

money3

Annual Report 2017



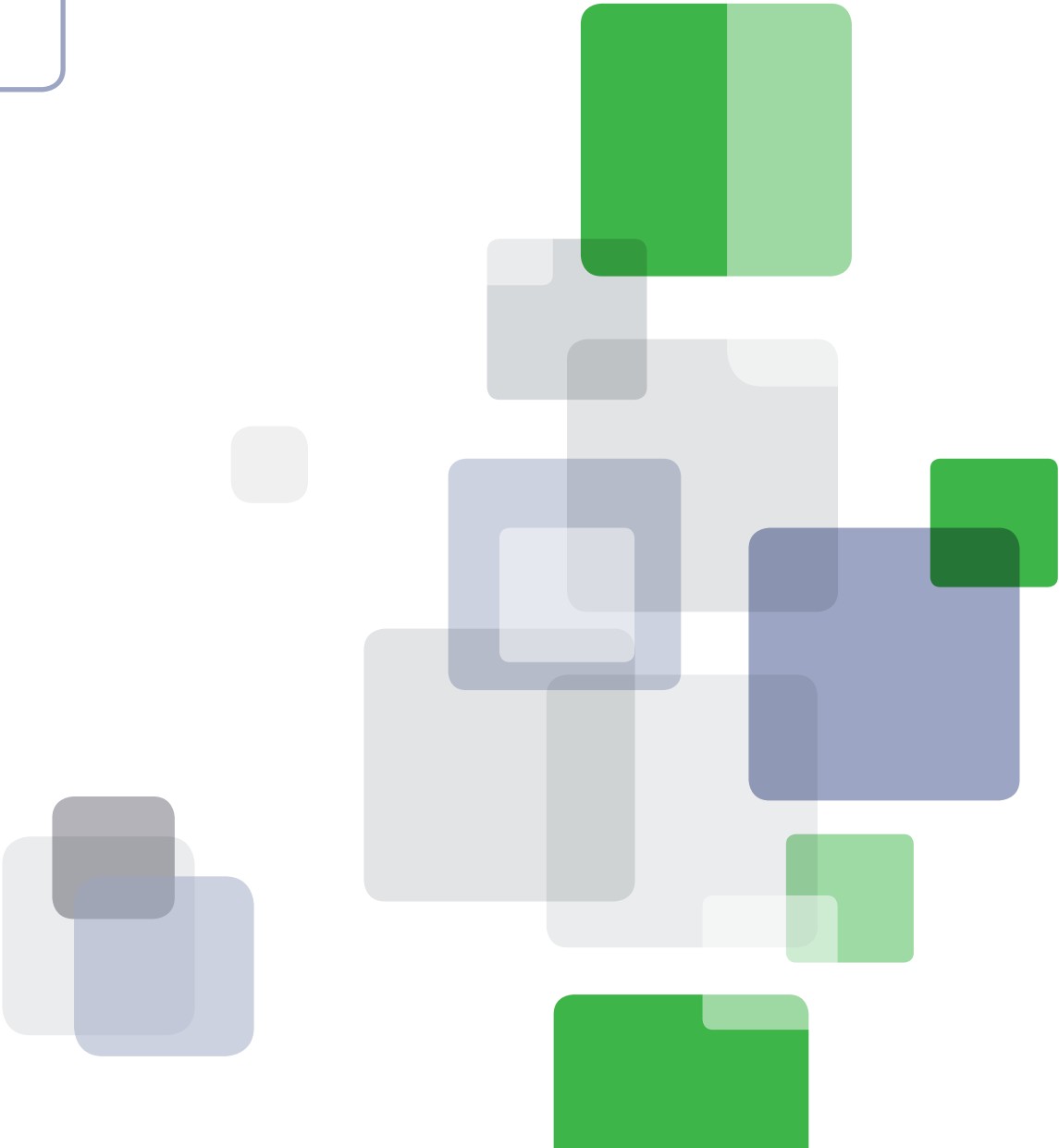
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About Money3

Money3 is a national credit provider committed to servicing the needs of customers who cannot access funding from traditional lenders.

Money3 has a range of product offerings, brands and distribution channels to reach its customer base.



Products

Money3 offers a range of products to service the needs of its customer base:

- Secured automotive loans from \$2,000 – \$35,000 over periods up to 60 months
- Unsecured personal loans above \$2,000 for terms up to 24 months (larger amount longer term loans)
- Unsecured personal loans under \$2,000 for terms under 12 months, known as Small Amount Credit Contracts (SACC's)

Brands

Money3 has a range of brands that distribute its products, each of which has traditionally had a different distribution channel focus:

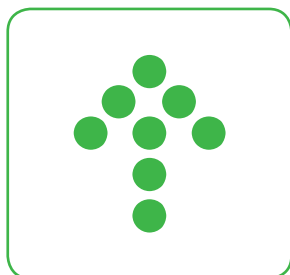
- Money3 – provides secured automotive loans, larger amount longer term loans and SACCs through the Broker, Branch and Online distribution channels
- Cash Train – provides SACCs through the Online distribution channel

Distribution Channels

Money3 goes to market via a number of different distribution channels that provide options and flexibility for its customers to access product offerings in the way that best suits them:

- The Broker channel receives secured automotive leads from over 150 accredited brokers throughout Australia
- The Branch network services customers who like to deal with someone face to face, or who require access to cash loans on the spot
- The Online channel services customers who prefer to make applications at a time and place that suits them, and who are digitally savvy

FY17 Key Highlights



44.5%

Increase in NPAT to \$29.1m above guidance of \$27.5m

43.4%

Increase in EBITDA driven by stronger performance across all divisions

21.5%

Increase in Broker lending revenue

13.4%

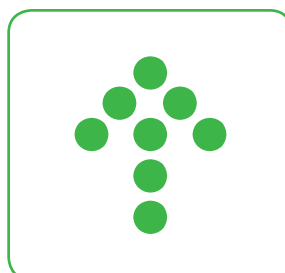
Increase in total revenue to \$109.6m

Gross Loan Book increased

**37.4%
to
\$273.2m**

Final dividend declared of 3.15 cents full franked, taking full year dividend to

**5.65
cents**



Chairman & Managing Director's Report



A handwritten signature in black ink that reads "Ray Malone".

Ray Malone

Non-Executive Chairman
Money3 Corporation
Limited
29 September 2017



A handwritten signature in black ink that reads "Scott Baldwin".

Scott Baldwin

Managing Director
Money3 Corporation
Limited
29 September 2017

On behalf of the board of directors of Money3 Corporation Limited (Money3), it is our pleasure to present the Annual Report for the financial year ended 30 June 2017 (FY17).

Pleasingly, Money3 continued to execute our strategy of expanding our footprint in the secured automotive lending sector through the year while continuing to consolidate our branch network.

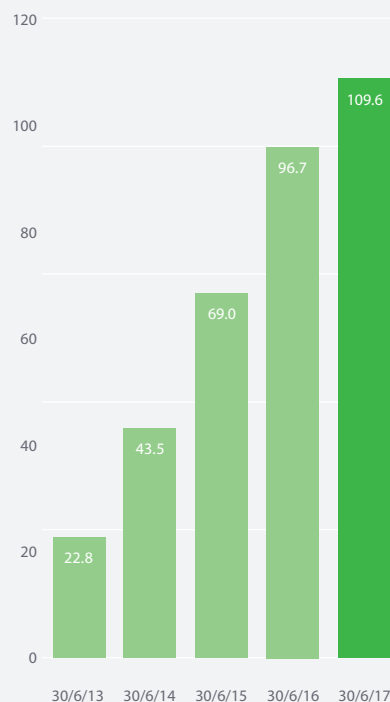
We continue to be delighted with the ongoing commitment our people show serving our customers, which is demonstrated through our continued growth in all our loan products in FY17.

Chairman & Managing Director's Report

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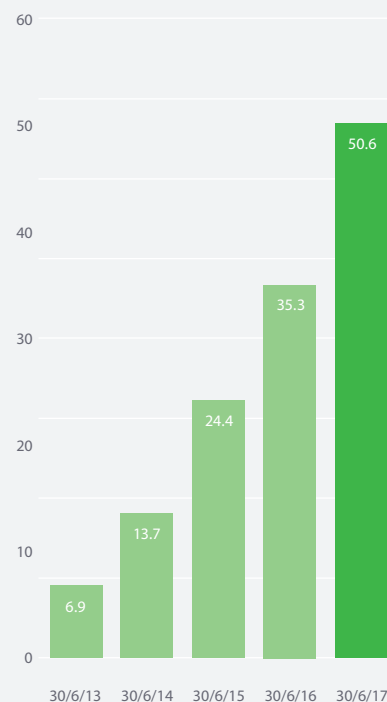
🌱 **13.4%**

**FY17 Revenue
(\$m)**



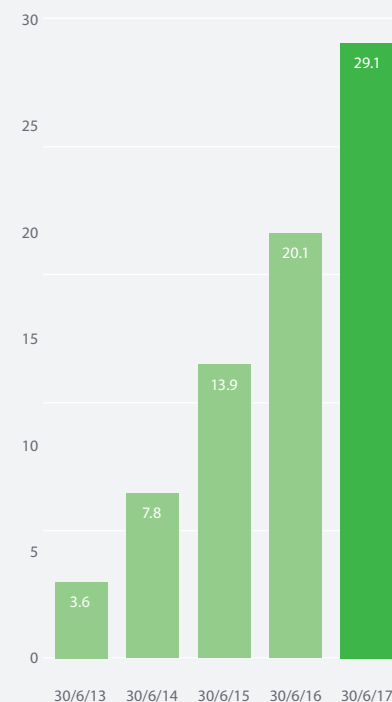
🌱 **43.4%**

**FY17 EBITDA
(\$m)**



🌱 **44.5%**

**FY17 NPAT
(\$m)**



Financial Results

We delivered another strong year of growth, and an outstanding financial result. Revenues were up 13.4% from \$96.7 million to \$109.6 million, with all divisions contributing to top line growth. Expenses have been controlled and sustainable cost savings programs have been implemented across the business which have contributed to the material Earnings Before Interest, Tax, Depreciation and Amortisation (“EBITDA”) improvements. This, combined with continued strong growth in secured automotive loans delivered an exceptional EBITDA increase of 43.4% to \$50.6 million, up from \$35.3 million, and NPAT increased 44.5% to \$29.1 million, up from \$20.1 million.

Within the Gross Loan Book, secured automotive loans have grown 40.9% to \$213.9 million and now represent 78.3% of the total Gross Loans Receivable, compared to 76.3% at the end of FY16, larger amount longer term unsecured loans represents 11.0% of total Gross Loans Receivable, compared to 9.2% at the end of FY16, and

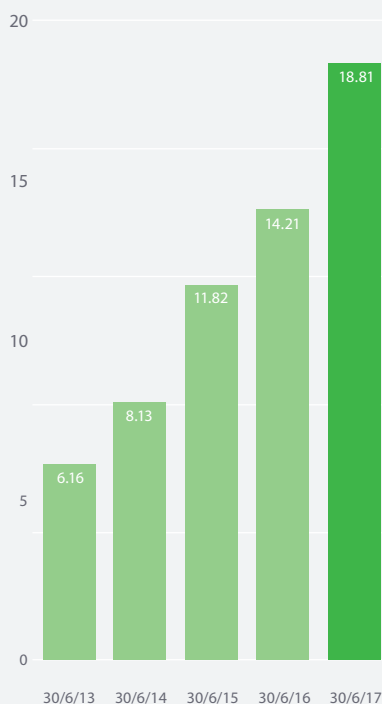
Small Amount Credit Contract (“SACC”) loans represent 13.0% of total Gross Loans Receivable, compared to 14.5% at the end of FY16. We expect to see SACC’s continue to decline as a percentage of the overall Gross Loans Receivable.

