneration is $300,000.

The amount of aggregate remuneration sought to be approved by shareholders and the manner in which it is apportioned amongst directors is reviewed annually. The board considers any advice received from external consultants as well as the fees paid to non-executive directors of comparable companies when undertaking the annual review process.

Each director receives a fee for being a director of the Company.

SENIOR MANAGEMENT AND EXECUTIVE DIRECTOR REMUNERATION

The Company aims to reward executives with a level and mix of remuneration commensurate with their position and responsibilities within the Company and so as to:

- Reward executives for company and individual performance against targets set by reference to appropriate benchmarks;
- Align the interests of executives with those of shareholders;
- Link reward with the strategic goals and performance of the company; and
- Ensure total remuneration is competitive by market standards.

The executive remuneration program is designed to support the Company's reward philosophies and to underpin the Company's growth strategy. The program comprises the following components:

- Fixed remuneration component; and
- Variable remuneration component including short term incentive (STI) and long term incentive (LTI)

*Fixed remuneration*

The level of fixed remuneration is set so as to provide a base level of remuneration which is both appropriate to the position and is competitive in the market. Senior managers are given the opportunity to receive their fixed (primary) remuneration in a variety of forms including cash and fringe benefits such as motor vehicles. It is intended that the manner of payment chosen will be optimal for the recipient without creating undue cost for the Company.

*Variable remuneration – short term incentive (STI)*

The objective of the STI program is to link the achievement of the Company's operational targets with the remuneration received by the executives charged with meeting those targets. The total potential STI available is set at a level so as to provide sufficient incentive to the senior manager to achieve the operational targets and such that the cost to the Company is reasonable. On a quarterly basis, after consideration of performance against KPIs, the Board approves an overall performance rating for the Company. The individual performance of each executive is also rated and taken into account when determining the amount, if any, of the short term incentive pool allocated to each executive. The aggregate of annual STI payments available for executives across the Company are usually delivered in the form of a cash bonus. No cash bonuses were paid during the 2011/12 financial year (2011:$24,000).

**Directors' Report**

**REMUNERATION REPORT (Audited) (Cont'd)**

*Variable remuneration - long term incentive (LTI)*

The objective of the LTI plan is to reward senior managers in a manner which aligns this element of remuneration with the creation of shareholder wealth. As such, LTI grants are only made to executives who are able to influence the generation of shareholder wealth and thus have a direct impact on the Company's performance against relevant long term performance hurdles. LTI grants to executives are delivered in the form of options or shares. In the 2012 financial year, no options were granted (2011: nil) to directors and executives. No issue of shares was made in 2012 (2011: nil) under the LTI plan.

CONTRACT OF EMPLOYMENT

All executives of the Company are employed under a letter of appointment. Various notice periods of up to 6 months are required to terminate the appointment as mutually agreed with no additional termination payments stipulated. The letters of appointment do not contain specified option incentive entitlements.

RELATIONSHIP BETWEEN REMUNERATION POLICY AND COMPANY PERFORMANCE

Remuneration paid to key management personnel (KMP) has been set at a level to attract and retain appropriately skilled persons. All executive Directors and KMP receive a base salary, superannuation and fringe benefits. Performance based bonuses of nil (2011:$24,000) were paid by the Group to KMP during the year. As previously mentioned, no options were issued in the 2012 year (2011: nil).

In considering the consolidated entity's performance and benefits for shareholder wealth, the directors have regard to the indices in respect of the current financial year and the previous four financial years. The following table shows revenue, profits, dividends, share price, EPS and KMP remuneration at the end of each year.

| | 30 June 2008 | 30 June 2009 | 30 June 2010 | 30 June 2011 | 30 June 2012 |
|---|---|---|---|---|---|
| Revenue | 7,500,731 | 9,013,813 | 11,000,772 | 13,513,713 | 15,494,893 |
| Net Profit after tax | 1,199,460 | 1,033,926 | 2,150,223 | 2,402,270 | 2,525,840 |
| Closing share price | $0.46 | $0.39 | $0.50 | $0.42 | $0.38 |
| Price increase/(decrease) $ | ($0.43) | ($0.07) | $0.11 | ($0.08) | ($0.04) |
| Price increase/(decrease) % | (48%) | (15%) | 28% | (16%) | (10%) |
| Earnings per share | 4.37 | 3.51 | 6.85 | 7.11 | 5.87 |
| Dividend paid per share | 4.3 cents | 3.3 cents | 3.4 cents | 4.25 cents | 4.00 cents |
| Total key management personnel remuneration | $644,900 | $592,179 | $571,350 | $831,782 | $815,394 |

The overall level of KMP's compensation takes into account the performance of the consolidated entity since listing on 19 October 2006. The level of compensation has not increased significantly since listing.

DETAILS OF REMUNERATION

The KMP of Money3 Corporation Limited includes the directors and the CFO of the entity as follows:

| | |
|---|---|
| Mr Geoffrey Sam OAM | Non-Executive Chairman (from 24 August 2010) |
| Mr Robert Bryant | Executive Director (from 25 November 2005), CEO (from 1 July 2006 to 6 August 2007 and re-appointed from 4 April 2008) |
| Ms Bettina Evert | Non-Executive Director (from 28 February 2006) |
| Mr Christopher Baldwin | Non Executive Director (from 25 November 2005) |
| Mr Kang Hong Tan | Non-Executive Director (from 25 November 2005) |
| Mr Scott Joseph Baldwin | Executive Director and Chief Operations Officer (from 13 January 2009) |
| Mr Craig Harris | Company Secretary (from 17 September 2010) and CFO (from 31 May 2010) |
| Mr Miki Simonovski | General Manager Business Development (from 25 August 2010 to 13 January 2012) |

The directors and KMP of the consolidated entity are the same as that of Money3 Corporation Limited. KMP are remunerated by the parent entity only. There are no KMP other than those disclosed above.

**Directors' Report**

**REMUNERATION REPORT (Audited) (Cont'd)**

The compensation of each member of the KMP of the consolidated entity is set out below:

| | Short term employee benefits | | Post employment benefits | | | |
|---|---|---|---|---|---|---|
| | Salary & fees $ | Bonus $ | Superannuation $ | Other long term benefits $ | Share based payments (options) $ | Total $ |
| **2012** | | | | | | |
| G. Sam | 55,000 | - | 4,950 | - | - | 59,950 |
| B. Evert | 40,000 | - | 3,600 | - | - | 43,600 |
| R. Bryant (ii) | 135,000 | - | 11,250 | - | - | 146,250 |
| Kang H. Tan | 62,020 | - | 4,682 | - | - | 66,702 |
| C. Baldwin | 40,000 | - | 3,600 | - | - | 43,600 |
| S. Baldwin (ii) | 171,262 | - | 15,750 | - | 8,920 | 195,932 |
| C Harris (ii) | 162,257 | - | 14,603 | - | - | 176,860 |
| M Simonovski (ii) | 75,688 | - | 6,812 | - | - | 82,500 |
| Total | 741,227 | - | 65,247 | - | 8,920 | 815,394 |
| **2011** | | | | | | |
| G. Sam (i) | 42,308 | - | 3,808 | - | - | 46,116 |
| B. Evert | 41,457 | - | 3,807 | - | - | 45,264 |
| R. Bryant (ii) | 110,385 | - | 9,035 | - | - | 119,420 |
| Kang H. Tan | 64,000 | - | 4,860 | - | - | 68,860 |
| C. Baldwin | 40,000 | - | 3,600 | - | - | 43,600 |
| S. Baldwin (ii) | 174,763 | 24,000 | 17,889 | - | 13,964 | 230,616 |
| C Harris (ii) | 134,217 | - | 12,150 | - | - | 146,367 |
| M Simonovski (ii) | 120,678 | - | 10,861 | - | - | 131,539 |
| Total | 727,808 | 24,000 | 66,010 | - | 13,964 | 831,782 |

(i) appointed on 24 August 2010
(ii) executive

Except for retirement benefits provided by the superannuation guarantee legislation, there are no retirement benefits for the Directors.

VALUE OF OPTIONS

The value of options is determined at grant date using the Binomial Option Pricing Model taking into account factors including exercise price, expected volatility and option life and is included in remuneration on a proportion basis from grant date to vesting date.

*Value of options issued to directors and key management personnel*

The following table discloses the value of options granted, exercised or lapsed during the year:

| Directors | Options Granted Value at Grant Date $ | Options exercised Value at exercise date $ | Options lapsed Value at time of lapse $ | Total value of options, granted, exercised and lapsed $ | Percentage of total remuneration for the year that consists of options % | Proportion of option remuneration: Performance related % | Proportion of option remuneration: Non-Performance related % |
|---|---|---|---|---|---|---|---|
| **2012** | | | | | | | |
| S Baldwin | Nil | Nil | Nil | Nil | 5 | Nil | 100 |
| **2011** | | | | | | | |
| S Baldwin | Nil | Nil | Nil | Nil | 6 | Nil | 100 |

**Directors' Report**

**REMUNERATION REPORT (Cont'd)**

Options granted during the 2010 financial year were not related to performance of the company as they were granted as an incentive to drive the continuing performance of the Company. These options were issued to Mr Baldwin during the 2010 financial year in five 200,000 option tranches. The total fair value of these options on grant date was $44,740.

As the options vest over time the cost is expensed in accordance with AASB2 over the vesting period. In the 2012 financial year the expense is $8,920 (2011: $13,964).

Details on the determination of the fair value of options issued to the KMP are set out in note 8 to the financial statements.

SHARE BASED COMPENSATION

*Options*

Options are granted under the Money3 Corporation Limited's Director and Employee Share Option Plan. Options are granted under the plan for no consideration. The board meets to determine eligibility for the granting of options, and to determine the quantity and terms of options that will be granted.

The valuations of options are independently determined by independent experts using the Binomial option pricing model taking into account the terms and conditions upon which the instruments were granted.

The following table discloses terms and conditions of each grant of options provided as compensation.

| | Issue Date | Options Granted | Exercise Price | Expiry Date | Vesting Date | Maximum total value of issue yet to vest $ |
|---|---|---|---|---|---|---|
| **Scott Baldwin** | 27 Nov 2009 | 200,000 | $0.60 | 31 Dec 2012 | 31 Dec 2011 | 6,520 |
| **Scott Baldwin** | 27 Nov 2009 | 200,000 | $0.70 | 31 Dec 2013 | 31 Dec 2012 | 7,000 |
| **Scott Baldwin** | 27 Nov 2009 | 200,000 | $0.85 | 31 Dec 2014 | 31 Dec 2013 | 6,473 |
| **Scott Baldwin** | 27 Nov 2009 | 200,000 | $1.00 | 31 Dec 2015 | 31 Dec 2014 | 6,086 |

These options vest if an event occurs which gives rise to a change in control of the Company. Nil (2011: nil) options were issued during the 30 June 2012 financial year.

Share options carry no rights to dividends and no voting rights. In accordance with the terms of the share option schemes, options may be exercised at any time from the date on which they vest to the date of their expiry, subject to any additional specific requirements of the particular allocation.

**End of Remuneration Report (Audited)**

**Directors' Report**

## PROCEEDINGS ON BEHALF OF THE COMPANY

No person has applied to the Court for leave to bring proceedings to which the Company is a party, for the purpose of taking responsibility on behalf of the Company for all or part of these proceedings.

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

## NON-AUDIT SERVICES

There were no non audit services provided by the auditor during the 2012 or 2011 financial years.

## AUDITOR

BDO East Coast Partnership (previously trading as PKF) continues in office as the company's auditor in accordance with section 327 of the Corporations Act 2001.

## AUDITOR'S INDEPENDENCE DECLARATION

The auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out on page 20 of the financial report.

Signed in accordance with a resolution of the Directors

On behalf of the directors

Geoff Sam OAM
Chairman
Melbourne,
Dated 30 August 2012

Tel: +61 3 9603 1700
Fax: +61 3 9602 3870
www.bdo.com.au

Level 14, 140 William St
Melbourne VIC 3000
GPO Box 5099 Melbourne VIC 3001
AUSTRALIA

**DECLARATION OF INDEPENDENCE BY RICHARD DEAN TO THE DIRECTORS OF MONEY3 CORPORATION LIMITED**

As lead auditor of Money3 Corporation Limited for the year ended 30 June 2012, I declare that, to the best of my knowledge and belief, there have been no contraventions of:

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

This declaration is in respect Money3 Corporation Limited and the entities it controlled during the year.

Richard Dean
Partner

**BDO East Coast Partnership**

Melbourne, 30 August 2012

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Tel: +61 3 9603 1700
Fax: +61 3 9602 3870
www.bdo.com.au

Level 14, 140 William St
Melbourne VIC 3000
GPO Box 5099 Melbourne VIC 3001
AUSTRALIA

## INDEPENDENT AUDITOR'S REPORT
## TO THE MEMBERS OF MONEY3 CORPORATION LIMITED

### Report on the Financial Report

We have audited the accompanying financial report of Money3 Corporation Limited, which comprises the consolidated statement of financial position as at 30 June 2012, 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, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

### Directors' Responsibility for the Financial Report

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

### Auditor's Responsibility

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

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

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

### Independence

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of Money3 Corporation Limited, would be in the same terms if given to the directors as at the time of this auditor's report.

### Opinion

In our opinion:

(a) the financial report of Money3 Corporation Limited is in accordance with the *Corporations Act 2001*, including:

  (i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2012 and of its performance for the year ended on that date; and

  (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and

(b) the financial report also complies with *International Financial Reporting Standards* as disclosed in Note 1(a).

### Report on the Remuneration Report

We have audited the Remuneration Report included on pages 14 to 18 of the directors' report for the year ended 30 June 2012. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

### Opinion

In our opinion, the Remuneration Report of Money3 Corporation Limited for the year ended 30 June 2012 complies with section 300A of the *Corporations Act 2001*.

**BDO East Coast Partnership**

**Richard Dean**
Partner

Melbourne, 30 August 2012

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# Directors' Declaration

The directors of Money3 Corporation Limited declare that:

(a) in the directors' opinion the financial statements and notes and the Remuneration report in the Directors Report set out on pages 14 to 18, are in accordance with the Corporations Act 2001, including:

(i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2012 and of its performance, for the financial year ended on that date; and

(ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) , Corporations Regulations 2001 and other mandatory professional reporting requirements.

(b) the financial report also complies with International Financial Reporting Standards issued by the International Accounting Standards Board (IASB) as disclosed in Note 1(a); and

(c) there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

The directors have been given the declarations required by Section 295A of the Corporations Act 2001 by the chief executive officer and chief financial officer for the financial year ended 30 June 2012.

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

On behalf of the Directors

Geoff Sam OAM
Chairman
Dated 30 August 2012

# Statement of Comprehensive Income for the year ended 30 June 2012

| | Notes | Consolidated 2012 $ | Consolidated 2011 $ |
|---|---|---|---|
| **Revenue from continuing operations** | 2 | **15,494,893** | **13,513,713** |
| **Other Income** | 3 | 100,350 | - |
| **Expenses from operating activities:** | | | |
| Administration | | 784,576 | 668,478 |
| Employment | 3 | 6,055,981 | 4,809,849 |
| Advertising | | 637,620 | 369,845 |
| Occupancy costs | | 1,409,533 | 1,093,915 |
| Bad debts | | 1,525,728 | 1,861,352 |
| Depreciation & amortisation | 3 | 543,535 | 257,653 |
| Communication | | 338,130 | 256,955 |
| Legal and professional | | 520,642 | 422,266 |
| Finance Costs | 3 | 166,736 | 185,308 |
| **Profit before income tax** | | **3,612,762** | **3,588,092** |
| Income tax expense | 5 | (1,086,922) | (1,185,822) |
| **Profit for the year from continuing operations** | | **2,525,840** | **2,402,270** |
| **Other comprehensive income:** | | | |
| Exchange gain/(loss) on translation of foreign operation | | 4,383 | (4,125) |
| Other comprehensive income for the year net of tax | | 4,383 | (4,125) |
| **Total comprehensive income for the year** | | **2,530,223** | **2,398,145** |
| **Profit attributable to:** | | | |
| **Owners of Money3 Corporation Limited** | | **2,575,091** | **2,458,458** |
| **Non-controlling interest** | | **(49,251)** | **(56,188)** |
| | | **2,525,840** | **2,402,270** |
| **Total comprehensive income attributable to:** | | | |
| **Owners of Money3 Corporation Limited** | | **2,579,474** | **2,454,333** |
| **Non-controlling interest** | | **(49,251)** | **(56,188)** |
| | | **2,530,223** | **2,398,145** |
| Earnings per share | | | |
| Basic earnings per share (cents) | 6 | 5.87 | 7.11 |
| Diluted earnings per share (cents) | 6 | 5.76 | 6.91 |

The statement of comprehensive income is to be read in conjunction with the attached notes.

# Statement of Financial Position as at 30 June 2012

| | Notes | Consolidated 2012 $ | Consolidated 2011 $ |
|---|---|---|---|
| **ASSETS** | | | |
| **Current assets** | | | |
| Cash and cash equivalents | 9 | 1,256,406 | 4,790,715 |
| Trade and other receivables | 10 | 9,880,749 | 8,251,132 |
| Other | 11 | 430,011 | 71,111 |
| **Total current assets** | | **11,567,166** | **13,112,958** |
| **Non current assets** | | | |
| Trade and other receivables | 10 | 7,127,634 | 3,587,888 |
| Other | 11 | 186,203 | 154,195 |
| Property, plant & equipment | 12 | 2,714,595 | 1,677,439 |
| Intangibles | 13 | 15,363,487 | 15,351,487 |
| Deferred tax assets | 5(e) | 496,198 | 398,947 |
| **Total non current assets** | | **25,888,117** | **21,169,956** |
| **Total assets** | | **37,455,283** | **34,282,914** |
| **LIABILITIES** | | | |
| **Current liabilities** | | | |
| Trade and other payables | 14 | 1,105,409 | 835,992 |
| Borrowings | 16 | 1,590,469 | 1,521,058 |
| Current tax payables | 5(d) | 791,027 | 797,899 |
| Provisions | 15 | 379,409 | 194,791 |
| **Total current liabilities** | | **3,866,314** | **3,349,740** |
| **Non current liabilities** | | | |
| Trade and other payables | 14 | 82,500 | 280,500 |
| Provisions | 15 | 69,738 | 85,253 |
| Borrowings | 16 | - | 42,945 |
| **Total non current liabilities** | | **152,238** | **408,698** |
| **Total liabilities** | | **4,018,552** | **3,758,438** |
| **Net assets** | | **33,436,731** | **30,524,476** |
| **EQUITY** | | | |
| Issued capital | 17 | 28,902,114 | 26,701,073 |
| Reserves | 18 | 26,463 | 24,140 |
| Non-controlling interest | | (66,190) | (16,939) |
| Retained earnings | 4 | 4,574,344 | 3,816,202 |
| **Total equity** | | **33,436,731** | **30,524,476** |

The statement of financial position is to be read in conjunction with the attached notes

# Statement of Changes in Equity for the year ended 30 June 2012

**CONSOLIDATED**

| | Issued Capital | Retained Earnings | Reserves | Non-controlling interest | Total |
|---|---|---|---|---|---|
| | $ | $ | $ | $ | $ |
| At 1 July 2010 | 22,726,416 | 2,210,054 | 514,301 | - | 25,450,771 |
| Total comprehensive income for the year | - | 2,458,458 | (4,125) | (56,188) | 2,398,145 |
| **Transactions with owners in their capacity as owners:** | | | | | |
| Issue of shares | 4,153,729 | - | - | - | 4,153,729 |
| Transaction costs arising for share issue | (255,817) | - | - | - | (255,817) |
| Deferred tax asset due to transaction costs arising for share issue | 76,745 | - | - | - | 76,745 |
| Non-controlling interest on incorporation of subsidiary | - | - | - | 39,249 | 39,249 |
| Employee share options -value of employees service | - | - | 13,964 | - | 13,964 |
| Transfer of lapsed options | - | 500,000 | (500,000) | - | - |
| Dividend paid | - | (1,352,310) | - | - | (1,352,310) |
| **Closing balance as at 30 June 2011** | **26,701,073** | **3,816,202** | **24,140** | **(16,939)** | **30,524,476** |
| | | | | | |
| At 1 July 2011 | 26,701,073 | 3,816,202 | 24,140 | (16,939) | 30,524,476 |
| Total comprehensive income for the year | - | 2,575,091 | 4,383 | (49,251) | 2,530,223 |
| **Transactions with owners in their capacity as owners:** | | | | | |
| Issue of shares | 2,283,416 | - | - | - | 2,283,416 |
| Transaction costs arising for share issue | (117,679) | - | - | - | (117,679) |
| Deferred tax asset due to transaction costs arising for share issue | 35,304 | - | - | - | 35,304 |
| Employee share options -value of employees service | - | - | 8,920 | - | 8,920 |
| Transfer of lapsed options | - | 10,980 | (10,980) | - | - |
| Dividend paid | - | (1,827,929) | - | - | (1,827,929) |
| **Closing balance as at 30 June 2012** | **28,902,114** | **4,574,344** | **26,463** | **(66,190)** | **33,436,731** |

The statement of changes in equity is to be read in conjunction with the attached notes.

# Statement of Cash Flows for the year ended 30 June 2012

| | Notes | Consolidated 2012 $ | Consolidated 2011 $ |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Net fees and charges from customers | | 13,819,298 | 11,596,425 |
| Payments to suppliers and employees | | (10,242,851) | (7,993,021) |
| Interest received | | 91,643 | 55,935 |
| Interest paid | | (166,736) | (185,308) |
| Income tax paid | | (1,155,741) | (921,772) |
| **Net cash provided by operating activities** | 19(b) | 2,345,613 | 2,552,259 |
| **Cash flows from investing activities** | | | |
| Payment for property, plant and equipment | | (1,580,692) | (422,906) |
| Net funds advanced to customers for loans | | (4,750,175) | (2,451,173) |
| Proceeds from purchase of business | 20 | 98,662 | - |
| Payments for purchase of business | | (12,000) | (40,000) |
| **Net cash used in investing activities** | | (6,244,205) | (2,914,079) |
| **Cash flows from financing activities** | | | |
| Transactions with non-controlling interest | | - | 39,248 |
| Proceeds from share issue | | 1,895,325 | 3,703,169 |
| Repayment of hire purchase borrowings | | (6,435) | (9,824) |
| Proceeds from borrowings | | 32,901 | 301,654 |
| Dividend paid | | (1,557,508) | (1,157,467) |
| **Net cash provided by financing activities** | | 364,283 | 2,876,780 |
| **Net (decrease)/increase in cash held** | | **(3,534,309)** | **2,514,960** |
| **Cash and cash equivalents at the beginning of the year** | | 4,790,715 | 2,275,755 |
| **Cash and cash equivalents at end of the year** | 19(a) | **1,256,406** | **4,790,715** |

The statement of cash flows is to be read in conjunction with the attached notes.

# Notes to the financial statements

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# Notes to the financial statements for the year ended 30 June 2012

## Introduction

The financial report covers Money3 Corporation Limited (“Money3” or “Company”) and its controlled entities. Money3 is a Company limited by shares whose shares are publicly traded on the Australian Securities Exchange (“ASX”). Money3 is incorporated and domiciled in Australia. Money3 Corporation Limited and its controlled entities (“Group”) were accounted for as a reverse acquisition on 1 July 2006. The presentation currency and functional currency of the Group is Australian dollars and amounts are rounded to the nearest dollar.

Separate financial statements for Money3 Corporation Limited as an individual entity are no longer presented as the consequence of a change to the Corporations Act 2001, however, limited financial information for Money3 Corporation Limited as an individual entity is included in Note 29.

The principal activity of the Group during the financial year was to provide small cash loans in the form of line of credit and personal loans, car loans, cheque cashing, equipment and motor vehicle rental and international money transfer services.

The financial statements are presented in Australian dollars and amounts are rounded to the nearest dollar.

The financial report was authorised for issue by the Board of Directors of Money3 Corporation Limited at a directors meeting on the date shown on the Declaration by the Board of Directors attached to the Financial Statements.

## 1. Summary of significant accounting policies

### a) Basis of accounting

The financial report is a general purpose financial report which has been prepared in accordance with the Corporations Act 2001, Australian Accounting Standards and Interpretations and complies with other requirements of the law, as appropriate for profit oriented entities. The financial report comprises the consolidated financial statements of the group.

The financial statements comply with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

The financial statements have been prepared on an accrual basis and are based on historical costs modified by the revaluation of selected non-current assets, financial assets and financial liabilities for which the fair value basis of accounting has been applied.

The financial statements have been prepared on a going concern basis. The financial statements have been prepared in accordance with Australian Accounting Standards, which are based on the Company continuing as a going concern which assumes the realisation of assets and the extinguishment of liabilities in the normal course of business and at the amounts stated in the financial report.

The following significant accounting policies have been adopted in the preparation and presentation of the financial report. The accounting policies have been consistently applied and except where there is a change in accounting policy, are consistent with those of the previous year.

### b) New and revised accounting standards and interpretations

Adoption of new and revised standards

The consolidated entity has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') as of 1 July 2011 that are relevant to its operations and effective for the current annual reporting period. There were no impacts on the accounting policies of the consolidated entity from the adoption of these Accounting Standards and Interpretations.

# Notes to the financial statements for the year ended 30 June 2012

## 1. Summary of significant accounting policies (Cont'd)

### b) New and revised accounting standards and interpretations (Cont'd)

**Recently issued accounting standards to be applied in future reporting periods**

The accounting standards that have not been early adopted for the year ended 30 June 2012, but will be applicable to the Money3 in future reporting periods, are detailed below. None of these amendments will have a significant impact on Money3. Apart from these standards, we have considered other accounting standards that will be applicable in future periods, however they have been considered insignificant to Money3.

(i) Consolidated Financial Statements

IFRS 10: "Consolidated Financial Statements" was issued by the IASB in May 2012 and replaces both the existing IAS 27: "Consolidated and Separate Financial Statements" and SIC 12: "Consolidation - special Purpose entities". This new standard revises the definition of control and related application guidance so that a single control model can be applied to all entities. This standard will apply to Money3 from 1 July 2013.