Regulations

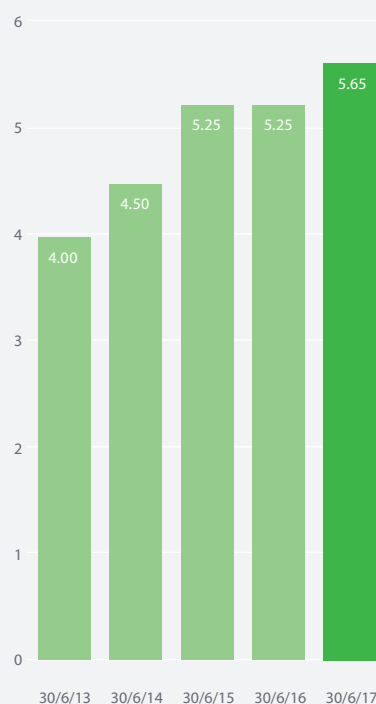
Money3 is aware the government has proposed regulatory changes for Small Amount Credit Contracts and the commissions payable to finance brokers that may influence operations. We have considered the relevant regulations and reviews and find many have little to impact on the operations of Money3. We have, where necessary made adjustments to the operations to ensure these changes if introduced have immaterial impact to our financial results.

32.4%

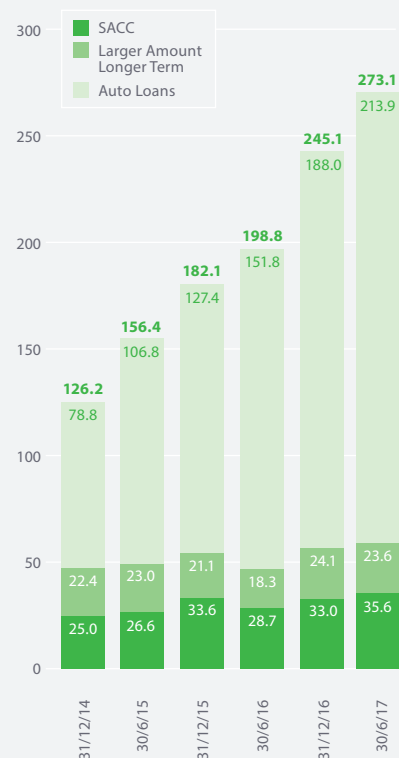
**FY17 EPS (Basic)
(cents)**



**FY17 DPS
(cents)**



**Gross Loan Book
(\$m)**



Dividends

The Directors of the company have declared a final dividend of 3.15 cents per share fully franked, payable on the 27 October 2017 to those shareholders on the register at the close of business on the 6 October 2017. The final dividend payable of 3.15 cents per share brings the full year dividend to 5.65 cents per share, fully franked, an increase of 7.6% on the prior year.

Outlook

We will continue to drive further growth in the secured automotive loan book with further penetration into broker relationships and leveraging repeat customers, whilst diligently maintaining cost savings that have been identified and implemented across the business. Training, compliance and collections activity will continue to be a focus to reinforce Money3's market leading position.

The Directors are pleased to provide FY18 full year guidance for NPAT of \$29-30 million, resulting from the early adoption of new accounting standards AASB 9 and AASB 15.

Conclusion

On behalf of the Board of Money3, we would like to thank our staff and management for their outstanding customer service and commitment to our vision.

Finally, we would like to thank you, our shareholders, for your continued support as we execute the company's growth strategy. We are excited by the outlook for the business and look forward to continuing to grow shareholder value.

Financial Report

for the year ended 30 June 2017

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Corporate Governance Statement

The statement outlining Money3 Corporation Limited's corporate governance framework and practices in the form of a report against the Australian Securities Exchange Corporate Governance Principles and Recommendations, 3rd Edition, will be available on the Money3 website, www.money3.com.au, under Corporate Governance in the Investors tab in accordance with listing rule 4.10.3 when the 2017 Annual Report is lodged.

Directors' Report

The Board of Directors ("the Board") of Money3 Corporation Limited ("Money3" or "the Company") present the annual financial report on the consolidated entity, consisting of Money3 Corporation Limited and its subsidiaries ("the Group") for the year ended 30 June 2017. In order to comply with the provisions of the *Corporations Act 2001*, the Directors report as follows:

Directors' Details

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

Ray Malone

- Non-Executive Chairman

Ray is currently CEO and Executive Chairman of AMA Group Limited ("AMA") and having delivered outstanding shareholder value at AMA over the last 8 years, brings this significant strategic experience and track record to Money3.

Other Current Non-Executive Directorships: Executive Chairman of AMA Group Limited since 19 March 2015 (Director since 23 January 2009).

Kang Tan ACA (UK) FIPA (Aust)

- Non-Executive Director
- Member of the Remuneration Committee
- Member of the Audit Committee

Kang has been a member of the Institute of Chartered Accountants in England and Wales since 1983 and a fellow of the Institute of Public Accountants in Australia since 1998. Kang spent ten years as an Accountant with La Trobe University Union. Before coming to Australia, in Malaysia Kang was the Group Financial Controller of Tanming Corporation Berhad for four years. Kang established his first small cash loan branch in Glenroy, Victoria in August 2000. Kang held an ownership interest in four of the Money3 trading companies prior to being acquired by Money3.

Other Current Non-Executive Directorships: Nil.

Leath Nicholson B.Ec (Hons) LLB (Hons) LLM (Commercial Law)

- Non-Executive Director
- Chairman of the Remuneration Committee
- Member of the Audit Committee

Leath brings broad commercial and legal experience to Money3, specifically in the area of mergers and acquisitions and corporate governance. He has practised extensively in the consumer credit regulatory sector and has provided legal advice to Money3 in relation to both its corporate and consumer credit obligations since 2010. Leath was a Corporate Partner at a leading national law firm, gaining experience with a breadth of ASX listed entities, before co-founding Foster Nicholson Jones in 2008.

Other Current Non-Executive Directorships: AMA Group Limited since 23 December 2015 and CCP Technologies Limited (ASX:CT1) as non-executive Chairman since 14 October 2016.

Directors' Report

continued

Stuart Robertson B.Com ACA FFINSIA GAICD MBA

- Non-Executive Director
- Chairman of the Audit Committee

Stuart's background includes broad experience in business advisory, investment banking, alternative investments and funds management, in addition to extensive experience in the consumer finance sector. Stuart currently provides consulting services focused on deal origination and structuring primarily in the unlisted market. Stuart has held senior roles at BT Funds Management, KBC Investments Limited and Zurich Financial Services in Australia, London and New York. He is a qualified Chartered Accountant, a Fellow of the Financial Services Institute of Australasia (FINSIA) and graduate of the Australian Institute of Company Directors. In addition, he holds a Masters of Business Administration from the Macquarie Graduate School of Management.

Other Current Non-Executive Directorships: Ellerston Global Investments Limited since 24 July 2014 and Ellerston Asian Investments Limited since 25 June 2015. Stuart was appointed to the board of Praemium Limited (ASX:PPS) on 12 May 2017.

Scott Baldwin B.Eng. (Hons) MBA GAICD

- Managing Director
- Member of the Remuneration Committee (non-voting)

Joining Money3 in 2008 as the Chief Operating Officer, Scott has a wealth of experience in sales, marketing and technology. Appointed to the board in 2009, Scott established and led the growth of the secured vehicle financing division at Money3. Prior to joining Money3, Scott spent over a decade in a variety of senior roles with General Electric Healthcare, from Sales & Service across Asia to leading infrastructure projects and working on the Asian Mergers and Acquisitions team.

Other Current Directorships: Nil.

Former Directors' Details

Vaughan Webber B.Ec. (Resigned on 6 October 2016)

- Non-Executive Director (until 6 October 2016)
- Chairman of the Audit Committee (until 6 October 2016)

Vaughan is an experienced finance professional with a background in chartered accounting at a major international accounting firm and since 2000 in corporate finance servicing Australian capital markets. Vaughan has also developed extensive experience as a public company director.

Company Secretary's Details

Brett Coventry B.Acc. CPA MBA

- Chief Financial Officer and Joint Company Secretary (appointed on 16 January 2017)

Joining Money3 in January 2017 as Chief Financial Officer and Joint Company Secretary, Brett is an experienced CPA and governance professional with nearly two decades of senior finance experience across high growth FMCG and technology spaces. His most recent experience was in senior finance and commercial roles at ASX listed Catapult Group International Limited (CAT) as CFO, responsible for listing CAT on the ASX. Brett has significant experience in financial management, capital raising, acquisitions, commercial operations and governance.

Terri Bakos B.Acc. ACA ACIS

- Company Secretary (appointed on 31 October 2016)

Joining Money3 in October 2016 as Company Secretary, Terri has over 20 years' experience providing company secretarial, financial accounting and compliance services to ASX listed and unlisted public companies in the technology, mining and biotech sectors.

Former Company Secretary's Details

Jennifer Martin B.Acc. ACA (Resigned on 2 December 2016)

- Chief Financial Officer

Joining Money3 in December 2015 as Chief Financial Officer, Jenny is an experienced Chartered Accountant with over 17 years' experience with a demonstrated track record of success working with dynamic and growing businesses. Jenny has extensive public company experience, having held the position of Group Financial Controller at both Southern Cross Media Group Limited and SMS Management & Technology Limited and Company Secretary for various periods. Until 2 December 2016, Jenny was CFO and Company Secretary of Money3 Limited.

Principal Activities

The principal activities of the Group during the financial year were the provision of financial services specialising in the delivery of secured and unsecured personal loans.

There has been no significant change in the principal activities during the financial year.

Results of Operations

Money3 is delighted to announce full year results for the year ended 30 June 2017 and confirms its record Net Profit After Tax ("NPAT") of \$29.1 million exceeded its prior profit guidance of \$27.5 million.

Money3's transformational journey from a short term unsecured lender to a scalable diversified financial services company focusing on short and medium term loans, both secured and unsecured, has continued throughout the year.

Money3 is now a key provider of vehicle finance to consumers looking to fund the purchase of a preowned car in Australia and with the continual growth in the market and Money3's small relative share it is expected there is still significant growth opportunity in this sector along with the provision of larger amount longer term unsecured personal loans.

Group Results

Headline achievements for the Group include:

- 21.5% increase in Broker lending Revenue to \$56.0 million
- 13.4% increase in total Revenue to \$109.6 million
- 43.4% increase in EBITDA to \$50.6 million
- 44.5% increase in NPAT to \$29.1 million
- 37.4% increase in Gross Loans Receivable to \$273.2 million
- Additional \$30 million debt facility to accelerate growth during the financial year
- Final FY17 dividend of 3.15 cents fully franked, taking full year dividend to 5.65 cents fully franked

In FY17, Money3 delivered a solid financial result. Revenues were up 13.4% from \$96.7 million to \$109.6 million, with all divisions contributing to top line growth. Strong focus on cost controls drove significant improvements in Earnings Before Interest, Tax, Depreciation and Amortisation ("EBITDA"), increasing 43.4% to \$50.6 million, up from \$35.3 million, and NPAT increased 44.5% to \$29.1 million, up from \$20.1 million.

The key financial operating results of the Group are outlined in the table below:

	30 Jun 17 \$'000	30 Jun 16 \$'000	% Change
Total revenue	109,638	96,661	13.4
EBITDA	50,576	35,281	43.4
NPAT	29,086	20,134	44.5
Gross loans receivable	273,188	198,844	37.4
Net loans receivable	241,737	176,075	37.3

Directors' Report

continued

Broker Division

The Broker Division of Money3 consists of unsecured and secured asset (mainly automotive) financing between \$2,000 and \$35,000 over periods up to 60 months. All financing under the Broker Division is provided under a Medium Amount Credit Contract ("MACC") or an All Other Credit ("AOC") Contract, in accordance with the *National Consumer Credit Protection Act 2009*.

Money3 has over 150 accredited independent broker relationships across Australia, which provides approximately 75% of settled loans, in addition to receiving leads from the Branch Division, Online enquires and repeat customers.

The key financial operating results for the Broker division are outlined in the table below:

	30 Jun 17 \$'000	30 Jun 16 \$'000	% Change
Total revenue	56,022	46,099	21.5
EBITDA (pre Corporate overheads)	34,650	31,448	10.2
Gross loans receivable	213,861	151,808	40.9
Net loans receivable	195,234	139,062	40.4

The Broker Division continued to deliver sound revenue and EBITDA growth. Revenue for the year increased 21.5% to \$56.0 million, driven by a 31.5% increase in number of loans written during the year. This growth in loans written provides a strong platform for future financial periods underwriting future revenue streams. Gross Loans Receivable has increased to \$213.9 million, up 40.9% from \$151.8 million.

EBITDA increased by 10.2% to \$34.7 million, and as a percentage of revenue EBITDA continues to improve, leveraging scale.

Throughout FY17 there was a thorough review of corporate expenditure which saw many corporate overheads moved under the Broker division to better align costs with their revenue generation units. This in part explains greater revenue growth over EBITDA in FY17.

Branch Division

The Branch Division consists of 53 physical branches located across Australia and provides cash loans to customers ranging from \$100 to \$8,000, mainly on an unsecured basis. Financing under the Branch Division is provided under either a Small Amount Credit Contract ("SACC"), Medium Amount Credit Contract ("MACC") or an All Other Credit ("AOC") Contract, in accordance with the *National Consumer Credit Protection Act 2009*.

The key financial operating results for the Branch division are outlined in the table below:

	30 Jun 17 \$'000	30 Jun 16 \$'000	% Change
Total revenue	35,127	31,121	12.9
EBITDA (pre Corporate overheads)	14,832	10,386	42.8
Gross loans receivable	41,447	33,352	24.3
Net loans receivable	32,239	25,781	25.1

It has been a year of consolidation for the Branch Division. Revenue grew 12.9% to \$35.1 million, which is a pleasing result in a competitive, mature market.

We are seeing the benefits of consolidation of branches and continued focus on costs reductions, EBITDA materially improved by 42.8% on the prior year. The Branch network has continued to work tirelessly to ensure a smooth transition for customers and to encourage as many customers as possible to transition to new branch locations and remain a customer of Money3. All branches made positive EBITDA contributions in FY17.

The Branch Division continues to diversify its product mix and as at 30 June 2017 the Gross Loans Receivable now comprise 58.0% of larger amount longer term loans, compared to 53.1% at 30 June 2016.

Online Division

Cash Train provides cash loans to customers ranging from \$200 to \$8,000, mainly on an unsecured basis. Financing under the Online Division is provided under either a Small Amount Credit Contract ("SACC"), Medium Amount Credit Contract ("MACC") or an All Other Credit ("AOC") Contract, in accordance with the *National Consumer Credit Protection Act 2009*.

The key financial operating results for the Online division are outlined in the table below:

	30 Jun 17 \$'000	30 Jun 16 \$'000	% Change
Total revenue	18,655	17,309	7.8
EBITDA (pre Corporate overheads)	5,286	3,327	58.9
Gross loans receivable	17,824	13,682	30.3
Net loans receivable	14,208	11,230	26.5

FY17 saw continued growth in the Online division with the growth driven out of the Cash Train business in Perth, but more importantly the focus on cost controls throughout the business saw material EBITDA growth. This included relocation to a smaller office during the year. The division delivered revenue growth of 7.8% and EBITDA growth of 58.9% to \$5.3 million.

Advertising costs have been the biggest focus on the cost program and the results demonstrate the business has identified a number of ways to increase repeat customers, brand loyalty and reduce search costs which flowed directly to the Online business EBITDA.

The transition from Cash Train's legacy loan system to the Money3 lending platform, was completed in the first quarter of FY17 and this allows Cash Train to offer a more expansive product offering and for debt servicing to be completed as part of the broader Money3 collections process.

Financial Position

In March 2017, Money3 renewed and increased its debts facility to \$50 million to accelerate the growth of the secured loan book. Cash reserves at 30 June 2017 were \$21.1 million, gross debt was \$79.5 million, and net debt was \$58.4 million, compared to 30 June 2016 where cash reserves were \$27.1 million, gross debt was \$48.6 million and net debt was \$21.5 million. The business remains conservatively geared and it is expected that future growth of the receivables book will come from debt and not equity funding.

Strategic Update

The Broker Division will continue to drive further penetration into broker relationships and leverage greater levels of repeat customers to improve EBITDA performance. Diversification of lead source will also continue to be a focus.

The Branch Division has introduced new product offerings to continue to meet customer needs, whilst focussing on cost control. Training, compliance and collections activity will be ramped up to further reinforce Money3's position as a market leader.

The Online Division will introduce new product offerings after transitioning to the new lending platform. Advertising and marketing activities are being reinvigorated to encourage repeat customers, brand loyalty and diversification of leads.

Material Risks

Key strategic risks facing the business include the following:

Risk that the business cannot refinance debt facilities when they expire

Money3 to date has been conservatively geared and has been using a mixture of debt and equity to fund growth. In the event that debt facilities could not be refinanced, lending could be reduced to allow cash receipts to repay debt facilities, a capital raising could be undertaken, or the dividend reduced or eliminated.

Risk that part of the business is subject to an adverse regulatory change or regulatory review

With increased attention from the media, advocate groups and Environmental and Social Governance (ESG) policies, all financiers including Money3 are coming under increased scrutiny from the regulators. Money3 has a diversified range of product offerings that means that it is not reliant on any one product. Lending practices are continually monitored and reviewed, and the business has adopted a Lending Charter that goes beyond existing regulatory requirements.

Directors' Report

continued

Risk that there is a downturn in the economy and collections reduce

There is a risk that the economic cycle may result in cash collections slowing and an increase in bad debts. As the business is dealing with customers that are credit impaired, the business is adept at helping customers to manage their repayment obligations around life's challenges. Money3 knows that it is important to help customers on their journey to financial and social inclusion, and that means being flexible when the customer needs it. Money3's collection practices are built around this premise.

A downturn in the economy could also provide further lending opportunities to Money3 as credit practices of larger financial institutions tighten.

Dividends

Type	Cents per Share	Total Amount	Date of Payment
Final 2016 Ordinary	2.50	\$3,880,227	28 October 2016
Interim 2017 Ordinary	2.50	\$3,881,830	15 May 2017

Since the end of the financial year the Directors have declared the payment of a final 2017 ordinary dividend of 3.15 cents per fully paid share. Based on the current number of shares on issue, the dividend payment is expected to be \$4.9 million. This dividend will be paid on 27 October 2017 by the Company.

The Board advises that the dividend payout ratio guidance will continue to be 30-50% of underlying NPAT to balance shareholder returns in the form of dividends versus capital growth through reinvestment of profit into the loan book.

Significant Changes in State of Affairs

In the opinion of the Directors, there were no significant changes in the state of affairs of the Group that occurred during the year under review.

Significant Matters Subsequent to the Reporting Date

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

Likely Developments and Expected Results of Operations

The likely developments in the Group's operations, to the extent that such matters can be commented upon, are covered in the Results of Operations on pages 9 to 12 of this Financial Report.

Indemnification and Insurance of Directors and Officers

The Company has indemnified the Directors and Executives of the company for costs incurred, in their capacity as a Director or Executive, for which they may be held personally liable, except where there is a lack of good faith.

During the financial year, the Company paid a premium in respect of a contract to insure the Directors and Executives of the Company against a liability to the extent permitted by the *Corporations Act 2001*. The contract of insurance prohibits disclosure of the nature of liability and the amount of the premium.

Non-Audit Services

There were no non-audit services provided by the auditor during the 2017 or 2016 financial years.

Environmental Regulation

The operations of the Group are not subject to any significant environmental regulations under Australian Commonwealth, State or Territory law. The Directors are not aware of any breaches of any environmental regulations.

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 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*.

Share Options

As at the date of this report, there were 26,990,000 options to acquire ordinary shares of Money3 Corporation Limited (2016: 24,800,000). Share options were granted to the Managing Director and Directors totalling 5,000,000 during the financial year.

Details of unissued ordinary shares in the Company under option at the date of this report are:

Issuing entity	Type	No. of shares under option	Exercise Price \$	Expiry Date
Money3 Corporation Ltd	Bond Options	14,940,000	1.296056	16 May 2018
Money3 Corporation Ltd	Employee Options	500,000	0.996056	21 October 2018
Money3 Corporation Ltd	Directors Options	3,000,000	1.496056	30 November 2018
Money3 Corporation Ltd	Employee Options	1,000,000	1.496056	30 November 2018
Money3 Corporation Ltd	Employee Options	500,000	1.496056	20 October 2019
Money3 Corporation Ltd	Employee Options	2,050,000	1.696056	14 April 2020
Money3 Corporation Ltd	Directors Options	5,000,000	1.50000	23 November 2021

* On exercise, options convert into one ordinary share of Money3 Corporation Limited. The options carry neither rights to dividends nor voting rights.

Shares Issued as a Result of the Exercise of Options

During the year, Scott Baldwin exercised 1,000,000 options converting to 1,000,000 ordinary shares at \$0.496056. In addition, Craig Harris exercised a total of 1,000,000 options converting to 1,000,000 ordinary shares at \$0.496056 and other employees exercised 550,000 options converting to 550,000 shares at \$0.496056. There were 300,000 employee options forfeited during the year.

Directors' Report

continued

Meetings of Directors

The number of meetings of the Board and of other Committee meetings held during the year ended 30 June 2017 and the numbers of meetings attended by each Director were:

Director	Board		Audit Committee		Remuneration Committee	
	Held	Attended	Held	Attended	Held	Attended
Ray Malone	9	9	*	*	*	*
Vaughan Webber [^]	2	2	2	2	*	*
Kang Tan	9	9	3	3	2	2
Leath Nicholson	9	9	1	1	2	2
Stuart Robertson	9	9	3	3	*	*
Scott Baldwin	9	9	*	*	2	2

* Not a member of the relevant committee during the year

[^] Resigned during the year

Remuneration Report

The information provided in this Remuneration Report has been audited as required by section 308(3C) of the *Corporations Act 2001*.

Key Management Personnel Disclosed in This Report

The Key Management Personnel (“KMP”) covered in this Remuneration Report are those people having authority and responsibility for planning, directing and controlling the activities of the Group, directly or indirectly. The table below outlines the KMP at any time during the financial year and unless otherwise indicated, were KMP for the entire year.

Name	Role
Non-Executive Directors (“NED”)	
Ray Malone	Non-Executive Chairman
Vaughan Webber	Non-Executive Director (resigned 6 October 2016)
Kang Tan	Non-Executive Director
Leath Nicholson	Non-Executive Director
Stuart Robertson	Non-Executive Director
Executive Directors	
Scott Baldwin	Managing Director
Executives	
Jennifer Martin	Chief Financial Officer and Company Secretary (resigned 2 December 2016)
Brett Coventry	Chief Financial Officer and Company Secretary (appointed 16 January 2017)
Craig Harris	General Manager – Broker Division
Michael Rudd	General Manager – Branch and Online Divisions
Rob Camilleri	Chief Information Officer (appointed 9 January 2017)
Michael Kanizay	Chief Information Officer (resigned 16 December 2016)

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, Managing Director (MD) 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 NED, MD and senior management remuneration is separate and distinct.