(ii) Disclosure of Interests in Other Entities

IFRS 12: "Disclosure of Interests in other Entities" was issued by IASB in May 2012 and is a new and comprehensive standard on disclosure requirements for all forms of interests in other entities, including subsidiaries, joint arrangements, associates, special purpose vehicles and other off balance sheet vehicles. This standard is applicable from 1 July 2013.

(iii) Fair Value Measurement

IFRS 13: "Fair Value Measurement" was issued by IASB in May 2012 and provides a precise definition of a fair value, is a single source of fair value measurement and prescribes disclosure requirements for use across IFRSs. The requirements do not extend the use of fair value accounting, but provide guidance on how it should be applied where its use is already required or permitted by other standards within IFRS. The standard will apply to Money3 from 1 July 2013.

(iv) Presentation of Items of Other Comprehensive Income (OCI)

IAS 1: "Presentation of Financial Statements" was amended by the IASB in June 2012 and provides improvements to the presentation of items of OCI. The main change is the requirement to group items within OCI that will be reclassified to the profit or loss in subsequent periods separately, from items of OCI that will not. The amendments also reaffirm existing requirements that items of OCI and profit or loss can be presented as either a single statement or two consecutive statements. The revised IAS 1 will apply to Money3 from 1 July 2012.

### c) Parent entity financial information

The financial information for the parent entity Money3 Corporation Limited, disclosed in note 29 has been prepared on the same basis as the consolidated financial statements.

# Notes to the financial statements for the year ended 30 June 2012

## 1. Summary of significant accounting policies (Cont'd)

### d) Principles of consolidation

The consolidated financial statements comprise the financial statements of the Company and the Group.

The financial statements of subsidiaries are prepared for the same reporting period as the parent company using consistent accounting policies.

A controlled entity is an entity controlled by the Company. Control exists where the Company has the capacity to dominate the decision making in relation to the financial and operating policies of other entities so that the other entities operate with the Company to achieve the objectives of the Company.

The consolidated financial statements include the information and results of each subsidiary from the date on which the company obtains control and until such time as the company ceases to control such entity. In preparing the consolidated financial statements, all intercompany balances and transactions, and unrealised profits/losses arising within the consolidated entity are eliminated in full.

Non-controlling interests in the result and equity of subsidiaries are shown separately in the consolidated statement of comprehensive income, statement of financial position and statement of changes in equity respectively.

### e) Critical accounting estimates, assumptions and judgements

In the application of Australian Accounting Standards, management is required to make judgements, estimates and assumptions about the carrying value of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revisions affect both current and future periods.

Judgments made in the application of Australian Accounting Standards that have significant effects on the financial statements and estimates with a significant risk of material adjustments in the next year are disclosed, where applicable in the relevant notes to the financial statements.

Judgments made in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements concern the estimated impairment of investments in subsidiaries in the parent entity, associated goodwill on consolidation of subsidiaries, allowance for doubtful debts and share based payments.

*Investments in subsidiaries*
The parent entity tests annually whether investments in subsidiaries have suffered any impairment in accordance with the accounting policy stated in Note 1(k). The Directors have reviewed the annual impairment testing and are of the opinion that there has been no impairment of investments in subsidiaries.

*Goodwill*
The consolidated entity tests annually whether goodwill has suffered any impairment in accordance with the accounting policy stated in Note 1(j). The Directors are of the opinion that there has been no impairment of goodwill. Refer to Note 13 for further details.

# Notes to the financial statements for the year ended 30 June 2012

## 1. Summary of significant accounting policies (Cont'd)

### e) Critical accounting estimates, assumptions and judgements(Cont'd)

*Allowance for doubtful debts*
The Company assesses impairment regularly. The allowance for doubtful debts represent management's estimate of the losses incurred in the loan book as at 30 June 2012 based on past experience and judgement. At 30 June 2012, the allowances for doubtful debts are $834,586 (2011: $697,124).

*Share based payments*
Share based payments are accounting for at fair valued using the Binomial model. See Note 8 for further discussion.

### f) Cash and cash equivalents

Cash and cash equivalents in the Statement of Financial Position comprise cash at bank and in hand and short-term deposits with an original maturity of three months or less. For the purposes of the Statement of Cash Flows, cash and cash equivalents consist of cash and cash equivalents as defined above.

### g) Trade and other receivables

Trade receivables are initially recognised at fair value, and subsequently carried at amortised cost using the effective interest rate method, less an allowance for doubtful debts. Collectibility of trade receivables is reviewed on an ongoing basis, and an allowance for doubtful debts is recognised when there is objective evidence that the collection of the full amount is no longer probable. Bad debts are written off when identified. Receivables from related parties are recognised and carried at the nominal amount due.

Trade receivables are generally due for settlement various times in line with the terms of their contracts.

### h) Investments and other financial assets

Investments are recognised and derecognised on trade date where the purchase or sale of an investment is under a contract whose terms require delivery of the investment within the time frame established by the market concerned, and are initially measured at fair value, net of transaction costs except for those financial assets classified as fair value through profit or loss which are initially measured at fair value.

Investments in subsidiaries are measured at cost in the parent entity financial statements. Refer Note 29.

Other financial assets are classified into the following specified categories: financial assets 'at fair value through profit or loss', 'held-to-maturity investments', 'available-for-sale' financial assets, and 'loans and receivables'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

Income is recognised on an effective interest rate basis for debt instruments other than those financial assets 'at fair value through profit or loss'.

*Loans and receivables*
Trade receivables, loans and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as 'loans and receivables'. Loans and receivables are measured at amortised cost using the effective interest method less impairment, and are included in trade receivables (Note 10) in the Statement of Financial Position.

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the receipts through the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset, or, where appropriate, a shorter period.

# Notes to the financial statements for the year ended 30 June 2012

## 1. Summary of significant accounting policies (Cont'd)

### h) Investments and other financial assets(Cont'd)

*Loans and receivables(Cont'd)*
The consolidated entity does not have any fair value through the profit and loss, held-to-maturity or available for sale assets.

*Impairment of financial assets*
Financial assets, other than those at fair value through profit or loss, are assessed for indicators of impairment at each balance sheet date. Financial assets are impaired where there is objective evidence that as a result of one or more events that occurred after the initial recognition of the financial asset the estimated future cash flows of the investment have been impacted. For financial assets carried at amortised cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate.

The carrying amount of the original asset is reduced by the impairment loss directly for all financial assets with the exception of trade and other receivables where the carrying amount is reduced through the use of an allowance account. When a trade or other receivable is uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

In respect of available-for-sale equity instruments, any subsequent increase in fair value after an impairment loss is recognised directly in equity.

### i) Business combinations

The purchase method of accounting is used to account for all business combinations, including business combinations involving entities or businesses under common control, regardless of whether equity instruments or other assets are acquired. Cost is measured as the fair value of the assets given, shares issued or liabilities incurred or assumed at the date of exchange plus costs directly attributable to the acquisition. Where equity instruments are issued in an acquisition, the fair value of the instruments is their published market price as at the date of exchange unless, in rare circumstances, it can be demonstrated that the published price at the date of exchange is an unreliable indicator of fair value and that other evidence and valuation methods provide a more reliable measure of fair value. Transaction costs arising on the issue of equity instruments are recognised directly in equity.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the entity's share of the identifiable net assets acquired is recorded as goodwill (refer Note 1(j)). If the cost of acquisition is less than the entity's share of the fair value of the identifiable net assets of the business or subsidiary acquired, the difference is recognised directly in the statement of comprehensive income, but only after a reassessment of the identification and measurement of the net assets acquired.

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions.

# Notes to the financial statements for the year ended 30 June 2012

## 1. Summary of significant accounting policies (Cont'd)

### j) Intangible assets

All intangible assets acquired in a business combination are identified and recognised separately from goodwill where they satisfy the definition of an intangible asset and their fair value can be measured reliably.

*Goodwill*
Goodwill represents the excess of the cost of acquisition over the fair value of the entity's share of the net identifiable assets of the acquired business at the date of acquisition. Goodwill is not amortised. Instead, goodwill is tested for impairment, annually or more frequently if events or changes in circumstances indicate that it might be impaired and is carried at cost less accumulated impairment losses.

*Software*
Costs incurred in developing products or systems that will contribute to future periods through revenue generation and/or cost reduction are capitalised to software and systems. Costs capitalised include external direct costs of materials and service, direct payroll and payroll related costs of employees' time spent on the project.

### k) Impairment of assets

Goodwill and intangible assets that have an indefinite useful life are not subject to amortization and are tested annually for impairment or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are tested for impairment whenever events or changes in circumstances indicate the carrying amount may not be recoverable. An impaired loss is recognized for the amount by which the assets' carrying amount may not be recoverable.

At each reporting date, the consolidated entity reviews the carrying amounts of its tangible and intangible 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). Where the asset does not generate cash flows that are independent from other assets, the consolidated entity estimates the recoverable amount of the cash-generating unit to which the asset belongs.

### l) Acquisition of assets

The cost method of accounting is used for all acquisitions of assets regardless of whether shares or other assets are acquired. Cost is determined as the fair value of the assets given up, shares issued or liabilities undertaken at the date of acquisition. Acquisition related costs are expensed as incurred. Where shares are issued in an acquisition, the value of the shares is determined having reference to existing markets.

### m) Property, plant and equipment

Plant and equipment, leasehold improvements and equipment under finance lease are stated at cost less accumulated depreciation and any impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the item.

Depreciation is provided on property, plant and equipment and is calculated on a diminishing value basis over its estimated useful life net of estimated residual values. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period.

The following rates are used in the calculation of depreciation:

| **Class of Fixed Asset** | **Depreciation Rate** |
|---|---|
| Leasehold Improvements | 20% to 30% or remaining life of the lease |
| Motor Vehicles | 20% to 50% |
| Furniture, Equipment and Fittings | 20% to 37.5% |
| Rental Assets | 50% |

# Notes to the financial statements for the year ended 30 June 2012

## 1. Summary of significant accounting policies (Cont'd)

### m) Property, plant and equipment (Cont'd)

*Impairment*
The carrying values of plant and equipment are reviewed for impairment at each reporting date, with recoverable amount being estimated when events or changes in circumstances indicate that the carrying value may be impaired. Impairment exists when the carrying value of an asset or cash-generating unit exceeds its estimated recoverable amount. The asset or cash-generating unit is then written down to its recoverable amount. Impairment losses are recognised in the Statement of Comprehensive Income.

*Disposals*
An item of property, plant and equipment is derecognised upon disposal or when no further future economic benefits are expected from its use or disposal.

Any gain or loss arising on disposal of an asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the year the asset is disposed.

### n) Trade and other payables

Trade and other payables are recognised when the consolidated entity becomes obliged to make future payments resulting from the purchase of goods and services. The amounts are unsecured and are usually paid within 30 days of recognition.

### o) Goods and services tax (GST)

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

(i) 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

(ii) 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 in the Statement of Financial Position. Receivables and payables are stated with the amount of GST included.

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 an operating cash flow.

### p) Provisions

Provisions are recognised when the economic entity has a present obligation (legal, equitable or constructive) as a result of a present or past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at reporting date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the discounted present value of those cash flows. As that discount is unwound it gives rise to interest expense in the income statement.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognised as an asset if it is virtually certain that recovery will be received and the amount of the receivable can be measured reliably.

# Notes to the financial statements for the year ended 30 June 2012

## 1. Summary of significant accounting policies (Cont'd)

### p) Provision (Cont'd)

If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

### q) Issued capital

Issued and paid up capital is recognised at the fair value of the consideration received by the Company. Transaction costs arising on the issue of ordinary shares are recognised directly in equity as a reduction of the share proceeds received.

### r) Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the economic entity and the revenue can be reliably measured.

*Loan fees and charges*
Revenue associated with loans such as application, credit and monthly fees are deferred and recognised over the life of the loans using the effective interest rate method (i.e. on a reducing balance basis) over the loan period.

*Interest*
Revenue is recognised as the interest accrues (using the effective interest method, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument) to the net carrying amount of the financial asset.

*Dividends*
Revenue is recognised when Money3 Corporation Limited has the right to receive the payment.

*Rendering of service*
Revenue from the rendering of services such as cheque cashing and money transfer is recognised in the Statement of Comprehensive Income when the service is performed and there are no unfulfilled service obligations that will restrict the entitlement to receive the sales consideration.

*Rental income*
Rental income is recognised in the Statement of Comprehensive Income as rent accrues on a daily basis in line with lease agreements.

### s) Employee benefits

*Wages and salaries and annual leave*
The provision for employee benefits relates to liabilities for wages and salaries and annual leave expected to be settled within 12 months of the reporting date and is recognised in respect of employees' service up to the reporting date measured at the amounts expected to be paid when the liabilities are settled.

*Long service leave*
The liability for long service leave is recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on national government bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

*Superannuation*
The amount charged to the Statement of Comprehensive Income in respect of superannuation represents the contributions made by the consolidated entity to the employees' nominated superannuation funds.

# Notes to the financial statements for the year ended 30 June 2012

## 1. Summary of significant accounting policies (Cont'd)

### t) Income tax

Current tax is calculated by reference to the amount of income taxes payable or recoverable in respect of the taxable profit or loss for the period. It is calculated using tax rates and tax laws that have been enacted or substantively enacted by the reporting date. Current tax for current and prior periods is recognised as a liability (or asset) to the extent that it is unpaid (or refundable).