Remuneration Report

continued

NED 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 calibre.

The Constitution and the ASX Listing Rules specify that the aggregate remuneration of NED's shall be determined from time to time by a general meeting. An amount not exceeding the amount determined is then divided between the NED as agreed. The current approved aggregate remuneration is \$500,000 (2016: \$500,000).

Senior Management and MD Remuneration

The Company aims to reward executives with a level and mix of remuneration commensurate with their position and responsibilities 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 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.

Variable Remuneration – 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 to provide sufficient incentive to the senior manager to achieve the operational targets and such that the cost to the Company is reasonable. The individual performance of each executive is also rated and considered 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.

Variable Remuneration – 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. In the 2017 financial year, 5,000,000 options were granted (2016: Nil) to the MD and directors, which were approved at the AGM in November 2016. Shares of 176,211 were issued to key executives during the year with a further 1,276,957 to be granted. At the previous AGM held on 30 November 2015, a new Employee Equity Plan ("EEP") was approved. Expenses have been recognised for relevant executive KMP to receive some form of LTI remuneration the exact amounts are listed in the Details of Remuneration table on the following page.

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. The MD and Chief Financial Officer (“CFO”) letters of appointment contain specified LTI entitlements. Other executives letters of appointment do not contain specified LTI entitlements and are rolling with no fixed term. Key terms of these letters of appointment are outlined below:

Name	Type of agreement	Base salary including superannuation	STI (on target)	Termination notice period
Scott Baldwin	Permanent	\$375,000	\$187,500	6 months either party
Brett Coventry	Permanent	\$265,000	\$79,500	3 months either party
Craig Harris	Permanent	\$264,990	\$79,497	3 months either party
Michael Rudd	Permanent	\$210,000	\$63,000	1 month either party
Rob Camilleri	Permanent	\$210,000	\$30,000	1 month either party

Relationship Between Remuneration Policy and Company Performance

All Executive Directors and KMP receive a base salary, superannuation and fringe benefits.

In considering the Group’s performance and creation of 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, Earnings per Share (“EPS”) and KMP remuneration at the end of each year.

Financial performance from continuing operations for the past five years is indicated by the following table:

	30 June 2017	30 June 2016	30 June 2015	30 June 2014	30 June 2013
Revenue (\$’000)	109,638	96,661	69,035	43,508	22,787
NPAT (\$’000)	29,086	20,134	13,941	7,832	3,648
Closing share price	\$1.28	\$1.20	\$1.14	\$1.08	\$0.79
Price increase/(decrease) \$	\$0.08	\$0.06	\$0.06	\$0.29	\$0.41
Price increase/(decrease) %	7%	5%	6%	37%	108%
Earnings per share	18.82 cents	14.21 cents	11.82 cents	8.13 cents	6.16 cents
Dividend paid per share	5.65 cents	5.25 cents	5.25 cents	4.50 cents	4.00 cents
Total KMP remuneration (\$’000)	2,966	2,450	1,704	1,132	784

Remuneration Report

continued

Details of Remuneration

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

	Short term employee benefits			Post-employment benefits	Long term benefits			Share Based Payments \$	Total \$
	Salary & fees \$	Bonus \$	Annual leave \$	Super \$	Long service leave \$	Termination \$			
2017									
NED's									
Ray Malone [^]	-	-	-	-	-	-	123,611	123,611	
Vaughan Webber	21,471	-	-	2,040	-	-	-	23,511	
Kang Tan	60,000	-	-	5,700	-	-	-	65,700	
Leath Nicholson	70,000	-	-	6,650	-	-	74,167	150,817	
Stuart Robertson	67,500	-	-	6,413	-	-	59,333	133,246	
NED's Total	218,971	-	-	20,803	-	-	257,111	496,885	
Scott Baldwin	336,115	145,096	24,021	30,000	4,280	-	247,611	787,123	
Jennifer Martin	105,925	22,500	10,537	8,908	-	21,864	-	169,734	
Brett Coventry	94,733	-	7,804	9,325	-	-	90,093	201,955	
Craig Harris	226,613	58,080	18,543	30,000	4,999	-	171,688	509,923	
Michael Rudd	185,880	46,027	13,391	18,217	2,632	-	327,502	593,649	
Michael Kanizay	71,846	8,742	4,308	7,846	-	19,497	-	112,239	
Rob Camilleri	80,787	-	6,214	7,675	-	-	-	94,676	
Executives Total	1,101,899	280,445	84,818	111,971	11,911	41,361	836,894	2,469,299	
Total	1,320,870	280,445	84,818	132,774	11,911	41,361	1,094,005	2,966,184	
2016									
NED's									
Ray Malone [^]	-	-	-	-	-	-	-	-	
Vaughan Webber	81,667	-	-	7,758	-	-	-	89,425	
Kang Tan	65,833	-	-	6,254	-	-	-	72,087	
Leath Nicholson	29,167	-	-	2,771	-	-	-	31,938	
Stuart Robertson	25,000	-	-	2,375	-	-	-	27,375	
Bettina Evert	36,653	-	-	3,482	-	-	-	40,135	
Miles Hampton	42,268	-	-	3,723	-	-	-	45,991	
NED's Total	280,588	-	-	26,363	-	-	-	306,951	
Scott Baldwin	331,819	150,000	44,606	24,592	27,821	-	91,083	669,921	
Jennifer Martin	134,930	22,500	10,375	10,655	68	-	30,000	208,528	
Craig Harris	225,585	63,598	20,263	29,403	10,221	-	89,283	438,353	
Michael Rudd	186,619	50,400	16,304	21,918	453	-	62,718	338,412	
Michael Kanizay	157,723	-	12,589	15,207	72	-	7,270	192,861	
Robert Bryant	19,461	-	1,497	5,631	-	265,735	2,973	295,297	
Executives Total	1,056,137	286,498	105,634	107,406	38,635	265,735	283,327	2,143,372	
Total	1,336,725	286,498	105,634	133,769	38,635	265,735	283,327	2,450,323	

* A number of KMP did not hold their roles for the full financial year. Remuneration is only disclosed for the time they were KMP.

[^] Ray Malone agreed with the Company not to receive a salary for the financial year.

The following table shows for the Executive remuneration received in each of the years, the relevant percentages for fixed remuneration, STI and LTI:

	Fixed Remuneration		At risk –STI		At risk –LTI	
	2017	2016	2017	2016	2017	2016
Scott Baldwin	51%	64%	18%	22%	31%	14%
Brett Coventry	65%	n/a	n/a	n/a	45%	n/a
Craig Harris	55%	65%	11%	15%	34%	20%
Michael Rudd	37%	66%	8%	15%	55%	19%
Rob Camilleri	100%	n/a	n/a	n/a	n/a	n/a

The following table outlines the percentage of target STI achieved (and forfeited) and the total STI awarded, for each Executive KMP for 2017:

	STI On Target Opportunity \$	Achieved %	Forfeited %	STI Awarded \$
Scott Baldwin	\$187,500	100%	0%	\$187,500
Brett Coventry	\$39,750	100%	0%	\$39,750
Craig Harris	\$79,497	100%	0%	\$79,497
Michael Rudd	\$63,000	100%	0%	\$63,000
Rob Camilleri	\$30,000	100%	0%	\$30,000

Loans with KMP

There are currently no loans with KMP.

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.

As the options vest over time, the cost is expensed in accordance with AASB2 over the vesting period. In the 2017 financial year, the expense for KMP was \$1,094,005 (2016: \$283,327).

During the year, Scott Baldwin and Craig Harris exercised 1,000,000 options each converting to 1,000,000 ordinary shares at \$0.496056 each.

Inputs into the determination of the fair value of options issued to the KMP are set out below:

	Employee – Expire 21/10/2018	Employee – Expire 30/11/2018	Director – Expire 30/11/2018	Employee – Expire 20/10/2019	Employee – Expire 14/04/2020	Employee/ Director – Expire 23/11/2021
Exercise price	\$0.996056	\$1.496056	\$1.496056	\$1.496056	\$1.696056	\$1.50
Grant date	21/10/2013	30/11/2013	30/11/2013	20/10/2014	15/04/2015	28/11/2016
Expiry date	21/10/2018	30/11/2018	30/11/2018	20/10/2019	14/04/2020	23/11/2021
Share price at grant date	\$1.05	\$1.00	\$1.00	\$1.20	\$1.52	\$1.69
Expected volatility	32%	32%	32%	31%	31%	37%
Expected dividend yield	4.25%	4.25%	4.25%	3.5%	3.5%	3.33%
Risk free rate	3.4%	3.4%	3.4%	1.84%	1.84%	2.125%

Remuneration Report

continued

Share Based Compensation

The following table discloses terms and conditions of each grant of options provided as compensation, as well as details of options exercised during the year:

Name	Issue Date	Options Granted	Exercise Price	Expiry Date	Vesting Date	Value of options exercised during year \$	Maximum total value of issue yet to vest or exercise \$
Scott Baldwin	16 Nov 2012	1,000,000	\$0.496056	16 Nov 2017	16 Nov 2015	(47,000)	–
Craig Harris	30 Sep 2012	1,000,000	\$0.496056	30 Sep 2017	30 Sep 2015	(47,000)	–
Craig Harris	21 Oct 2013	500,000	\$0.996056	21 Oct 2018	21 Oct 2016	–	109,500
Craig Harris	30 Nov 2013	1,000,000	\$1.496056	30 Nov 2018	30 Nov 2016	–	74,000
Scott Baldwin	30 Nov 2013	1,000,000	\$1.496056	30 Nov 2018	30 Nov 2016	–	74,000
Michael Rudd	20 Oct 2014	500,000	\$1.496056	20 Oct 2019	21 Oct 2017	–	7,250
Michael Rudd	15 April 2015	200,000	\$1.696056	14 April 2020	14 April 2018	–	11,511
Michael Kanizay	15 April 2015	100,000	\$1.696056	14 April 2020	14 April 2018	–	13,025
Scott Baldwin	24 Nov 2016	2,400,000	\$1.50	23 Nov 2021	24 Nov 2019	–	1,068,000
Ray Malone	24 Nov 2016	1,250,000	\$1.50	23 Nov 2021	24 Nov 2019	–	556,250
Leath Nicholson	24 Nov 2016	750,000	\$1.50	23 Nov 2021	24 Nov 2019	–	333,750
Stuart Robertson	24 Nov 2016	600,000	\$1.50	23 Nov 2021	24 Nov 2019	–	267,000

* Michael Kanizay was permitted to keep all options on issue to him following termination of his employment.

The options will vest if an event occurs which gives rise to a change in control of the Company.

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 requirements of the particular allocation.

The following table discloses restricted shares issued as compensation during the year:

Name	Issue Date	Restricted Shares Granted	Issue Price	Expiry Date	Vesting	Value of Shares Granted \$
Michael Rudd	07-Oct-16	176,211	\$0.00	30-Jun-20	44,052 Annually	267,054

Restricted shares are issued for a four year period, with 44,052 being released annually based on specific performance criteria.

The restricted shares have been valued by reference to the underlying value of ordinary Money3 shares, adjusted for the impact of the vesting conditions, including the rights to dividends, where appropriate.

Restricted shares have rights including entitlement to dividends and voting.

At the company's 2016 Annual General Meeting, Money3 Corporation Limited received more than 93% of 'yes' votes on its remuneration report for the 2016 financial year.

KMP Equity Holdings

Details of KMP equity holdings of the Group, including their personally related parties are disclosed below.