Deferred tax is accounted for using the comprehensive balance sheet liability method in respect of temporary differences arising from differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax base for those items.

In principle, deferred tax liabilities are recognised for all taxable temporary differences. Deferred tax assets are recognized to the extent that it is probable that sufficient taxable amounts will be available against deductible temporary differences or unused tax losses and tax offsets can be utilised. However, deferred tax assets and liabilities are not recognised if the temporary differences giving rise to them arise from the initial recognition of assets and liabilities (other than as a result of a business combination) which affects neither taxable income nor accounting profit. Furthermore, a deferred tax liability is not recognised in relation to taxable temporary differences arising from goodwill.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, branches, associates and joint ventures except where the consolidated entity is able to control the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with these 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.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period(s) when the assets and liabilities giving rise to them are realised or settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by reporting date. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the consolidated entity expects, at reporting date, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset where there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances they relate to are levied by the same taxation authority.

Current tax assets and liabilities are offset where the entity has a legally enforceable right to offset and the entity intends to settle its current tax assets and liabilities on a net basis.

Current and deferred tax is recognised as an expense or income in the Statement of Comprehensive Income, except when it relates to items credited or debited directly to equity, in which case the deferred tax is also recognised directly in equity, or where it arises from the initial accounting for a business combination, in which case it is taken into account in the determination of goodwill.

On 1 July 2010 Money3 Corporation Limited ('the head entity') and its wholly-owned Australian controlled entities have formed an income tax consolidated group under the tax consolidation regime. the head entity and the controlled entities in the tax consolidated group continue to account for their own current and deferred tax amounts. The tax consolidated group has applied the group allocation approach in determining the appropriate amount of taxes to allocate to members of the tax consolidated group.

In addition to its own current and deferred tax amounts, the head entity 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 tax consolidated group. The tax funding arrangement ensures that the intercompany charge equal the current tax liability or benefit of each tax consolidated group member, resulting in neither a contribution by the head entity to the subsidiaries nor a distribution by subsidiaries to the head entity.

# Notes to the financial statements for the year ended 30 June 2012

## 1. Summary of significant accounting policies (Cont'd)

### u) Leases

Leases under which the Company or its controlled entities assume substantially all the risks and benefits of ownership are classified as finance leases. Other leases are classified as operating leases.

***The Group as lessee***

*Finance leases*
Finance leases, which transfer to the economic entity substantially all the risks and benefits incidental to ownership of the leased item, are recognised at the inception of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments, with a corresponding liability included in current and non-current payables.

Finance leased assets are amortised on a straight line basis over the estimated useful life of the asset. Finance lease payments are allocated between interest expense and reduction of lease liability over the term of the lease. The interest expense is determined by applying the interest rate implicit in the lease to the outstanding lease liability at the beginning of each lease payment period. Finance charges are charged directly against income. Capitalised leased assets are depreciated over the shorter of the estimated useful life of the asset or the lease term.

*Operating leases*
Leases where the lessor retains substantially all the risks and benefits of ownership of the asset are classified as operating leases. Payments made under operating leases are charged to the Statement of Comprehensive Income on a straight line basis over the term of the lease.

***The Group as lessor***

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

### v) Borrowings

Borrowings are initially measured at fair value, net of transaction costs. Borrowings are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period.

Borrowings are classified as current liabilities unless the consolidated entity has an unconditional right to defer settlement of the liability for at least 12 month after the reporting date.

Borrowing costs are recognised as an expense in the period in which they are incurred except borrowing costs that are directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period to get ready for its intended use or sale. In this case the borrowing costs are capitalised as part of the cost of such a qualifying asset.

### w) Comparative figures

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

# Notes to the financial statements for the year ended 30 June 2012

## 1. Summary of significant accounting policies (Cont'd)

### x) Share based payment arrangements

Goods or services received or acquired in a share-based payment transaction are recognised as an increase in equity if the goods or services were received in an equity-settled share based payment transaction or as a liability if the goods and services were acquired in a cash settled share-based payment transaction.

For equity settled share-based payments, goods or services received are measured directly at the fair value of the goods and services received provided this can be estimated reliably. If a reliable estimate cannot be made the value of the goods or services is determined indirectly by reference to the fair value of the equity instruments issued. The share option reserve is used to record the grant of share options to directors and senior employees. Amounts are transferred out of the reserve account into issued capital when the options are exercised or to retained earnings if the options lapse unexercised.

### y) Earnings per share `

*Basic earnings per share*
Basic earnings per share is calculated by dividing the profit attributable to equity holders of the company, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year.

*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.

Where a net loss is made for the period, basic EPS and diluted EPS are the same, because, the inclusion of options in the earnings per share calculations does not result in further dilution.

### z) Dividends

Provision is made for the amount of any dividend declared, being appropriately authorised and no longer at the discretion of the entity, on or before the end of the financial year but not distributed at balance date.

## 2. Revenue

| | Consolidated 2012 | Consolidated 2011 |
|---|---|---|
| **Continuing operations:** | **$** | **$** |
| **Revenue from operating activities** | | |
| Loan fees and charges | 14,019,376 | 12,427,569 |
| Cheque cashing fees | 797,538 | 775,344 |
| Rental services | 404,393 | - |
| Other | 181,943 | 254,865 |
| | 15,403,250 | 13,457,778 |
| **Revenue from non-operating activities** | | |
| Interest income from financial institutions | 91,643 | 55,935 |
| **Total revenue from continuing operations** | 15,494,893 | 13,513,713 |

# Notes to the financial statements for the year ended 30 June 2012

## 3. Other items included in net profit from continuing operations

| | Notes | Consolidated 2012 $ | Consolidated 2011 $ |
|---|---|---|---|
| Profit before income tax has been determined after: | | | |
| *Other Income:* | | | |
| Discount on acquisition | 20 | 100,350 | - |
| *Employment:* | | | |
| Salary and employee benefits expense | | 5,132,993 | 3,980,140 |
| Share based payments | | 8,920 | 13,964 |
| Contributed superannuation | | 478,708 | 386,345 |
| Other employment costs | | 435,360 | 429,400 |
| Total Employment costs | | 6,055,981 | 4,809,849 |
| *Depreciation and amortisation:* | | | |
| Leasehold improvements | | 113,965 | 88,002 |
| Motor vehicles | | 15,856 | 27,650 |
| Furniture, equipment and fittings | | 225,647 | 142,001 |
| Rental assets | | 188,067 | - |
| Total depreciation and amortisation | | 543,535 | 257,653 |
| *Operating lease* | | | |
| Rent | | 968,172 | 790,698 |
| *Finance costs (a)* | | | |
| Interest on bank overdrafts and loans | | 157,904 | 179,866 |
| Interest on obligations under finance lease | | 8,832 | 5,442 |
| Total finance costs | | 166,736 | 185,308 |

*(a)* The weighted average interest rate on funds borrowed generally is 11.3% p.a. (2011: 10.5% p.a.)

## 4. Retained earnings

| | | |
|---|---|---|
| Retained earnings at 1 July | 3,816,202 | 2,210,054 |
| Net profit | 2,575,091 | 2,458,458 |
| Dividends Paid (note 7) | (1,827,929) | (1,352,310) |
| Lapsed Options transferred from share option reserve | 10,980 | 500,000 |
| Retained earnings at 30 June | 4,574,344 | 3,816,202 |

# Notes to the financial statements for the year ended 30 June 2012

## 5. Income tax

| | Consolidated 2012 $ | Consolidated 2011 $ |
|---|---|---|
| **a) Income tax expense recognised in the Statement of comprehensive income** | | |
| **Current tax expense** | | |
| Current tax expense in respect of current year | 1,148,869 | 1,078,913 |
| Adjustments recognised in current year in relation to the current tax of previous years | - | 66,305 |
| | 1,148,869 | 1,145,218 |
| **Deferred tax** | | |
| Deferred tax expense / (income) related to the origination and reversal of temporary differences in relation to deferred tax assets | 61,947 | 40,604 |
| Total tax expense in the Statement of comprehensive income | 1,086,922 | 1,185,822 |

**b) The prima facie income tax expense on pre-tax accounting profit from operations reconciles to the income tax expense in the financial statements as follows:**

| | 2012 | 2011 |
|---|---|---|
| Profit from continuing operations before income tax expense | 3,612,762 | 3,588,092 |
| Income tax calculated at 30% (2011: 30%) | 1,083,829 | 1,076,428 |
| Add/(less): | | |
| Non assessable income | (30,105) | - |
| Share based payments | 2,676 | 8,689 |
| Non deductible expenses | - | - |
| Tax losses from other jurisdictions | 30,522 | 34,400 |
| | 1,086,922 | 1,119,517 |
| Under provision in prior years | - | 66,305 |
| Income tax expense | 1,086,922 | 1,185,822 |

The tax rate used in the above reconciliation is the corporate tax rate of 30% payable by Australian corporate entities on taxable profits under Australian tax law. There has been no change in the corporate tax rate when compared with the previous reporting period.

| | 2012 | 2011 |
|---|---|---|
| **c) Income tax recognised directly in equity** | | |
| Deferred tax | | |
| Share issue cost deductible over 5 years | (35,304) | (76,745) |
| Total income tax recognised directly in equity | (35,304) | (76,745) |
| **d) Current tax liabilities** | | |
| Income tax payable attributable to: | | |
| Entities in the consolidated group | 791,027 | 797,899 |
| | 791,027 | 797,899 |
| **e) Deferred tax balances** | | |
| Deferred tax assets comprises: | | |
| Capital raising costs | 74,290 | 61,396 |
| Provisions and accruals | 421,908 | 337,551 |
| | 496,198 | 398,947 |

# Notes to the financial statements for the year ended 30 June 2012

## 5. Income tax (Cont'd)

| | Consolidated 2012 $ | Consolidated 2011 $ |
|---|---|---|
| **f) Tax losses** | | |
| Unused tax losses for which no deferred tax assets has been recognised | 36,789 | 19,493 |
| Potential tax benefit @17% | 36,789 | 19,493 |

All unused tax losses were incurred by Singaporean entity.

## 6. Earnings per share

| | Consolidated 2012 | Consolidated 2011 |
|---|---|---|
| a) Basic and diluted earnings per share | **Cents** | **Cents** |
| Basic earnings per share (cents per share) | 5.87 | 7.11 |
| Diluted earnings per share (cents per share) | 5.76 | 6.91 |
| b) The earnings and weighted average number of ordinary shares used in the calculation of basic and diluted earnings per share are as follows: | | |
| | **$** | **$** |
| Earnings used in basic and diluted earnings per share (net profit) | 2,575,091 | 2,458,458 |
| | **Number** | **Number** |
| Weighted average number of ordinary shares for the purpose of basic earnings per share | 43,831,868 | 34,579,082 |
| Weighted average number of ordinary and potential ordinary shares used in the calculation of diluted earnings per share as follows: | | |
| Weighted average number of ordinary shares basic | 43,831,868 | 34,579,082 |
| Dilutive potential ordinary shares | 900,274 | 1,000,000 |
| Weighted average number of ordinary shares and potential ordinary shares used in calculation of diluted earnings per share | 44,732,142 | 35,579,082 |

(i) Options:

Options granted to employees are considered to be potential ordinary shares and have been included in the determination of diluted earnings per share to the extent to which they are dilutive. The options have not been included in the determination of basic earnings per share. Details relating to options are set out in note 8.

# Notes to the financial statements for the year ended 30 June 2012

## 7. Dividends

| | 2012 Cents per share | 2012 $ | 2011 Cents per share | 2011 $ |
|---|---|---|---|---|
| **Recognised amounts** | | | | |
| Fully paid ordinary shares | | | | |
| Final dividend fully franked at 30% tax rate | 2.5 | 1,071,246 | 2.5 | 792,709 |
| Interim dividend fully franked at 30% tax rate | 1.75 | 756,683 | 1.75 | 559,598 |
| **Unrecognised amounts** | | | | |
| Fully paid ordinary shares | | | | |
| Final dividend fully franked at 30% tax rate | 2.25 | 1,098,747 | 2.5 | 1,071,245 |

On 30 August 2012, the directors declared a fully franked final dividend of 2.25 cents per share to the holders of fully paid ordinary shares in respect of the financial year ended 30 June 2012, to be paid to shareholders on 26 October 2012. The dividend will be paid to shareholders on the Register of Members on 12 October 2012. This dividend has not been included as a liability in these financial statements. The total estimated dividend to be paid is $1,098,747.

**Dividend Franking Credits**

| | Consolidated 2012 $ | Consolidated 2011 $ |
|---|---|---|
| Franking credits available for subsequent financial years based on a tax rate of 30% (2011 – 30%) (i) | 2,986,226 | 2,203,766 |
| Impact on franking account balance of dividends not recognised (ii) | (470,892) | (459,105) |
| Income tax consequences of unrecognised dividends (ii) | - | - |

(i) The above amounts represent the balance of the franking account as at the end of the financial year, adjusted for:
- franking credit that will arise from the payment of the amount of the provision for income tax;
- franking debits that will arise from the payment of dividends recognised as a liability at the reporting date; and
- franking credits that will arise from the receipt of dividends recognised as receivables at the reporting date.

(ii) Subsidiaries in the consolidated group have sufficient franking credits at 30 June 2012 to pay fully franked dividends to the parent entity thus enabling the parent entity to pay fully franked dividends to shareholders on 26 October 2012. The impact on the franking account of the dividend recommended by the directors since year end, but not recognised as liability at year end, will be a reduction in the franking account of $470,892 (2011: $459,105).

# Notes to the financial statements for the year ended 30 June 2012

## 8. Share based payments

Movement in the share options of the consolidated entity during the financial year are summarized below.

| | 2012 Number | 2011 Number |
|---|---|---|
| Balance at 1 July | 1,000,000 | 3,000,000 |
| Lapsed during the financial period | (200,000) | (2,000,000) |
| Granted during the financial period | - | - |
| Balance at 30 June | 800,000 | 1,000,000 |

No options were exercised, forfeited, or expired during the period.

The Company has a total of 800,000 options on issue (2011: 1,000,000 options) to the Directors (or their nominees) ("Director Options").

| | Issue Date | Options Granted | Exercise Price | Expiry Date | Vesting Date |
|---|---|---|---|---|---|
| **Scott Baldwin** | 27 November 2009 | 200,000 | $0.60 | 31 December 2012 | 31 December 2011 |
| **Scott Baldwin** | 27 November 2009 | 200,000 | $0.70 | 31 December 2013 | 31 December 2012 |
| **Scott Baldwin** | 27 November 2009 | 200,000 | $0.85 | 31 December 2014 | 31 December 2013 |
| **Scott Baldwin** | 27 November 2009 | 200,000 | $1.00 | 31 December 2015 | 31 December 2014 |

Options on issue have the following conditions:-

- the options vest in full when an event occurs which give rise to a change in control of the Company.
- if the Company after having granted these options restructures its issued share capital, ASX Listing Rules will apply to the number of Shares issued to the option holder on exercise of an option.
- options will not be listed on ASX but application will be made for quotation of the shares resulting from the exercise of the options.
- on issue of the resulting shares, they will rank equally with ordinary shares on issue at that time.
- Share options carry no rights to dividends and no voting rights. In accordance with the terms of the share option schemes, options may be exercised at any time from the date on which they vest to the date of their expiry, subject to any additional specific requirements of the particular allocation

Consideration received on the exercise of options is recognised as contributed equity. During the financial year ended 30 June 2012 and 30 June 2011 no options were exercised.

The weighted average share price during the year was $0.39 (2011: $0.44)

*Options*

Options are granted under the Money3 Corporation Limited's Director and Employee Share Option Plan. Options are granted under the plan for no consideration. The board meets to determine eligibility for the granting of options, and to determine the quantity and terms of options that will be granted.

The valuation of options is determined by independent experts using the Binomial option pricing model taking into account the terms and conditions upon which the instruments were granted.

Options granted under the plan carry no dividend or voting rights

The expected price volatility is based on the historical volatility (based on the remaining life of the options), adjusted for any expected changes to future volatility due to publicly available information.

# Notes to the financial statements for the year ended 30 June 2012

## 8. Share based payments (Cont'd)

The model inputs for options on issue at 30 June 2012 included:-

| | Tranche 2 | Tranche 3 | Tranche 4 | Tranche 5 |
|---|---|---|---|---|
| **Exercise price** | $0.60 | $0.70 | $0.85 | $1.00 |
| **Grant date** | 27 November 2009 | 27 November 2009 | 27 November 2009 | 27 November 2009 |
| **Expiry date** | 31 December 2012 | 31 December 2013 | 31 December 2014 | 31 December 2015 |
| **Share price at grant date** | $0.45 | $0.45 | $0.45 | $0.45 |
| **Expected volatility** | 40% | 40% | 40% | 40% |
| **Expected dividend yield** | 7.33% | 7.33% | 7.33% | 7.33% |
| **Risk free rate** | 4.585% | 4.8105 | 4.925% | 5.000% |

The following reconciles the outstanding share options granted under the Executive Share Option Plan at the beginning and end of the financial year.

| | 2012 No of options | 2012 Weighted average exercise price $ | 2011 No of options | 2011 Weighted average exercise price $ |
|---|---|---|---|---|
| Balance at beginning of year | 1,000,000 | 0.73 | 3,000,000 | 1.04 |
| Granted during the year | - | - | - | - |
| Forfeited during the year | - | - | - | - |
| Exercised during year | - | - | - | - |
| Lapsed during year | (200,000) | 0.50 | (2,000,000) | 1.20 |
| Expired during the year | - | - | - | - |
| Balance at end of year | 800,000 | 0.79 | 1,000,000 | 0.73 |
| Weighted average remaining contractual life | 1.3 years | | 2.5 years | |
| Exercisable at the end of the financial year | 800,000 | 0.79 | 1,000,000 | 0.73 |

## 9. Cash and cash equivalents

| | Consolidated 2012 $ | Consolidated 2011 $ |
|---|---|---|
| Cash at bank in hand | 1,256,406 | 4,790,715 |

## 10. Trade and other receivables

| | | |
|---|---|---|
| Trade receivables | 17,842,969 | 12,536,144 |
| Allowance for doubtful debts | (834,586) | (697,124) |
| | 17,008,383 | 11,839,020 |
| Current receivables | 9,880,749 | 8,251,132 |
| Non-current receivables | 7,127,634 | 3,587,888 |
| Total receivables | 17,008,383 | 11,839,020 |

Trade receivables have been aged according to their original due date in the below ageing analysis, including where repayment terms for certain long outstanding trade receivables have been renegotiated. The carrying value of trade receivables after allowance for doubtful debts is considered a reasonable approximation of fair value.

# Notes to the financial statements for the year ended 30 June 2012

## 10. Trade and other receivables (Cont'd)

The following basis has been used to assess the allowance for doubtful debts required for trade receivables:

- an individual account by account assessment based on past credit history;
- any prior knowledge of debtor insolvency or other credit risk; and
- working with client managers on weekly basis to assess past due items to determine recoverability.

An allowance has been made for estimated irrecoverable trade receivable amounts arising from the past provision of services, determined by reference to past default experience. During the current financial year, the allowance for doubtful debts increased by $ 137,462 (2011: increased by $33,385) in the Group. These amounts relate mainly to customers experiencing financial hardships. This movement was recognised in the Statement of Comprehensive Income. During the year the Group's bad debt expense decreased by $335,624 (2011: increased by $644,902). The consolidated entity actively reviews debtors for their recoverability and these debts are expensed immediately when non recoverability is identified.

The maximum exposure to credit risk at the reporting date is the fair value of each class of receivable in the financial statements. The Group does not hold any collateral as security over loans below $5,000, and as such did not take possession of any collateral for loans in this category. Security is generally taken for loans above $5,000 and is secured by collateral of approximately $8,016,569. The total fair value of securities held for certain trade receivables is impracticable to determine for accounting disclosure as is the fair value of any collateral sold or repledged. However, the security position against individual debtors is considered by management in their evaluation of the recoverable amount.

Refer to Note 25 for more information on the risk management policy of the Group and the credit quality of the entity's trade receivables.

**The following table provides an analysis of past due receivables;**

| | 2012 | | | 2011 | | |
|---|---|---|---|---|---|---|
| | Gross | Allowance (i) | Net (ii) | Gross | Allowance (i) | Net (ii) |
| Consolidated | $ | $ | $ | $ | $ | $ |
| The aging of the receivables is: | | | | | | |
| 1 to 3 months | 309,547 | (159,904) | 149,643 | 590,759 | (379,468) | 211,291 |
| 3 to 6 months | 117,175 | (58,850) | 58,325 | 202,722 | (62,376) | 140,346 |
| More than 6 months | 997,645 | (615,832) | 381,813 | 767,999 | (255,280) | 512,719 |
| **TOTAL** | 1,424,367 | (834,586) | 589,781 | 1,561,480 | (697,124) | 864,356 |

(i) Past due and impaired
(ii) Past due but not impaired

Given the nature of the loans and advances provided, a significant portion of debtors are expected to be slow in repayment. However, past experience demonstrates that these loans and advances net of allowance for doubtful debts will be collected. The Group does not hold any collateral in relation to these receivables.

A reconciliation of the movement in the provision for impairment of receivables is shown below:

| | Consolidated 2012 | Consolidated 2011 |
|---|---|---|
| | $ | $ |
| Opening balance | 697,124 | 663,739 |
| Additional provisions | 1,525,728 | 1,861,352 |
| Receivables written off as uncollectible | (1,756,673) | (2,133,576) |
| Bad debts recovered | 368,407 | 305,609 |
| Closing balance | 834,586 | 697,124 |

The creation and release of provision for impaired receivables has been included in the profit and loss. Amounts charged to the allowance account are generally written off when there is no expectation of recovering additional cash.

# Notes to the financial statements for the year ended 30 June 2012

## 11. Other assets

| | Consolidated 2012 $ | Consolidated 2011 $ |
|---|---|---|
| *Current* | | |
| Prepayments | 390,223 | 18,617 |
| Other | 39,789 | 52,494 |
| | 430,011 | 71,111 |
| | | |
| *Non-Current* | | |
| Rental deposits | 186,203 | 154,195 |
| | 186,203 | 154,195 |

There were no past due and impaired other debtors.

## 12. Property, plant and equipment

| 2012 | Motor vehicles on hire purchase $ | Motor vehicles $ | Rental Assets $ | Leasehold Improvements $ | Furniture, Equipment and Fittings $ | Total $ |
|---|---|---|---|---|---|---|
| **Gross carrying amount** | | | | | | |
| Balance at 1 July 2011 | 93,500 | 144,427 | - | 884,458 | 2,025,820 | 3,148,205 |
| Additions | - | - | 1,124,010 | 301,274 | 155,407 | 1,580,691 |
| **Balance at 30 June 2012** | 93,500 | 144,427 | 1,124,010 | 1,185,732 | 2,181,227 | 4,728,896 |
| | | | | | | |
| **Accumulated Depreciation** | | | | | | |
| Balance at 1 July 2011 | 47,411 | 84,138 | - | 542,769 | 796,448 | 1,470,766 |
| Depreciation expense | 9,218 | 6,638 | 188,067 | 113,965 | 225,647 | 543,535 |
| Balance at 30 June 2012 | 56,629 | 90,776 | 188,067 | 656,734 | 1,022,095 | 2,014,301 |
| | | | | | | |
| **Net carrying amount** | | | | | | |
| As at 30 June 2012 | 36,871 | 53,651 | 935,943 | 528,998 | 1,159,132 | 2,714,595 |

# Notes to the financial statements for the year ended 30 June 2012

## 12. Property, plant and equipment (Cont'd)

| 2011 | Motor vehicles on hire purchase | Motor vehicles | Leasehold Improvements | Furniture, Equipment and Fittings | Total |
|---|---|---|---|---|---|
| | $ | $ | $ | $ | $ |
| **Gross carrying amount** | | | | | |
| Balance at 1 July 2010 | 93,500 | 144,427 | 838,995 | 1,157,877 | 2,234,799 |
| Additions | - | - | 33,463 | 867,943 | 901,406 |
| Acquisition through business combination | - | - | 12,000 | - | 12,000 |
| **Balance at 30 June 2011** | 93,500 | 144,427 | 884,458 | 2,025,820 | 3,148,205 |
| | | | | | |
| **Accumulated Depreciation** | | | | | |
| Balance at 1 July 2010 | 35,889 | 68,010 | 454,767 | 654,447 | 1,213,113 |
| Depreciation expense | 11,522 | 16,128 | 88,002 | 142,001 | 257,653 |
| Balance at 30 June 2011 | 47,411 | 84,138 | 542,769 | 796,448 | 1,470,766 |
| | | | | | |
| **Net carrying amount** | | | | | |
| As at 30 June 2011 | 46,089 | 60,289 | 341,689 | 1,229,372 | 1,677,439 |

See accounting policy in Note 1(m), regarding useful life assumptions.

Assets and assets under hire purchase contracts are pledged as security for the related and hire purchase liabilities.

# Notes to the financial statements for the year ended 30 June 2012

## 13. Intangible assets

| | Consolidated 2012 $ | Consolidated 2011 $ |
|---|---|---|
| Goodwill | | |
| Money3 Branches and Loan Centre | 15,363,487 | 15,351,487 |

Refer note 20 for details of the additional goodwill of $12,000 recognised in the 2012 financial year.

**Background**

Goodwill is allocated for impairment testing purposes to one cash generating unit (CGU), being the combined operations of the Money3 Trading Companies and the Loan Centre. The recoverable amount of the cash generating unit is based on a number of key assumptions as detailed below.

The recoverable amount of a CGU is identified based on value-in-use calculations which use cash flow projections based on financial budgets approved by management covering a five-year period,

**Impairment tests and key assumptions used**

As at 30 June 2012, the directors concluded that there is no impairment of goodwill (2011: $nil).

The cash-generating unit provides financial services specialising in the delivery of small cash loans, personal loans, cheque cashing and international money transfer. The recoverable amount of the CGU is determined based on a value in use calculation which uses cash flow projections based on past experience, expectations for the future, utilizing both internal and external sources of data and relevant industry trends.