Name	Balance at 1 July 2016	On exercise of options	Net change other*	Balance as at 30 June 2017
Ray Malone	4,468,054	–	938,367	5,406,421
Vaughan Webber **	45,389	–	N/A	N/A
Kang Tan	5,384,590	–	770	5,385,360
Leath Nicholson	93,727	–	–	93,727
Stuart Robertson	112,313	–	2,079	114,392
Scott Baldwin	2,837,395	1,000,000	20,211	3,857,606
Brett Coventry	–	–	50,370	50,370
Craig Harris	381,948	1,000,000	25,406	1,407,354
Michael Rudd	507,876	–	176,211	684,087
Michael Kanizay**	25,717	–	N/A	N/A
Total	13,857,009	2,000,000	1,213,414	16,999,317

* Net change other refers to the shares purchased, sold, or issued under the Dividend Reinvestment Plan ("DRP"). This amount may also include a Director or employee's initial shareholding prior to becoming KMP.

** Ceased to be KMPs during the year hence balance not applicable.

Options Over Ordinary Shares in the Company held by KMP

Name	Balance as at 1 July 2016	Options exercised	Options granted	Balance as at 30 June 2017	Total exercisable and vested	Total options unvested
Scott Baldwin	2,000,000	(1,000,000)	2,400,000	3,400,000	1,000,000	2,400,000
Craig Harris	2,500,000	(1,000,000)	–	1,500,000	1,500,000	–
Michael Rudd	700,000	–	–	700,000	–	700,000
Michael Kanizay*	100,000	–	–	100,000	–	100,000
Ray Malone	–	–	1,250,000	1,250,000	–	1,250,000
Leath Nicholson	–	–	750,000	750,000	–	750,000
Stuart Robertson	–	–	600,000	600,000	–	600,000
Total	5,300,000	(2,000,000)	5,000,000	8,300,000	2,500,000	5,800,000

* Michael Kanizay was permitted to keep all options on issue to him following termination of his employment

Remuneration Report

continued

Restricted Shares Granted to KMP

Name	Grant Date	Restricted Shares Granted	Issue Price	Expiry Date	Vesting Date	Value of Restricted Shares Granted
Craig Harris **	01/07/2016	484,373	\$1.03	30/06/2021	30/06/2020	\$600,623
Michael Rudd **	01/07/2016	484,373	\$1.03	30/06/2021	30/06/2020	\$600,623
Brett Coventry**	01/07/2016	290,624	\$1.03	30/06/2021	30/06/2020	\$360,374
Michael Rudd*	01/07/2016	193,798	\$1.03	30/06/2021	30/06/2020	\$267,054
Total		1,453,168				\$1,828,672

** The above restricted shares are yet to be issued and subject to approval by the Board and not included in KMP holdings detailed above.

* Michael Rudd's shares were initially 176,211 the variance of 17,587 shares are also yet to be issued and subject to approval by the Board.

The restricted shares have been valued by reference to the underlying value of ordinary Money3 shares, adjusted for the impact of the vesting conditions, including the rights to dividends, where appropriate.

Restricted shares have rights including entitlement to dividends and voting.

End of Remuneration Report (Audited)

Auditor's Independence Declaration

The auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 23 of the financial report.

Signed in accordance with a resolution of the Directors.

On behalf of the Directors



Ray Malone
Chairman
Melbourne

Dated 31 August 2017

Auditor's Independence Declaration



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Australia

DECLARATION OF INDEPENDENCE BY DAVID GARVEY TO THE DIRECTORS OF MONEY3 CORPORATION LIMITED

As lead auditor of Money3 Corporation Limited for the year ended 30 June 2017, I declare that, to the best of my knowledge and belief, there have been:

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

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

David Garvey
Partner

BDO East Coast Partnership

Melbourne, 31 August 2017

BDO East Coast Partnership ABN 83 236 985 726 is a member of a national association of independent entities which are all members of BDO Australia Ltd ABN 77 050 110 275, an Australian company limited by guarantee. BDO East Coast Partnership and BDO Australia Ltd are members of BDO International Ltd, a UK company limited by guarantee, and form part of the International BDO network of independent member firms. Liability limited by a scheme approved under Professional Standards Legislation, other than for the acts or omissions of financial services licensees.

Directors' Declaration

The Directors of Money3 Corporation Limited declare that:

1. in the Directors' opinion, the financial statements, accompanying notes and the Remuneration Report in the Directors' Report set out on pages 15 to 22, are in accordance with the *Corporations Act 2001*, including:
 - (a) giving a true and fair view of the consolidated entity's financial position as at 30 June 2017 and of its performance, for the financial year ended on that date; and
 - (b) complying with Australian Accounting Standards (including the Australian Accounting Interpretations), *Corporations Regulations 2001* and other mandatory professional reporting requirements;
2. the financial report also complies with International Financial Reporting Standards issued by the International Accounting Standards Board (IASB) as disclosed in Note 1; and
3. 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 Managing Director and Chief Financial Officer for the financial year ended 30 June 2017.

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

On behalf of the Directors



Ray Malone
Chairman
Melbourne

Dated 31 August 2017

Statement of Profit or Loss and Other Comprehensive Income

for the year ended 30 June 2017

	Note	Consolidated 2017 \$'000	Consolidated 2016 \$'000
Revenue from continuing operations	3	109,638	96,661
Expenses from operating activities:			
Bad debt expense (net of recoveries)		12,320	12,927
Movement in provision for doubtful debt expense		4,994	4,864
Bank fees and credit checks		2,373	2,495
Employee related expenses		27,116	24,488
Professional fees		1,636	2,361
Occupancy expenses		3,332	4,756
Technology expenses		2,605	3,244
Advertising expenses		4,119	5,518
Administration expenses		567	727
Net finance costs		7,280	4,570
Depreciation and amortisation		1,022	1,315
Total Expenses		67,364	67,265
Profit before income tax from continuing operations		42,274	29,396
Income tax expense	4	(13,188)	(9,262)
Profit after income tax from continuing operations		29,086	20,134
Total comprehensive income net of tax		29,086	20,134
Profit attributable to:			
Owners of Money3 Corporation Limited		29,086	20,134
Total comprehensive income attributable to:			
Owners of Money3 Corporation Limited		29,086	20,134
Basic earnings per share (cents)	15	18.81	14.21
Diluted earnings per share (cents)	15	18.45	12.08

The statement of profit or loss and other comprehensive income is to be read in conjunction with the attached notes.

Statement of Financial Position

as at 30 June 2017

	Note	Consolidated 2017 \$'000	Consolidated 2016 \$'000
ASSETS			
Current assets			
Cash and cash equivalents	5	21,106	27,183
Loans and other receivables	6	157,702	103,685
Other assets		460	196
Total current assets		179,268	131,064
Non-current assets			
Loans and other receivables	6	67,358	60,707
Other assets		438	526
Property, plant & equipment	7	2,222	2,006
Intangible assets	8	19,175	19,676
Deferred tax assets	4	6,240	4,389
Total non-current assets		95,433	87,304
Total assets		274,701	218,368
LIABILITIES			
Current liabilities			
Trade and other payables	9	5,799	5,182
Borrowings	11	29,572	–
Current tax payable		5,346	6,107
Provisions	10	1,766	1,689
Total current liabilities		42,483	12,978
Non-current liabilities			
Borrowings	11	49,939	48,633
Provisions	10	220	240
Total non-current liabilities		50,159	48,873
Total liabilities		92,642	61,851
Net assets		182,059	156,517
EQUITY			
Issued capital	12	125,761	123,590
Reserves	13	4,816	2,769
Retained earnings		51,482	30,158
Total equity		182,059	156,517

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 2017

Consolidated

	Issued Capital \$'000	Retained Earnings \$'000	Reserves \$'000	Total \$'000
Total equity at 1 July 2015	102,181	17,756	2,791	122,728
Profit after income tax expense for the year	–	20,134	–	20,134
Total comprehensive income for the year	–	20,134	–	20,134
Transactions with owners in their capacity as owners:				
Issue of shares	19,516	–	–	19,516
Transaction costs arising from share issue	(840)	–	–	(840)
Deferred tax asset due to transaction costs arising from share issue	238	–	–	238
Employee share schemes – value of employee's service	–	–	508	508
Options exercised	400	–	–	400
Tax effect Bond Options Issued	–	–	(530)	(530)
Dividend paid	2,095*	(7,732)	–	(5,637)
Closing balance as at 30 June 2016	123,590	30,158	2,769	156,517
Total equity at 1 July 2016	123,590	30,158	2,769	156,517
Profit after income tax expense for the year	–	29,086	–	29,086
Total comprehensive income for the year	–	29,086	–	29,086
Transactions with owners in their capacity as owners:				
Transaction costs arising from share issue	(3)	–	–	(3)
Deferred tax asset due to transaction costs arising from share issue	–	–	–	–
Employee share schemes – value of employee's service	1,265	–	2,047	3,312
Options exercised	77	–	–	77
Dividend paid	832*	(7,762)	–	(6,930)
Closing balance as at 30 June 2017	125,761	51,482	4,816	182,059

* Shares issued to shareholders that elected to participate in the DRP.

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 2017

	Note	Consolidated 2017 \$'000	Consolidated 2016 \$'000
Cash flows from operating activities			
Net fees and charges from customers		106,000	83,734
Payments to suppliers and employees (GST Inclusive)		(39,360)	(42,162)
Interest received		227	210
Finance costs		(6,494)	(3,740)
Income tax paid		(15,723)	(9,874)
Net cash used in operating activities before changes in operating assets		44,650	28,168
Net funds advanced to customers for loans		(74,389)	(38,999)
Net cash used in operating activities	16	(29,739)	(10,831)
Cash flows from investing activities			
Payment for property, plant and equipment		(755)	(345)
Proceeds from disposal of property, plant and equipment		18	-
Payments for purchase of business		-	(27)
Net cash used in investing activities		(737)	(372)
Cash flows from financing activities			
Proceeds from share issue		1,339	19,078
Proceeds from borrowings		29,989	20,000
Repayment of borrowings		-	(7,473)
Dividends paid		(6,930)	(5,637)
Net cash provided by financing activities		24,398	25,968
Net (decrease)/increase in cash held		(6,077)	14,765
Cash and cash equivalents at the beginning of the year		27,183	12,418
Cash and cash equivalents at end of the year	5	21,106	27,183

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

Notes to the Financial Statements

for the year ended 30 June 2017

Introduction

The financial report covers Money3 Corporation Limited (“Money3” or “the Company”) and its controlled entities (“the Group”). 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. The presentation currency and functional currency of the Group is Australian dollars and amounts are rounded to the nearest thousand dollars, unless otherwise indicated.

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

1. Summary of Significant Accounting Policies

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. Where necessary, comparative figures have been adjusted to conform to changes in presentation in the current year.

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.

Principles of consolidation

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of the Group as at 30 June 2017 and the results of all subsidiaries for the year then ended.

Subsidiaries are all those entities over which the Company has control. The Company controls an entity when the consolidated entity is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

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

The acquisition of subsidiaries is accounted for using the acquisition method of accounting. A change in ownership interest, without the loss of control, is accounted for as an equity transaction, where the difference between the consideration transferred and the book value of the share of the non-controlling interest acquired is recognised directly in equity attributable to the parent.

Rounding of amounts

The Group and the Company are of a kind referred to in ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191, issued by the Australian Securities and Investments Commission, relating to the “rounding off” of amounts in the financial report. Amounts in the financial report have been rounded off in accordance with that Instrument to the nearest thousand dollars, unless otherwise indicated.

Notes to the Financial Statements

continued

1. Summary of Significant Accounting Policies (continued)

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.

Judgements and estimates which are material to the financial report are found in the following notes:

Note 3	Revenue	Page 31
Note 6	Loans and other receivables	Page 34
Note 8	Intangible assets	Page 37

Notes to the financial statements

The notes to the financial statements have been restructured to make the financial report more relevant and readable, with a focus on information that is material to the operations, financial position and performance of the Group. Additional information has also been included where it is important for understanding the Group's performance.

Notes relating to individual line items in the financial statements now include accounting policy information where it is considered relevant to an understanding of these items, as well as information about critical accounting estimates and judgements. Details of the impact of new accounting policies and all other accounting policy information are disclosed at the end of the financial report in note 25.

2. Segment Information

The Group has identified its operating segments on the basis of internal reports and components of Money3 that are regularly reviewed by the chief operating decision makers in order to allocate resources to the segments and to assess their performances.

Broker

This segment provides lending facilities based on the provision of an underlying asset as security, generally referred through a broker.

Branch

This segment provides services and lending facilities generally without the provision of an underlying asset as security through the branch network.

Online

This segment provides lending facilities without the provision of an underlying asset as security through the internet.

Segment profit earned by each segment represents earnings without the allocation of central administration costs and directors' salaries, interest income and expense in relation to corporate facilities, bad debt collection and income tax expense. This is the measure reported to the MD for the purpose of resource allocation and assessment of segment performance. The unallocated assets include various corporate assets held at a corporate level that have not been allocated to the underlying segments.

Consolidated – 2017	Broker \$'000	Branch \$'000	Online \$'000	Unallocated \$'000	Total \$'000
Segment revenue	56,022	35,127	18,655	(165)	109,638
EBITDA/Segment result	34,650	14,832	5,286	(4,192)	50,576
Depreciation and amortisation	(148)	(239)	(517)	(117)	(1,022)
Net finance costs	1	(12)	2	(7,272)	(7,280)
Profit before tax	34,503	14,581	4,771	(11,581)	42,274
Income tax expense	–	–	–	–	(13,188)
Profit after tax	–	–	–	–	29,086
Net loans receivable	195,916	31,557	14,208	56	241,737

Corporate expenditure has been reviewed throughout the year and with a view to better aligning costs to business units, which means approximately \$2.4 million, \$1.6 million and \$0.3 million were able to be allocated to Broker, Branch and Online respectively, which in prior years had been captured in unallocated corporate expenses.

Consolidated – 2016	Broker \$'000	Branch \$'000	Online \$'000	Unallocated \$'000	Total \$'000
Segment revenue	46,099	33,121	17,309	132	96,661
EBITDA/Segment result	31,448	10,386	3,327	(9,880)	35,281
Depreciation and amortisation	(41)	(398)	(579)	(297)	(1,315)
Net finance costs	5	13	3	(4,590)	(4,570)
Profit before tax	31,412	10,001	2,751	(14,767)	29,396
Income tax expense	–	–	–	–	(9,262)
Profit after tax	–	–	–	–	20,134
Net loans receivable	139,062	25,781	11,230	2	176,075

3. Revenue

	Consolidated 2017 \$'000	Consolidated 2016 \$'000
Revenue from operating activities		
Loan fees and charges	108,934	95,478
Cheque cashing fees	693	878
Other	11	305
Total revenue from operating activities	109,638	96,661

Key Estimate

The deferring of loan fees and charges assumes that the loan will be repaid in line with the repayments already received. This key estimate is regularly reviewed and it is unlikely any change in the estimate will have a material impact.

Notes to the Financial Statements

continued

3. Revenue (continued)

Recognition and Measurement

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

Loan fees and charges includes interest on loan products, application and credit fees, and other period fees including arrears, default and variation fees. Revenue associated with loans such as application and credit fees are deferred and recognised over the life of the loans using the effective interest rate method over the loan period. Interest revenue in relation to personal loans is accrued on a time basis by reference to the principal outstanding and at the effective interest rate applicable. Some fees such as arrears, variations and default fees are recognised as they are charged and not recognised using the effective interest method.

Cheque Cashing Fees

Revenue is recognised when the service is performed and there are no unfulfilled service obligations that will restrict the entitlement to receive the consideration.

4. Income Tax

	Consolidated 2017 \$'000	Consolidated 2016 \$'000
Income tax expense		
Current tax	15,231	11,717
Deferred tax	(1,923)	(1,482)
Prior year adjustments	(120)	–
Deferred tax posted directly to equity and intangibles	–	(973)
	13,188	9,262
Reconciliation of income tax expense to prima facie tax payable		
Profit from continuing operations before income tax expense	42,274	29,396
Tax at the Australian tax rate of 30%	12,682	8,819
Tax effect of amounts which are not deductible/(taxable) in calculating taxable income		
Share based payments	614	152
Other (deductible expenses)/(non-assessable income)/non-deductible expenses	12	(4)
Adjustments recognised in the current year in relation to tax of prior years	(120)	–
Adjustments recognised in the current year in relation to deferred tax of prior years	–	295
	13,188	9,262
Deferred tax balance comprises temporary differences attributable to:		
Provisions and accruals	6,417	4,609
Other	(177)	(220)
Net balance disclosed as deferred tax assets	6,240	4,389

Recognition and Measurement

Current 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

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

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

Tax Consolidation

On 1 July 2010 Money3 Corporation Limited ("the head entity") and its wholly-owned Australian controlled entities formed a 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 equals 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.

5. Cash and cash equivalents

	Consolidated 2017 \$'000	Consolidated 2016 \$'000
Cash in hand and safe	566	551
Petty Cash	4	8
Cash at Bank and on call	15,536	25,868
Term Deposit*	5,000	756
Total cash and cash equivalents	21,106	27,183

* The effective interest rate on term deposits was 2.1% (2016: 1.25%-2.13%); these deposits have an average maturity of 3 months. The deposits on call (11am) have an effective interest rate of 1.6% (2016: 1.85%).

Recognition and Measurement

Cash and cash equivalents include cash on hand, and safe, deposits available on demand with banks, other short-term highly liquid investments with original maturities of three months or less.

Notes to the Financial Statements

continued

6. Loans and Other Receivables

	Consolidated 2017 \$'000	Consolidated 2016 \$'000
Current loans and other receivables	157,702	103,685
Non-current loans and other receivables	67,358	60,707
Total loans and other receivables	225,060	164,392
Gross loans and other receivables	273,188	198,844
Deferred revenue	(31,451)	(22,769)
Net loans and other receivables	241,737	176,075
Allowance for impairment losses	(16,677)	(11,683)
Total loans and other receivables	225,060	164,392

Key Estimate

There is a key estimate that the recognition of income and the allowance for impairment will be in line with the repayment history of loans. These key estimates are regularly reviewed.

Recognition and Measurement

Loans and other receivables are non-derivative financial assets, with fixed and determinable payments that are not quoted in an active market. Loans and other receivables are initially recognised at fair value, including direct transaction costs and are subsequently measured at amortised cost using the effective interest method.

Loans and other receivables are due for settlement at various times in line with the terms of their contracts.

Loans and other receivables have been aged according to their original due date in the below ageing analysis. The carrying value of loan receivables after allowance for impairment losses is considered a reasonable approximation of fair value.

Collectability of receivables is reviewed on an ongoing basis and an allowance for impairment losses 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. The following basis has been used to assess the allowance for impairment losses required for loans:

- 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 a weekly basis to assess past due items to determine recoverability.

An allowance has been made for estimated irrecoverable loans amounts arising from the past provision of services, determined by reference to past default experience. During the current financial year, the allowance for impairment losses increased by \$5.0 million (2016: increased by \$4.9 million) for the Group. These amounts relate mainly to customers experiencing financial hardships. This movement was recognised in the profit or loss. During the year, the Group's bad net debt expense decreased by \$0.6 million (2016: increased by \$5.7 million). The Group actively reviews loans receivable 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. Security is generally taken for loans above \$2,000 and is originated in the Broker Division and is secured by collateral of approximately \$130.1 million (2016: \$122.2 million). The total fair value of securities held for certain loans receivable 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 19 for more information on the risk management policy of the Group and the credit quality of the entity's loans and other receivables. The following table provides an analysis of past due receivables:

Consolidated	2017			2016		
	Net \$'000	Allowance \$'000	Total \$'000	Net \$'000	Allowance \$'000	Total \$'000
The ageing of the receivables past due is:						
Up to 1 month	160,341	(3,078)	157,263	116,078	(946)	115,132
1 to 3 months	63,409	(6,118)	57,291	29,653	(3,418)	26,235
3 to 6 months	9,242	(2,452)	6,790	18,752	(4,075)	14,677
More than 6 months	8,745	(5,029)	3,716	11,592	(3,244)	8,348
Total	241,737	(16,677)	225,060	176,075	(11,683)	164,392

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

	Consolidated 2017 \$'000	Consolidated 2016 \$'000
Opening balance	11,683	6,819
Additional provisions	17,314	17,791
Receivables written off as uncollectible	(12,320)	(12,927)
Closing balance	16,677	11,683

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

Notes to the Financial Statements

continued

7. Property, Plant and Equipment

Year ended 30 June 2017	Motor vehicles \$'000	Rental Assets \$'000	Leasehold Improvements \$'000	Furniture, Equipment and Fittings \$'000	Total \$'000
Gross carrying amount					
Balance at 1 July 2016	92	422	2,941	3,267	6,722
Additions	–	–	319	436	755
Disposals	(30)	–	–	–	(30)
Balance at 30 June 2017	62	422	3,260	3,703	7,447
Accumulated depreciation					
Balance at 1 July 2016	65	422	1,750	2,479	4,716
Depreciation expense	2	–	269	251	522
Disposals	(13)	–	–	–	(13)
Balance at 30 June 2017	54	422	2,019	2,730	5,225
Net carrying amount at 30 June 2017	8	–	1,241	973	2,222
Year ended 30 June 2016					
Year ended 30 June 2016	Motor vehicles \$'000	Rental Assets \$'000	Leasehold Improvements \$'000	Furniture, Equipment and Fittings \$'000	Total \$'000
Gross carrying amount					
Balance at 1 July 2015	130	422	2,692	3,160	6,404
Additions	–	–	249	107	356
Disposals	(38)	–	–	–	(38)
Balance at 30 June 2016	92	422	2,941	3,267	6,722
Accumulated depreciation					
Balance at 1 July 2015	84	422	1,318	2,009	3,833
Depreciation expense	7	–	432	470	909
Disposals	(26)	–	–	–	(26)
Balance at 30 June 2016	65	422	1,750	2,479	4,716
Net carrying amount at 30 June 2016	27	–	1,191	788	2,006

Recognition and Measurement

Property, Plant and Equipment at Cost

Property, plant and equipment is recorded at cost less accumulated depreciation and cumulative impairment charges. Cost includes those costs directly attributable to bringing the assets into the location and working condition necessary for the asset to be capable of operating in the manner intended by management. Additions, renewals and improvements are capitalised, while maintenance and repairs are expensed.

The carrying values of property, plant and equipment are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amounts may not be recoverable. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Depreciation

Depreciation on assets is calculated on a diminishing value basis to write off the cost of the asset over its estimated useful life.

Estimates of remaining useful life are made on a regular basis for all assets, with annual reassessments for major items. The expected useful life of plant and equipment is as follows:

Leasehold improvements	2 – 10 years
Furniture, equipment and fittings	5 – 10 years

8. Intangible Assets

	Consolidated 2017 \$'000	Consolidated 2016 \$'000
Goodwill allocated to:		
Broker	10,295	10,295
Branch	5,068	5,068
Online	2,717	2,717
	18,080	18,080
Customer lists	1,596	2,265
Less accumulated amortisation	(501)	(669)
	1,095	1,596
Net carrying amount at end of year	19,175	19,676

Reconciliation of the fair values at the beginning and end of the current financial year are set out below:

	Goodwill \$'000	Customer lists \$'000	Total \$'000
Balance at 1 July 2016	18,080	1,596	19,676
Amortisation expense	–	(501)	(501)
Balance at 30 June 2017	18,080	1,095	19,175

Key Estimate and Judgement

Goodwill is tested annually as to whether it has suffered impairment. The recoverable amounts of Cash Generating Units ("CGU's") have been determined based on value in use calculations. These calculations require the use of assumptions.