*Cash flows*

The value in use calculations use cash flow projections based on past operating results and budgets approved by the directors for the 30 June 2013 financial year extended over a further four year period, in total covering a five-year period and a terminal value. The 30 June 2013 financial year budget allows for a reduction in the level of bad debts expense, a growth in operating expenses of 26% and a 34% increase in revenue mainly arising from branch expansion and increased income from the loan centre in the 2012 year.

*Growth rate*

The growth rate applied to the cash flows for the four year period beyond the detailed budget prepared and approved by the directors for the 30 June 2013 financial year is between 3% and 10% (2011: 3 to 10%) based on the expected performance of individual branches and the loan centre. The terminal value growth rate used to extrapolate cash flows beyond the five year period is 2.5% (2011: 2.5%). The growth in cash flows is based on assumptions in total revenue growth over the period beyond the 30 June 2013 financial year of 2.5% to 5% (2011: 5%) and growth in cash outflows from operating expenses of 2.5% to 3.5% (2011 2.5% to 3.5%).

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# Notes to the financial statements for the year ended 30 June 2012

## 13. Intangible assets (Cont'd)

*Discount rate*

The discount rate applied to the cash flow projections is 18.54% (2011: 18.54%) pre tax. The discount rate is derived using the capital asset pricing model by estimating the company's weighted average cost of capital with appropriate adjustment for cost of equity, risk free rate of interest, market risk premium and the beta of GICS Class 17 – Diversified Financials sector.

**Impairment testing on CGU**

The Board is of the opinion that there is no impairment to goodwill in the 2012 year.

**Impact of possible changes in key assumptions**

As at 30 June 2012, the recoverable amount of the goodwill of the CGU exceeded the carrying value of goodwill by $13.5M. In assessing the impact of possible changes in key assumptions applied to test the carrying value of goodwill allocated to the CGU, if the pre-tax discount rate increased by 10% and the cash flow growth rate decreased by 35%, when applied to the CGU, then the recoverable amount of the goodwill would be less than the carrying amount. Management does not consider the CGU is particularly sensitive to changes in key assumptions or that a change in any of the other key assumptions is reasonably possible.

## 14. Trade and other payables

| | Consolidated 2012 $ | Consolidated 2011 $ |
|---|---|---|
| **Current** | | |
| Trade and other payables | 1,105,409 | 835,992 |
| **Non-Current** | | |
| Trade and other payables | 82,500 | 280,500 |

Trade creditors and other creditors are non interest bearing liabilities. Trade creditor payments are processed once they have reached 30 days from the date of invoice for electronic funds transfer payments or cheque payment or 30 days from the end of the month of invoice for other payments. No interest is charged on trade payables.

All amounts are short term and the carrying values are considered to be a reasonable approximation of fair value.

# Notes to the financial statements for the year ended 30 June 2012

## 15. Provisions

| | Consolidated 2012 $ | Consolidated 2011 $ |
|---|---|---|
| **Current** | | |
| Employee benefits – current | 379,409 | 194,791 |
| **Non-Current** | | |
| Employee benefits – non-current | 69,738 | 85,253 |

## 16. Borrowings

| | | |
|---|---|---|
| **Current** | | |
| Borrowings | | |
| -Related parties (Note 28) | 150,000 | 150,099 |
| -Others | 1,394,555 | 1,361,555 |
| | 1,544,555 | 1,511,654 |
| Hire Purchase liabilities | 45,914 | 9,404 |
| | 1,590,469 | 1,521,058 |
| **Non-Current** | | |
| Hire Purchase liabilities | - | 42,945 |

*Fair value disclosures*

The fair value of current borrowings approximates their carrying amount as the impact of discounting is not significant.

Fair values of long term financial liabilities are based on cash flows discounted using fixed effective market interest rates available to the Group.

No fair value changes have been included in profit or loss for the period as financial liabilities are carried at amortised cost in the Statement of Financial Position.

# Notes to the financial statements for the year ended 30 June 2012

## 16. Borrowings (Cont'd)

*Bank loans*

Bank loans are denominated in Australian dollars. The facility is secured by a floating charge over the Group's assets.

Bank overdraft, bank loans and bills of exchange when utilised, bear interest at commercially negotiated rates. All bank borrowings are subject to adherence to gearing and interest covenants and are subject to annual review. The loan bears interest at the banks prime rates plus a margin payable monthly in arrears.

*Financing facilities available*

| | Consolidated 2012 $ | Consolidated 2011 $ |
|---|---|---|
| **Total facilities** | | |
| - Bank overdraft | 1,000,000 | 1,000,000 |
| - Bank loans and hire purchase facilities | 100,000 | 100,000 |
| | 1,100,000 | 1,100,000 |
| **Facilities used at reporting date** | | |
| - Bank overdraft | - | - |
| - Bank loans and hire purchase facilities | 45,914 | 52,349 |
| | 45,914 | 52,349 |
| **Facilities unused at reporting date** | | |
| - Bank overdraft | 1,000,000 | 1,000,000 |
| - Bank loans and hire purchase facilities | 54,086 | 47,651 |
| | 1,054,086 | 1,047,651 |
| **Total facilities** | | |
| - Facilities used at reporting date | 45,914 | 52,349 |
| - Facilities unused at reporting date | 1,054,086 | 1,047,651 |
| | 1,100,000 | 1,100,000 |

# Notes to the financial statements for the year ended 30 June 2012

## 16. Borrowings (Cont'd)

*Assets pledged as security*

| | Consolidated 2012 $ | Consolidated 2011 $ |
|---|---|---|
| Non-current | | |
| *Floating charge* | | |
| - Plant and equipment | 2,714,595 | 1,677,439 |
| **Total assets pledged as security** | 2,714,595 | 1,677,439 |

Under the arrangement of the hire purchase and bank borrowing facilities, all property, plant and equipment of the Group has been pledged as security. The holder of the security does not have the right to sell or re-pledge the assets.

Details of the Groups risk exposure arising from borrowings are provided in Note 25.

## 17. Issued capital

**Issued Capital**

| | | |
|---|---|---|
| Fully paid ordinary shares | 28,902,114 | 26,701,073 |

**(a) Movement in shares on issue**

Movement in the shares on issue of the consolidated entity during the financial year are summarized below.

| | Consolidated 2012 | | Consolidated 2011 | |
|---|---|---|---|---|
| | Number of ordinary shares | Value $ | Number of ordinary shares | Value $ |
| Balance at the beginning of the financial year | 42,849,811 | 26,701,073 | 31,708,374 | 22,726,416 |
| Issued during the year: | | | | |
| Issue of shares to public at $0.366 each | - | - | 10,659,153 | 3,943,886 |
| Issue of shares to public at $0.38 each | 5,263,158 | 2,000,000 | - | - |
| Share issue costs | - | (117,679) | - | (255,817) |
| Deferred tax credit | - | 35,304 | - | 76,745 |
| Issue of shares to employees at $0.405 each | 2,469 | 1,000 | - | - |
| Issue of shares to employees at $0.38 each | 31,584 | 12,002 | - | - |
| Issue of shares to employees at $0.37 each | - | - | 40,545 | 15,000 |
| Issue of shares on DRP | 686,179 | 270,414 | 441,739 | 194,843 |
| Balance at end of financial year 30 June | 48,833,201 | 28,902,114 | 42,849,811 | 26,701,073 |

# Notes to the financial statements for the year ended 30 June 2012

## 17. Issued capital (Cont'd)

### (b) Movements in share options

Movement in the share options of the consolidated entity during the financial year are summarized below.

| | 2012 Number | 2011 Number |
|---|---|---|
| Balance at 1 July | 1,000,000 | 3,000,000 |
| Granted during the financial period | - | - |
| Exercised during the financial period | - | - |
| Lapsed during the financial period | (200,000) | (2,000,000) |
| Balance at the end of the financial period | 800,000 | 1,000,000 |

### (c) Terms and conditions of issued capital

*Ordinary shares*
Ordinary shares have the right to receive dividends as declared and, in the event of winding up the Company, to participate in the proceeds from the sale of all surplus assets in proportion to the number of and amounts paid up on shares held.

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

The company does not have limited authorised capital and issued shares have no par value.

*Options*

The company has 800,000 options on issue. The holders of the options are not permitted to exercise those options until after the vesting date.

## 18. Reserves

| | Consolidated 2012 $ | Consolidated 2011 $ |
|---|---|---|
| **Share option reserve** | | |
| Balance at 1 July | 28,265 | 514,301 |
| Charged to expense for the year | 8,920 | 13,964 |
| Lapsed options transferred to accumulated profits | (10,980) | (500,000) |
| Balance at 30 June | 26,205 | 28,265 |
| **Foreign exchange reserve** | | |
| Balance at 1 July | (4,125) | - |
| Charged to revenue for the year | 4,383 | (4,125) |
| Balance at 30 June | 258 | (4,125) |
| Total Reserves | 26,463 | 24,140 |

The share option reserve is used to recognise the fair value of options issued to employees but not exercised.

# Notes to the financial statements for the year ended 30 June 2012

## 19. Statement of cash flows

### (a) Reconciliation of cash

Cash at the end of the year as shown in the Statement of Cash Flows is reconciled to the related items in the Statement of Financial Position as follows:

| | Consolidated 2012 $ | Consolidated 2011 $ |
|---|---|---|
| Cash at bank and on hand | 1,256,406 | 4,790,715 |

### (b) Reconciliation of operating profit after income tax to net cash flows from operating activities:

| | | |
|---|---|---|
| Net Profit after tax | 2,525,840 | 2,402,270 |
| **Non cash items:** | | |
| Depreciation and amortisation expense | 543,535 | 257,653 |
| Discount on acquisition | (100,350) | - |
| Bad and doubtful debts allowance | 137,462 | 33,385 |
| Foreign exchange difference | 4,383 | (4,125) |
| Share based payment | 8,920 | 13,964 |
| **Movements in assets and liabilities:** | | |
| (Increase)/decrease in assets | | |
| Trade and other receivables | (612,205) | (101,399) |
| Deferred tax assets | (61,948) | (123,533) |
| Increase/(decrease) in liabilities | | |
| Trade and other payables | (163,595) | (304,192) |
| Current tax payable | (6,871) | 387,582 |
| Provisions for employee entitlements | 70,442 | (9,346) |
| Cash flows from operations | 2,345,613 | 2,552,259 |

### (c) Non cash financing and investment activities:

There were no non cash financing and investing activities during the year.

# Notes to the financial statements for the year ended 30 June 2012

## 20. Business combinations

During the year the final payment for acquisition of branches from Aussie E-Cash Pty Ltd for total consideration of $52,000 was made.

Details of the acquisition are as follows;

| | Acquiree's carrying amount $ | Fair value $ |
|---|---|---|
| Plant and equipment | 12,000 | 12,000 |
| Net assets acquired | 12,000 | 12,000 |
| Goodwill | | 40,000 |
| Acquisition-date fair value of the total consideration transferred | | 52,000 |
| Representing: | | |
| Cash paid as at 30 June 2011 | | 40,000 |
| Cash paid as at 30 June 2012 | | 12,000 |
| Net cash used | | 52,000 |

On 15 June 2012 Money 3 Corporation acquired the assets of Dolverton Capital Pty Ltd for a total consideration of $235,000.

| | Acquiree's carrying amount $ | Fair value $ |
|---|---|---|
| Trade Debtors | 419,188 | 419,188 |
| Provision for Doubtful Debts | - | (83,838) |
| Plant and equipment | 45,000 | - |
| Net assets acquired | 464,188 | 335,350 |
| Discount on acquisition | | (100,350) |
| Acquisition-date fair value of the total consideration transferred | | 235,000 |
| Representing: | | |
| Sundry Payables | | 235,000 |
| Net cash used | | - |

The company purchased the business of Personal Finance Co. Pty Ltd on the 1 December 2011 for nil consideration. The vendor made a payment to the company for employee entitlements to the value of $98,662, other net assets were valued at nil. There are payments to be made to the vendor based on existing customers applying for and receiving a loan from Money3 within 12 months of the purchase date in the form of a referral fee. The maximum amount to be paid under this arrangement is $125,000. At 30 June 2012 $96,635 has been paid under this arrangement.

## 21. Subsequent events

No other matters or circumstances has arisen since the end of the financial year that have significantly affected or may significantly affect the operations of the Company, the results or the state of affairs of the Company in future years.

# Notes to the financial statements for the year ended 30 June 2012

## 22. Segment information

A segment is a component of the consolidated entity that engages in business activities to provide products or services within a particular economic environment. The consolidated entity operates in one business segment, being providing financial services specialising in the delivery of small cash loans, personal loans, cheque cashing, equipment and motor vehicle rental, and international money transfer. The launch of the rental products may develop into a separate segment, this will be assessed in regards to its significance to the company. Currently the rental products are not a significant segment. The board of directors assess the operating performance of the group based on management reports that are prepared on this basis. Although the group has established operations in Singapore during the year these activities are not significant and therefore no geographical reporting has been included.

## 23. Contingent Liabilities

The Company has no contingent liabilities as at 30 June 2012 (2011: Nil).

## 24. Controlled entities

The consolidated financial statements incorporate the assets and liabilities and results of the following subsidiaries in accordance with the accounting policy described in Note 1 (c).