Notes to the Financial Statements

continued

8. Intangible Assets (continued)

Recognition and Measurement

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.

Customer Lists

The customer lists acquired in the business combination are amortised on a straight line basis over the period of their expected benefit, being their estimated life of 5 years.

Impairment

Goodwill is allocated for impairment testing purposes to three CGU's, being Broker, Branch and Online operations. The recoverable amount of the CGU is based on a number of key assumptions as detailed below.

Goodwill Impairment Tests and Key Assumptions Used

The Group tests at least annually whether goodwill and intangible assets with indefinite useful lives have suffered any impairment, and when there is an indication of impairment. The tests incorporate assumptions regarding future events which may or may not occur, resulting in the need for future revisions of estimates. There are also judgements involved in determination of CGU's.

The recoverable amount of Broker, Branch and Online was determined based on a value in use discounted cash flow ("DCF") model. The value in use calculations use cash flow projections based on the 2018 financial budgets extended over the subsequent four year period ("Forecast Period") and applies a terminal value calculation using estimated growth rates approved by the Board for the business relevant to each CGU.

The following are the key assumptions used in testing the recoverable value of goodwill:

	Broker	Branch	Online
2018 Budget revenue growth	14%	0%	0%
2018 Budget expense growth/(reduction)	(1%)	(3%)	(15%)
Terminal value => 5 years	3.0%	3.0%	3.0%
Revenue growth rate > 1 year	5%	3%	10%
Expense growth rate > 1 year	3-5%	3-4%	3-10%
Pre-tax discount rate applied to cash flow	15.72%	14.70%	15.95%
Recoverable amount (\$'000)	\$272,231	\$98,387	\$41,140

The Directors concluded that, based on these assumptions, the recoverable amount exceeds the carrying amount and as such, there is no impairment of goodwill in the current year (2016: \$nil).

2016 Assumptions

In 2016 the key assumptions used to calculate cash flows were a growth in operating expenses of (2%)-35% and an increase of revenue of 2%-27%. In the following years, growth rates were between 3% to 10%.

Management believe that any reasonable possible change in the key assumptions on which the recoverable amount is based would not cause the carrying amount to exceed the recoverable amount of the CGU's.

9. Trade and other payables

	Consolidated 2017 \$'000	Consolidated 2016 \$'000
Current		
Unsecured liabilities:		
Trade payables	500	628
Sundry payables and accrued expenses	5,299	4,554
Total trade and other payables	5,799	5,182

Recognition and Measurement

Trade and other payables are recognised when the Group 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.

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.

10. Provisions

	Consolidated 2017 \$'000	Consolidated 2016 \$'000
Current		
Employee benefits – current	1,458	1,320
Lease make good	308	369
	1,766	1,689
Non-Current		
Employee benefits – non-current	220	240
	220	240
Total provisions	1,986	1,929

Recognition and Measurement

Provisions

Provisions are recognised when the Group has a present obligation (legal, equitable or constructive) as a result of a present or past event and 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 statement of profit or loss and other comprehensive income.

Notes to the Financial Statements

continued

10. Provisions (continued)

Recognition and Measurement (continued)

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.

Employee Leave Entitlements

Liabilities for unpaid salaries, salary related costs and provisions for annual leave are recorded in the statement of financial position at the salary rates which are expected to be paid when the liability is settled. Provisions for long service leave and other long-term benefits are recognised at the present value of expected future payments to be made. In determining this amount, consideration is given to expected future salary levels and employee service histories. Expected future payments are discounted to their net present value using Milliman corporate bond rates.

11. Borrowings

	Consolidated 2017 \$'000	Consolidated 2016 \$'000
Current		
Bonds		
– Bonds face value	30,000	–
– Unamortised bond issue and option costs	(428)	–
	29,572	–
Non-current		
Bonds		
– Bonds face value	–	30,000
– Unamortised bond issue and option costs	–	(1,267)
Finance facility (net of unamortised costs)	49,939	19,900
	49,939	48,633
Total borrowings	79,511	48,633

Recognition and Measurement

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

Borrowing costs are expensed over the life of the facility to which they relate.

Fair Value Disclosures

Fair values of Bonds are based on cash flows discounted using fixed effective market interest rates available to the Group. Finance costs of \$3 million were recognised at the inception of the bonds and are being amortised over the life of the bonds. 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.

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.

Finance Facility

In March 2017, the Group entered into a finance facility to borrow an amount of \$50 million which expires on the 3 March 2019. The facility bears interest at a fixed rate of 12% payable monthly in arrears and is subject to a first ranking General Security Agreement (fixed and floating charge) over all present and after acquired assets of the Group.

Bonds

On 14 May 2014, the first tranche of the bond issue was made for \$15 million. The second tranche was issued on 30 June 2014 for \$15 million. The bonds have a maturity of 4 years, being 14 May 2018 and an interest rate of 9% paid quarterly. There is a general security deed over all the Company's assets. The initial subscribers under the bond issue received 50 options for every \$100 invested. The exercise price of the options is \$1.296056 and can be exercised any time prior to maturity date.

The fair value of the liability portion of a convertible bond is determined using a market interest rate for an equivalent non-convertible bond. This amount is recorded as a liability on an amortised cost basis until extinguished on conversion or maturity of the bonds. The remainder of the proceeds is allocated to the conversion option. This is recognised and included in shareholders' equity, net of income tax effects.

Financing Facilities Available

	Consolidated 2017 \$'000	Consolidated 2016 \$'000
Finance facility	50,000	20,000
Used at balance date	(50,000)	(20,000)
Unused at balance date	-	-

Assets Pledged as Security

Under the terms of the financing facility, there is General Security Agreement (fixed and floating charge) over all present and after acquired assets of the Group. The carrying amounts of assets pledged as security for borrowings are:

	Consolidated 2017 \$'000	Consolidated 2016 \$'000
Current assets		
Floating charge		
– Cash and cash equivalents	21,106	27,183
– Receivables	157,702	103,685
Total current assets pledged as security	178,808	130,868
Non-current assets		
Floating charge		
– Receivables	67,358	60,707
– Plant and equipment	2,222	2,006
– Intangible assets	19,175	19,676
Total non-current assets pledged as security	88,755	82,389
Total assets pledged as security	267,563	213,257

Notes to the Financial Statements

continued

12. Issued Capital

	Consolidated 2017 \$'000	Consolidated 2016 \$'000
Fully paid ordinary shares	125,761	123,590

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.

Movement in Shares on Issue

Movement in the shares on issue of the Company during the financial year are summarised below:

	Consolidated 2017		Consolidated 2016	
	Number of ordinary shares '000	Value \$'000	Number of ordinary shares '000	Value \$'000
Balance at the beginning of the financial year	152,483	123,590	129,253	102,181
Issued during the year:				
Issue of shares – private placement	–	–	3,500	3,325
Issue of shares – rights issue	–	–	16,829	15,987
Share issue costs	–	(3)	–	(840)
Share buy back	–	–	(14)	(17)
Deferred tax credit	–	–	–	238
Issue of shares – exercise of options	60	77	600	400
Issue of shares – employees share scheme	2,730	1,265	205	221
Issue of shares – DRP	616	832	2,110	2,095
Balance at end of the financial year	155,889	125,761	152,483	123,590

Recognition and Measurement

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.

13. Reserves

	Consolidated 2017 \$'000	Consolidated 2016 \$'000
Share option reserve		
Balance at the beginning of the financial year	2,769	2,791
Share based payments expensed for the year	2,047	508
Tax effect of bond options issued	–	(530)
Balance at the end of the financial year	4,816	2,769

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

14. Dividends

	2017 Cents per share	2017 \$'000	2016 Cents per share	2016 \$'000
Recognised amounts				
Fully paid ordinary shares				
Final dividend fully franked at 30% tax rate	2.50	3,880	2.75	3,565
Interim dividend fully franked at 30% tax rate	2.50	3,882	2.75	4,165
Unrecognised amounts				
Fully paid ordinary shares				
Final dividend fully franked at 30% tax rate	3.15	4,911	2.5	3,812

On 29 August 2017, the Directors declared a fully franked final dividend of 3.15 cents per share to the holders of fully paid ordinary shares in respect of the financial year ended 30 June 2017, to be paid to shareholders on 27 October 2017. The dividend will be paid to shareholders on the Register of Members on 6 October 2017. This dividend has not been included as a liability in these financial statements. The total estimated dividend to be paid is \$4.9 million.

The Group has \$25.0 million of franking credits at 30 June 2017 (2016: \$12.6 million).

Notes to the Financial Statements

continued

15. Earnings per share

	Consolidated 2017 Cents	Consolidated 2016 Cents
a) Basic and diluted earnings per share		
Basic earnings per share (cents per share)	18.81	14.21
Diluted earnings per share (cents per share)	18.45	12.08
b) The earnings and weighted average number of ordinary shares used in the calculation of basic and diluted earnings per share are as follows:		
	\$'000	\$'000
Earnings used in basic and diluted earnings per share (NPAT)	29,086	20,134
	Number ('000)	Number ('000)
Weighted average number of ordinary shares for the purpose of basic earnings per share	154,596	141,639
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	154,596	141,639
Dilutive potential ordinary shares	3,053	25,076
Weighted average number of ordinary shares and potential ordinary shares used in calculation of diluted earnings per share	157,649	166,715

From this year, we have considered diluted EPS as defined in AASB 133 and had the year ended 30 June 2016, been considered under the same method, the number of dilutive potential ordinary shares would have been 1,390,214 shares and the diluted EPS would have been 14.08 cents.

Recognition and Measurement

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.

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. Options granted to employees and bond holders are considered to be ordinary shares and have been included in the determination of diluted earnings per share to the extent to which they are dilutive.

16. Reconciliation of Operating Profit after Income Tax to Net Cash Flows used in Operating Activities

	Consolidated 2017 \$'000	Consolidated 2016 \$'000
Net Profit after tax	29,086	20,134
Non-cash items:		
Depreciation and amortisation expense	1,022	1,315
Profit on sale of property, plant and equipment	(1)	–
Allowance for impairment losses	4,994	4,864
Amortisation of bond options	889	994
Share based payments	2,047	508
Changes in Movements in assets and liabilities:		
(Increase)/decrease in assets		
Loans and other receivables	(65,840)	(38,904)
Deferred tax assets	(1,851)	(2,455)
Increase/(decrease) in liabilities		
Trade and other payables	541	315
Current tax payable	(684)	1,843
Provisions	58	555
Net cash used in operating activities	(29,739)	(10,831)

17. Auditor's Remuneration

	Consolidated 2017 \$	Consolidated 2016 \$
Auditing and reviewing the financial reports	176,432	160,658

18. Leases

Operating Leases

Operating leases relate to head office in Melbourne, the Cash Train office in Perth and Branch premises throughout Australia, all of which have lease terms of up to 5 years. In some instances, an unexercised option to extend for a further 5 years exists. All operating leases contain market rent review clauses when an option to renew is exercised. Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:

	Consolidated 2017 \$'000	Consolidated 2016 \$'000
Not later than one year	1,990	2,195
Later than one year but not later than five years	4,024	2,636
More than five years	–	–
Total minimum payments	6,014	4,831

Notes to the Financial Statements

continued

18. Leases (continued)

Recognition and Measurement

The Group as Lessee

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 profit or loss and other comprehensive income on a straight-line basis over the term of the lease.