Controlled entities of Money3 Corporation Limited (parent entity)

| Name | Country of Incorporation | Percentage of equity held by the consolidated entity | | Acquisition Date | Investment | |
|---|---|---|---|---|---|---|
| | | 2012 | 2011 | | 2012 $ | 2011 $ |
| Money3 Loans Pty Ltd (formerly Money3 Ballarat Pty Ltd) | Australia | 100 | 100 | 1 November 2006 | 2 | 2 |
| Money3 Services Pty Ltd (formerly Money3 Dandenong Pty Ltd) | Australia | 100 | 100 | 1 November 2006 | 2 | 2 |
| Money3 Franchising Pty Ltd | Australia | 100 | 100 | 16 April 2007 | 2 | 2 |
| Money3 Branches Pty Ltd (formerly Money3 Reservoir Pty Ltd) | Australia | 100 | 100 | 1 November 2006 | 2 | 2 |
| Money3 Wodonga Pty Ltd | Australia | 100 | 100 | 13 March 2008 | 2 | 2 |
| Antein Pty Ltd (Glenroy) | Australia | 100 | 100 | 1 July 2006 | 3,100,500 | 3,100,500 |
| Bellavita Pty Ltd (Northcote) | Australia | 100 | 100 | 1 July 2006 | 3,037,500 | 3,037,500 |
| Hallowed Holdings Pty Ltd (Clayton) | Australia | 100 | 100 | 1 July 2006 | 2,970,000 | 2,970,000 |
| Kirney Pty Ltd (Coburg) | Australia | 100 | 100 | 1 July 2006 | 483,750 | 483,750 |
| Nexia Pty Ltd (Werribee) | Australia | 100 | 100 | 1 July 2006 | 1,665,000 | 1,665,000 |
| Pechino Pty Ltd (Frankston) | Australia | 100 | 100 | 1 July 2006 | 1,687,500 | 1,687,500 |
| Salday Pty Ltd (St Albans) | Australia | 100 | 100 | 1 July 2006 | 483,750 | 483,750 |
| Tannaster Pty Ltd (Moonee Ponds) | Australia | 100 | 100 | 1 July 2006 | 2,898,000 | 2,898,000 |
| Tristace Pty Ltd (Geelong) | Australia | 100 | 100 | 1 July 2006 | 1,741,500 | 1,741,500 |
| Money3 Singapore Pte Ltd | Singapore | 51 | 51 | 1 July 2010 | 40,850 | 40,850 |
| Total | | | | | **18,108,360** | **18,108,360** |

All entities operated solely in their place of incorporation.

# Notes to the financial statements for the year ended 30 June 2012

## 25. Financial instruments

The Group is exposed to a variety of financial risks through its use of financial instruments.

This note discloses the Group's objectives, policies and processes for managing and measuring these risks.

The Group's overall risk management plan seeks to minimise potential adverse effects due to the unpredictability of financial markets.

The Board of Directors ensures that the Group maintains a competent management structure capable of defining, analysing, measuring and reporting on the effective control of risk inherent in the Group's underlying financial activities and the instruments used to manage risk. Key financial risks including interest rate risk and credit risk are reviewed by management on a regular basis and are communicated to the board so that it can evaluate and impose its oversight responsibility. The Group does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.

The Group does not actively engage in the trading of financial assets for speculative purposes nor does it write options. The most significant financial risks to which the Group is exposed to are described below. There have been no changes to these risks since the previous financial year.

**Specific risks**

- Market risk (including foreign currency risk, interest rate risk and price risk)
- Credit risk
- Liquidity risk

**Financial assets / liabilities used**

The principal categories of financial assets / liabilities used by Money3 Corporation Limited are:
- Trade receivables
- Cash at bank
- Bank borrowings
- Trade and other payables

**Objectives, policies and processes**

The risk management policies of Money3 Corporation Limited seek to mitigate the above risks and reduce volatility on the financial performance of the Group. Financial risk management is carried out centrally by the Finance Department of Money3 Corporation Limited.

**Capital risk management**

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance.

The group overall strategy remains unchanged from 2011.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The capital structure of the Group consists of debt, which includes the borrowings disclosed in Note 16, cash and cash equivalents and equity attributable to equity holders of the parent, comprising issued capital, reserves and retained earnings as disclosed in Notes 17,18 and 4 respectively. None of the Group's entities is subject to externally imposed capital requirements. Under the arrangement of the hire purchase and bank borrowing facilities, all property, plant and equipment of the Group has been pledged as security. The holder of the security does not have the right to sell or re-pledge the assets.

# Notes to the financial statements for the year ended 30 June 2012

## 25. Financial instruments (Cont'd)

*Gearing ratio*

The Group's Board of Directors reviews the capital structure on a semi-annual basis. As a part of this review the board considers the cost of capital and the risks associated with each class of capital. Based on recommendations of the board the Group will balance its overall capital structure through the payment of dividends, new share issues and share buy-backs as well as the issue of new debt or the redemption of existing debt.

| | Note | Consolidated 2012 | Consolidated 2011 |
|---|---|---|---|
| | | $ | $ |
| **Financial assets** | | | |
| Debt *(a)* | 16 | (1,544,555) | (1,511,654) |
| Cash and cash equivalents | 9 | 1,256,406 | 4,790,715 |
| Net cash/(debt) | | (288,149) | 3,279,061 |
| Equity | 17 | 28,902,114 | 26,701,073 |
| Debt to equity ratio | | 5.3% | 5.7% |

*(a)* Debt is defined as long-term and short-term borrowings, as detailed in Note 16.

### (a) Market risk

(i) Foreign Currency Risk

Money3 Corporation Limited has no significant exposure to foreign currency risk.

(ii) Interest Rate Risk

The company's exposure to market interest rates relates primarily to the company's short term deposits held, deposits at call and borrowings. The interest income earned from these balances can vary due to interest rate change.

Money3 Corporation Limited's borrowings which have a variable interest rate attached give rise to cash flow interest rate risk.

Money3 Corporation Limited does not have a significant interest rate risk as its borrowing level is low. Interest rate risk is minimised by having a mixture of fixed and floating interest rate loan facilities.

The sensitivity analysis below have been determined based on the exposure to interest rates at the reporting date and the stipulated change taking place at the beginning of the financial year and held constant throughout the reporting period.

# Notes to the financial statements for the year ended 30 June 2012

## 25. Financial instruments (cont'd)

The following sensitivity analysis is based on the interest rate risk exposures in existence at the balance sheet date. The company's current interest rate arrangements are as follows:-

| | Consolidated | |
|---|---|---|
| | 2012 | 2011 |
| | Interest rate range | |
| | From - To | From - To |
| **Australian dollar interest rates** | % | % |
| *Financial assets* | | |
| Cash and cash equivalents | 0.01 -5.89% | 0.01 -5.76% |
| *Financial liabilities* | | |
| Borrowings | 11 – 12.0% | 11 – 12.0% |

A sensitivity of 1 per cent has been selected as this is considered reasonable given the current level of borrowings and represents management's assessment of the possible change in interest rates and historically is within a range of rate movements.

At 30 June 2012, if interest rates had moved, as illustrated in the table below, with all other variables held constant, pre tax profit and equity would have been affected as follows:

**Interest Rate Sensitivity Analysis**

| | -1% | | +1% | |
|---|---|---|---|---|
| **Consolidated** | **Profit** | **Equity** | **Profit** | **Equity** |
| **30 June 2012** | | | | |
| **Financial Assets** | | | | |
| Cash and cash equivalents | (21,563) | (15,094) | 21,563 | 15,094 |
| **Financial Liabilities** | | | | |
| Borrowings | 15,302 | 10,712 | (15,302) | (10,712) |
| **30 June 2011** | | | | |
| **Financial Assets** | | | | |
| Cash and cash equivalents | (13,161) | (9,213) | 13,161 | 9,213 |
| **Financial Liabilities** | | | | |
| Borrowings | 16,854 | 11,798 | (16,854) | (11,798) |

# Notes to the financial statements for the year ended 30 June 2012

## 25. Financial instruments (Cont'd)

(iii) Price Risk

Price risk is the risk that future cashflows derived from financial instruments will be changed as a result of a market price movement, other than interest rates. The company and group are not exposed to any material price risk.

**(b) Credit risk**

Credit risk is managed on the Group basis. Credit risk arises from cash and cash equivalents and deposits with banks and financial institutions, as well as credit exposures to outstanding receivables, net of any allowance for doubtful debts, as disclosed in the Statement of Financial Position and notes to the financial report.

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the consolidated entity. With the exception of its dealings with core customers, the consolidated entity has adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral or other security where appropriate, as a means of mitigating the risk of financial loss from defaults. The consolidated entity measures credit risk on a fair value basis.

Money3's core customers are financially challenged and generally have a bad credit history and are lacking in budgeting ability. Money3 obtains security on loans greater than $5,000.

The consolidated entity does not have any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics, given the number and diversity of debtors.

The management of Money3 manages credit risk by adopting the procedures and policies which:

- Assess each application on the borrower's capacity to service the loan;
- Match repayment dates to borrowers pay dates and pay cycles;
- Lend for short term;
- Where possible, obtain security on loans greater than $5,000;
- Require repayment of loans by direct debit or pay deductions or during settlements;
- Implement prompt follow up when a repayment is missed;
- Have the ability to adjust repayments when customers face further financial difficulties; and
- Align debt collection processes with the Consumer Credit Code.

This strategy is consistent with the prior year.

**(c) Liquidity risk analysis**

Liquidity risk is the risk that the company will not be able to pay their debts as and when they fall due. The company has borrowings and finance lease liability; and the directors ensure that the cash on hand is sufficient to meet the commitments of the company and group at all times.

Liquidity risk arises from the Group's management of working capital and the finance charges and principal repayments on its debt instruments. It is the risk that the Group will encounter difficulty in meeting its financial obligations as they fall due. This strategy is consistent with the prior year.

Liquidity risk includes the risk that, as a result of our operational liquidity requirements Money3:

- will not have sufficient funds to settle a transaction on the due date;
- will be forced to sell financial assets at a value which is less than what they are worth; and
- may be unable to settle or recover a financial asset at all.

# Notes to the financial statements for the year ended 30 June 2012

## 25. Financial instruments (cont'd)

To help reduce these risks, where possible Money3's strategy is to borrow long term and lend short term, maintain an overdraft facility and adequate cash reserves. The ratio of current borrowings to Current Debtors is considered to be low.

*Maturity of financial liabilities*

The Group holds the following financial instruments. Amounts presented below represent the future undiscounted principal and interest cash flows.

| 2012 | Consolidated | | | |
|---|---|---|---|---|
| | < 1 year | 1-5 years | > 5 years | Total |
| | $ | $ | $ | $ |
| **Financial Liabilities:** | | | | |
| Borrowings | 1,544,555 | - | - | 1,544,555 |
| Trade and other payables | 1,105,409 | 82,500 | - | 1,187,909 |
| Lease Liabilities | 45,914 | - | - | 45,914 |
| Total Financial Liabilities | 2,695,878 | 82,500 | - | 2,778,378 |

| 2011 | Consolidated | | | |
|---|---|---|---|---|
| | < 1 year | 1-5 years | > 5 years | Total |
| | $ | $ | $ | $ |
| **Financial Liabilities:** | | | | |
| Borrowings | 1,511,654 | - | - | 1,511,654 |
| Trade and other payables | 835,992 | 280,500 | - | 1,116,492 |
| Lease Liabilities | 9,404 | 42,945 | - | 52,349 |
| Total Financial Liabilities | 2,357,050 | 323,445 | - | 2,680,495 |

The above contractual maturities reflect the gross cash flows, which may differ to the carrying values of the liabilities at the balance date.

Also affecting liquidity are cash at bank and non interest bearing receivables and payables. Liquidity risk associated with these financial instruments is represented by the carrying amounts as shown above.

**d) Fair value estimation**

The carrying amount of financial assets and financial liabilities recorded in the financial statements approximates their net fair values.

The net fair values of financial assets and financial liabilities are determined as follows:

- the net fair value of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market prices; and
- the net fair value of other financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow theory.

The carrying value less impairment provision of trade receivables and payables is a reasonable approximation of their fair values due to the short-term nature of trade receivables. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments.

# Notes to the financial statements for the year ended 30 June 2012

## 26. Leases

### Operating leases

Operating leases relate to branch premises which have lease terms of up to 5 years with in some instances an unexercised option to extend for a further 5 years. All operating leases contain market rent review clauses when an option to renew is exercised.
Hire purchase commitments relate to the company's fleet of motor vehicles.

| | Consolidated 2012 $ | Consolidated 2011 $ |
|---|---|---|
| **Lease expenditure commitments** | | |
| *Operating leases (non-cancellable)* | | |
| Minimum lease payments | | |
| - not later than one year | 1,079,345 | 752,686 |
| - later than one year but not later than five years | 2,341,644 | 1,681,866 |
| - more than five years | 19,186 | 17,772 |
| Total minimum payments | 3,440,175 | 2,452,324 |
| **Hire purchase** | | |
| Hire Purchase commitments | | |
| - not later than one year | 47,186 | 15,267 |
| - later than one year but not later than five years | - | 45,914 |
| Total minimum payments | 47,186 | 61,181 |
| Hire purchase commitments relate to motor vehicle. | | |
| Future finance charges | (1,272) | (8,832) |
| Recognised as liability | 45,914 | 52,349 |
| Representing lease liabilities | | |
| Current (Note 16) | 45,914 | 9,404 |
| Non-Current(Note 16) | - | 42,945 |
| | 45,914 | 52,349 |

### Leases as Lessor

The consolidated entity leases out its rental assets under operating leases. The future minimum lease payments under non-cancellable operating leases are as follows:

| | Consolidated 2012 $ | Consolidated 2011 $ |
|---|---|---|
| Minimum lease payments | | |
| - not later than one year | 1,351,925 | - |
| - later than one year but not later than five years | 1,163,440 | - |
| Total minimum payments | 2,515,365 | - |

# Notes to the financial statements for the year ended 30 June 2012

## 27. Auditors remuneration

| | Consolidated 2012 $ | Consolidated 2011 $ |
|---|---|---|
| Amounts received or due and receivable by the auditors for: | | |
| Auditing or reviewing the financial reports | 103,500 | 98,500 |
| Related Practices<br>Auditing or reviewing the financial reports | - | 4,500 |
| Total remuneration of auditors | 103,500 | 103,000 |

## 28. Related party disclosures

*(a) Parent and ultimate controlling entity*

The parent and ultimate controlling entity is Money3 Corporation Limited which is incorporated and domiciled in Australia.

*(b) Key management personnels' remuneration*

The aggregate compensation of the key management personnel of the Group is set out below:

| | | |
|---|---|---|
| Short term employee benefits | 741,227 | 751,808 |
| Post employment benefits | 65,247 | 66,010 |
| Share based payments | 8,920 | 13,964 |
| Total | 815,394 | 831,782 |

*(c) Equity interests in controlled entities*

Details of the percentage of ordinary shares held in controlled entities are disclosed in Note 24 to the financial statements.

*(d) Loan disclosures*

The Company has an unsecured interest bearing loan of $100,000 (2011: $100,000) from Mr Geoffrey Baldwin, the father of Mr Scott Baldwin (executive director) and brother of Mr Christopher Baldwin (non-executive director). The Company has an unsecured interest bearing loan of $50,000 (2011: $50,000) from Brian Baldwin, the brother of Mr Scott Baldwin and nephew of Mr Christopher Baldwin. These loan transactions are made on normal commercial terms and conditions and at market rates. Interest is charged at a commercial rate.

There are no loans made by the disclosing entity or any of its subsidiaries to any key management personnel, including their personally related entities.

## 28. Related party disclosures (Cont'd)

*(e) Key management personnel equity holdings*

Details of key management personnel equity holdings of the Group, including their personally related parties are disclosed below. There were no shares granted during the reporting period as compensation.

| | Balance at 1 July 2011 | Granted as remuneration | On exercise of options | Net change other | Balance as at 30 June 2012 |
|---|---|---|---|---|---|
| Geoffrey Sam | 256,000 | - | - | 30,949 | 286,949 |
| Robert Bryant | 9,082,648 | - | - | 20,000 | 9,102,648 |
| Kang Hong Tan | 5,011,320 | - | - | 2,632 | 5,013,952 |
| Christopher Baldwin | 1,023,943 | - | - | 9,059 | 1,033,002 |
| Scott Baldwin | 1,525,599 | - | - | 83,185 | 1,608,784 |
| Bettina Evert | 146,135 | - | - | 9,829 | 155,964 |
| **Total** | **17,045,645** | **-** | **-** | **155,654** | **17,201,299** |

| | Balance at 1 July 2010 | Granted as remuneration | On exercise of options | Net change other | Balance as at 30 June 2011 |
|---|---|---|---|---|---|
| Geoffrey Sam | - | - | - | 256,000 | 256,000 |
| Robert Bryant | 8,812,448 | - | - | 270,200 | 9,082,648 |
| Kang Hong Tan | 4,732,114 | - | - | 279,206 | 5,011,320 |
| Christopher Baldwin | 818,519 | - | - | 205,424 | 1,023,943 |
| Scott Baldwin | 918,103 | - | - | 607,496 | 1,525,599 |
| Bettina Evert | 5,911 | - | - | 140,224 | 146,135 |
| **Total** | **15,287,095** | **-** | **-** | **1,951,046** | **17,045,645** |

# Notes to the financial statements for the year ended 30 June 2012

## 28. Related party disclosures (Cont'd)

*(f) Options holdings over ordinary shares in Money3 Corporation Limited held during the financial year by each director of Money3 Corporation Limited and key management personnel of the consolidated entity, including their personally related parties are set out below.*

| | Balance as at 1 July 2011 | Received as remuneration | Options exercised | Net change other(i) | Balance as at 30 June 2012 | Total exercisable and vested | Total options vested | Total options unvested |
|---|---|---|---|---|---|---|---|---|
| Scott Baldwin | 1,000,000 | - | - | (200,000) | 800,000 | - | - | 800,000 |
| **Total** | **1,000,000** | **-** | **-** | **(200,000)** | **800,000** | **-** | **-** | **800,000** |

| | Balance as at 1 July 2010 | Received as remuneration | Options exercised | Net change other | Balance as at 30 June 2011 | Total exercisable and vested | Total options vested | Total options unvested |
|---|---|---|---|---|---|---|---|---|
| Robert Bryant | 1,000,000 | - | - | (1,000,000) | - | - | - | - |
| Kang Hong Tan | 1,000,000 | - | - | (1,000,000) | - | - | - | - |
| Scott Baldwin | 1,000,000 | - | - | - | 1,000,000 | - | - | 1,000,000 |
| **Total** | **1,000,000** | **-** | **-** | **-** | **1,000,000** | **-** | **-** | **1,000,000** |

(i) These options expired on 31 December 2011 unexercised

*(g) Other transactions with key management personnel or their related entities*

The financial statements include the following items of expenses that resulted from transactions other than compensation or equity holdings with key management personnel or their related entities:

| | Consolidated 2012 $ | Consolidated 2011 $ |
|---|---|---|
| Interest paid to Geoffrey Baldwin | 12,019 | 12,000 |
| Interest paid to Brian Baldwin | 6,010 | 6,000 |
| Interest paid to Freethinker Pty Ltd | - | 3,304 |
| Interest paid to Vanessa Baldwin | - | 6,937 |
| Accounting and taxation fees paid to Brown Baldwin Melbourne Pty Ltd (*) | 16,430 | 31,349 |
| | 34,459 | 59,590 |

(*) Christopher Baldwin is a director of Brown Baldwin Melbourne Pty Ltd

Transactions between the consolidated entity and these parties are conducted on normal commercial terms.

# Notes to the financial statements
# for the year ended 30 June 2012

## 28. Related party disclosures (Cont'd)

*(h) Transactions with other related parties*

There are no other related party transactions

## 29. Parent entity financial information

**(a) Summary financial information**

The financial position and results of Money3 Corporation Ltd, the parent entity, are as follows:

### Statement of financial position

| | Company 2012 $ | Company 2011 $ |
|---|---|---|
| **Total current assets** | **5,831,339** | **7,523,065** |
| **Total assets** | **33,816,484** | **34,420,330** |
| **Total current liabilities** | **2,043,963** | **2,912,755** |
| **Total liabilities** | **2,248,528** | **3,321,453** |
| **Net assets** | **31,567,957** | **31,098,877** |
| **EQUITY** | | |
| Issued capital | 30,202,630 | 28,001,589 |
| Reserves | 26,285 | 28,265 |
| Retained earnings | 1,339,042 | 3,069,023 |
| **Total equity** | **31,567,957** | **31,098,877** |

### Statement of comprehensive income

| | Company 2012 $ | Company 2011 $ |
|---|---|---|
| **Profit for the period from continuing operations** | **86,968** | **2,852,254** |
| **Total comprehensive income** | **86,968** | **2,852,254** |

**(b) Guarantees entered into by the parent entity**

The parent entity has not entered into guarantees for any of its subsidiaries.

**(c) Contingent liabilities of the parent entity**

The parent entity has no contingent liabilities at the time of the report.

**(d) Contractual commitments by the parent entity**

The parent entity has no contractual commitments at the time of the report.

# Notes to the financial statements for the year ended 30 June 2012

## A. ASX ADDITIONAL INFORMATION

Additional information required by the Australian Stock Exchange and not shown elsewhere in this report is as follows. The information is current as at 29 August 2012.

**(a) Distribution of equity securities**

The number of shareholders, by size of holding, in each class of share are:

| **Distribution of Shareholdings** | **Ordinary Shares** | | **Unlisted Options** | |
|---|---|---|---|---|
| | Number of Holders | Number of Shares | Number of Holders | Number of Options |
| 100,001 and Over | 55 | 40,722,826 | 1 | 800,000 |
| 10,001 to 100,000 | 177 | 6,326,653 | - | - |
| 5,001 to 10,000 | 115 | 842,907 | - | - |
| 1,001 to 5,000 | 298 | 932,844 | - | - |
| 1 to 1,000 | 19 | 7,971 | - | - |
| Total | 664 | 48,833,201 | 1 | 800,000 |
| The number of shareholders holding less than a marketable parcel of shares are: | 21 | 10,221 | - | - |

**(b) Twenty largest holders of quoted shares are:**

| | **Listed Ordinary Shares** | |
|---|---|---|
| **Name of Holder** | **No. of Shares** | **% of Holding** |
| 1. Rocsange Pty Ltd <s superannuation fund> | 4,680,422 | 9.58% |
| 2. Platey Pty Ltd | 3,610,000 | 7.39% |
| 3. Picton Cove Pty Ltd | 3,150,568 | 6.45% |
| 4. Belstock Pty Ltd | 2,545,288 | 5.21% |
| 5. Rocsange Pty Ltd <s superannuation fund> | 2,197,726 | 4.50% |
| 6. Cranchi Pty Ltd | 2,000,000 | 4.10% |
| 7. CVC Limited | 1,745,264 | 3.57% |
| 8. Quickdou Pty Ltd | 1,701,360 | 3.48% |
| 9. Matooka Pty Ltd <Mako A/C> | 1,593,765 | 3.26% |
| 10. Hosking Financial Investments Pty Ltd <Hosking Investment A/C> | 1,495,655 | 3.06% |
| 11. Baldwin Brothers Investments Pty Ltd <Inspiration A/C> | 1,360,537 | 2.79% |
| 12. Mr Kang Hong Tan & Mrs Hwea Chong Tan <Tan Superannuation Fund A/C> | 1,295,320 | 2.65% |
| 13. Ninth Nell Pty Ltd | 800,622 | 1.64% |
| 14. Balmoor Pty Ltd | 736,827 | 1.51% |
| 15. Jagen Pty Ltd | 654,555 | 1.34% |
| 16. Mr Wayne Hosking & Miss Bernadette Williams <The Hosking Super Fund A/C> | 638,085 | 1.31% |
| 17. Veritas Holdings Pty Ltd | 622,250 | 1.27% |
| 18. Felsaero Pty :Limited | 568,861 | 1.16% |
| 19. Coolgleam Pty Ltd | 544,125 | 1.11% |
| 20. Bell Potter Nominees Ltd <BB Nominees A/C> | 540,541 | 1.11% |
| **Top twenty shareholders** | **32,481,771** | **66.52%** |
| **Total issued capital** | **48,833,201** | **100.00%** |

# Notes to the financial statements for the year ended 30 June 2012

### (c) Substantial shareholders

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

| | No. of Shares | % Held |
|---|---|---|
| Cranchi Pty Ltd | 6,878,148 | 14.08% |
| Platey Pty Ltd | 3,610,000 | 7.39% |
| Picton Cove Pty Ltd | 3,150,568 | 6.45% |
| Belstock Pty Ltd | 2,545,288 | 5.21% |

### (d) Voting rights

The company only has ordinary shares on issue.

Each ordinary share is entitled to one vote when a poll is called, otherwise each member present at a meeting or by proxy has one vote on a show of hands.

### (e) Option holders information

The Company has issued (or may issue in the future) Options over unissued capital. The Company has a total of 800,000 (2011: 1,000,000) options on issue as follows:

*Director Options*

The Company has not issue any options during the year (2011: nil options) to the Directors (or their nominees) ("Director Options").

| | Issue Date | Options Granted | Exercise Price | Expiry Date | Vesting Date |
|---|---|---|---|---|---|
| **Scott Baldwin** | 27November 2009 | 200,000 | $0.60 | 31 December 2012 | 31 December 2011 |
| **Scott Baldwin** | 27 November 2009 | 200,000 | $0.70 | 31 December 2013 | 31 December 2012 |
| **Scott Baldwin** | 27 November 2009 | 200,000 | $0.85 | 31 December 2014 | 31 December 2013 |
| **Scott Baldwin** | 27 November 2009 | 200,000 | $1.00 | 31 December 2015 | 31 December 2014 |

- the options vest in full when an event occurs which give rise to a change in control of the Company.
- if the Company after having granted these options restructure its issued share capital, ASX Listing Rules will apply to the number of Shares issued to the option holder on exercise of an option.
- options will not be listed on ASX but application will be made for quotation of the shares resulting from the exercise of the options.
- on issue of the resulting shares, they will rank equally with ordinary shares on issue at that time.

### (f) On-market buy-back

There is no current on-market buy-back of the Company's securities

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