19. 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 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 or trade financial instruments, including derivative financial instruments, for speculative purposes.

Specific Risks

- Interest rate risk
- Credit risk
- Liquidity risk

Financial Assets/Liabilities Used

The principal categories of financial assets/liabilities used by the Group are:

- Loans and other receivables
- Cash at bank
- Borrowings
- Trade and other payables

Objectives, Policies and Processes

The risk management policies of the Company 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 the Company.

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 2016.

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.

Gearing Ratio

The Board 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 2017 \$'000	Consolidated 2016 \$'000
Financial assets			
Debt (long term and short term borrowings)	12	(79,511)	(48,633)
Cash and cash equivalents	5	21,106	27,183
Net debt		(58,405)	(21,450)
Total equity		182,059	156,517
Debt to equity ratio		43.67%	31.07%

(a) Interest Rate Risk

The Group's exposure to market interest rates relates primarily to the Group's short term deposits held, deposits at call and borrowings. The interest income earned or paid on these balances can vary due to interest rate changes.

The Group does not have a significant interest rate risk as its long-term borrowings are at a fixed rate.

(b) Credit Risk

Credit risk is managed on a Group basis. Credit risk arises from cash and deposits with banks and financial institutions, as well as credit exposures to outstanding receivables, net of any allowance for impairment losses, 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 Group. With the exception of its dealings with core customers, the Group 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 Group measures credit risk on a fair value basis.

Money3's core customers are often financially challenged and generally have a bad credit history and are lacking in budgeting ability.

The Group assesses credit risk by reference to historical information such as existing customers' history and whether loans are secured or unsecured. At balance date, loans neither past due nor impaired are \$160.4 million (2016: \$116.1 million), with \$123.60 million representing secured loans (2016: \$98.0 million) and \$36.8 million representing unsecured loans (2016: \$18.1 million)

The Group 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 customers.

Management manages credit risk by adopting policies and procedures 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 \$8,000;
- Require repayment of loans by direct debit, pay deductions or during settlements;
- Implement prompt follow up when a repayment is missed; and
- Have the ability to adjust repayments when customers face further financial difficulties.

This strategy remains consistent with the prior year.

Notes to the Financial Statements

continued

19. Financial Instruments (continued)

(c) Liquidity Risk

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 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.

Liquidity risk includes the risk that the Group:

- 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.

To help reduce these risks where possible, the strategy is to borrow long term and lend short term, and maintain adequate cash reserves.

Maturity of Financial Liabilities

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

2017	Consolidated			
	< 1 year \$'000	1-5 years \$'000	> 5 years \$'000	Total \$'000
Financial Liabilities:				
Borrowings	38,700	53,912	–	92,612
Trade and other payables	5,799	–	–	5,799
Total financial liabilities	44,499	53,912	–	98,411

2016	Consolidated			
	< 1 year \$'000	1-5 years \$'000	> 5 years \$'000	Total \$'000
Financial Liabilities:				
Borrowings	5,100	54,900	–	60,000
Trade and other payables	5,182	–	–	5,182
Total financial liabilities	10,282	54,900	–	65,182

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

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. 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. A decrease in interest rates by 0.5% affects the present value of the bonds by increasing their value by \$444,672 (2016: \$444,672) which has not been taken to account.

20. Share Based Payments

Options

Movement in the share options of the Group during the financial year are summarised below:

	2017 Number of options	2017 Weighted average exercise price \$	2016 Number of options	2016 Weighted average exercise price \$
Balance at the beginning of the financial year	24,800,000	1.28	25,650,000	1.27
Granted during the financial period	5,100,000	1.50	–	–
Exercised during the financial period	(2,610,000)	0.51	(600,000)	0.67
Forfeited during the financial period	(300,000)	1.63	(250,000)	1.70
Balance at the end of the financial year	26,990,000	1.39	24,800,000	1.28
Weighted average remaining contractual life	1.79 years	–	2.12 years	–
Exercisable at the end of the financial year	19,440,000	1.44	17,550,000	1.18

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.
- Employee and director options will not be listed on the ASX but application will be made for quotation of the shares resulting from the exercise of the options.
- Options issued in relation to the bond are listed on the ASX under the ASX code MNYO.
- 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 2017, 2,610,000 options were exercised (2016: 600,000).

Notes to the Financial Statements

continued

20. Share Based Payments (continued)

Restricted Shares

Restricted shares totalling 176,211 were issued during the year with a further 1,276,957 eligible to be issued, which are subject to the following conditions:

- The restricted shares vest in full when an event occurs which give rise to a change in control of the Company.
- Restricted shares have rights including entitlement to dividends and voting.
- On issue of the restricted shares, they will rank equally with ordinary shares on issue at that time.

Performance Rights

Performance rights totalling 1,022,028 were eligible to be issued during the year, which are subject to the following conditions:

- The restricted shares 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 performance rights, restructures its issued share capital, ASX Listing Rules will apply to the number of shares issued to the rights holder on exercise of a right.
- Employee and director performance rights will not be listed on the ASX but application will be made for quotation of the shares resulting from the exercise of the rights.
- On issue of the resulting shares, they will rank equally with ordinary shares on issue at that time.
- Performance rights carry no rights to dividends and no voting rights. In accordance with the terms of the performance rights schemes, rights 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.

Recognition and Measurement

Options, restricted shares and performance rights are granted under the Money3 Corporation Limited's Director and Employee Share Option Plan. Options, restricted shares and performance rights are granted under the plan for no consideration. The Board meets to determine eligibility for the granting of options, restricted shares and performance rights and to determine the quantity and terms of options, restricted shares and performance rights that will be granted. The valuation of options, restricted shares and performance rights are determined by an independent expert taking into account the terms and conditions upon which the instruments were granted. 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.

Expenses arising from share-based payment transactions

Total expenses arising from share-based payment transactions recognised during the period as part of employee benefit expense were as follows:

	2017 \$'000	2016 \$'000
Options issued under employee share plan	697	508
Performance rights issued under employee share plan	729	–
Restricted shares issued employee share plan	621	–
Total	2,047	508

21. Controlled Entities

The consolidated financial statements incorporate the assets, liabilities and results of subsidiaries in accordance with the accounting policy described in Note 1. The key subsidiaries of the Company include, but are not limited to:

Name	Country of incorporation	Percentage of equity held by the consolidated entity		Acquisition date	Investment	
		2017 %	2016 %		2017 \$'000	2016 \$'000
Antein Pty Ltd	Australia	100	100	1 July 2006	3,100	3,100
Bellavita Pty Ltd	Australia	100	100	1 July 2006	3,037	3,037
Hallowed Holdings Pty Ltd	Australia	100	100	1 July 2006	2,970	2,970
Kirney Pty Ltd	Australia	100	100	1 July 2006	484	484
Nexia Pty Ltd	Australia	100	100	1 July 2006	1,665	1,665
Pechino Pty Ltd	Australia	100	100	1 July 2006	1,688	1,688
Salday Pty Ltd	Australia	100	100	1 July 2006	484	484
Tannaster Pty Ltd	Australia	100	100	1 July 2006	2,898	2,898
Tristace Pty Ltd	Australia	100	100	1 July 2006	1,742	1,742
Total					18,068	18,068

22. Parent Entity Financial Information

(a) Summary Financial Information

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

	Company 2017 \$'000	Company 2016 \$'000
ASSETS		
Total current assets	15,404	22,949
Total non-current assets	209,763	164,786
Total assets	225,167	187,735
LIABILITIES		
Total current liabilities	10,414	11,688
Total non-current liabilities	79,529	48,144
Total liabilities	89,943	59,832
Net assets	135,224	127,903
EQUITY		
Issued capital	127,061	124,890
Share option reserve	4,816	2,769
Retained earnings	3,347	244
Total equity	135,224	127,903
Profit from continuing operations	12,795	4,140
Total comprehensive income	12,795	4,140

Notes to the Financial Statements

continued

22. Parent Entity Financial Information (continued)

(b) Guarantees entered 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 contractual commitments for leases which are disclosed within note 18.

23. 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) KMP Remuneration

The aggregate compensation of the KMP of the Group is set out below:

	Consolidated 2017 \$	Consolidated 2016 \$
Short term employee benefits	1,686,133	1,728,857
Post-employment benefits	132,774	133,769
Long term benefits	11,911	38,635
Share based payments	1,094,005	283,327
Termination payments	41,361	265,735
Total	2,966,184	2,450,323

(c) Other Transactions with KMP or their Related Parties

Geoffrey Baldwin holds bonds from the Company to the value of \$250,000 (2016: \$250,000). Geoffrey is the father of Scott Baldwin.

Brian Baldwin holds bonds from the Company to the value of \$70,000 (2016: \$70,000). Brian is the brother of Scott Baldwin.

Lynne Anderson holds bonds from the Company to the value of \$50,000 (2016: \$50,000) Lynne is the sister of Scott Baldwin.

These bonds are made on normal commercial terms and conditions and at market rates. Interest is charged at a commercial rate of 9%.

There are no loans made by the disclosing entity or any of its subsidiaries to any KMP or their personally related entities.

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

	Consolidated 2017 \$	Consolidated 2016 \$
Interest paid to:		
Geoffrey Baldwin	22,423	22,485
Brian Baldwin	6,278	4,497
Lynne Anderson	4,485	4,497
Total interest paid	33,186	31,479

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

Vaughan Webber (resigned 6 October 2016) was an employee of Wilson HTM with which Money3 had previously engaged to place equity during his tenure. Wilson HTM has not provided services to the group during the year (2016: \$768,106).

Stuart Robertson has entered into an advisory contract with his company Zolude Investments Pty Ltd to advise Money3 on funding facilities. The fee for providing the services is capped at \$800,000 inclusive of GST. No amounts have been incurred or paid during the year.

Leath Nicholson is a director of Foster Nicholson Jones lawyers with which Money3 has engaged to perform legal services. Foster Nicholson Jones has been paid for services of \$294,133 (2016: \$363,237) during the year.

All transactions with related parties are at arm's length on normal commercial terms and conditions and at market rates.

24. Significant Matters Subsequent to the Reporting Date

No matters or circumstances have 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 Group in future years.

25. Other Accounting Policies

Defined Contribution Superannuation Benefits

All employees of the Group receive defined contribution superannuation entitlements, for which the Group pays the fixed superannuation guarantee contribution (currently 9.5% of the employee's average ordinary salary) to the employee's superannuation fund of choice. All contributions in respect of employees' defined contribution entitlements are recognised as an expense when they become payable. The Group's obligation with respect to employees' defined contribution entitlements is limited to its obligation for any unpaid superannuation guarantee contributions at the end of the reporting period. All obligations for unpaid superannuation guarantee contributions are measured at the (undiscounted) amounts expected to be paid when the obligation is settled and are presented as current liabilities in the Group's statement of financial position. The defined contribution plan expense for the year was \$1,689,426 (2016: \$1,663,330) and is included in employee expenses.

Impact of New Accounting Policies

The year-end financial statements have been prepared on a basis of accounting policies consistent with those applied in the 30 June 2016 Annual Report. The Group adopted certain accounting standards, amendments and interpretations during the financial year which did not result in changes in accounting policies nor an adjustment to the amounts recognised in the financial statements. They also do not significantly affect the disclosures in the notes to the financial statements.

Notes to the Financial Statements

continued

25. Other Accounting Policies (continued)

Impact of Standards Issued but not yet Applied

Certain new accounting standards and interpretations have been published that are not mandatory for the 30 June 2017 reporting period and have not been early adopted by the Group. The Group's assessment of the impact of these new standards and interpretations is set out below:

Title of standard	Nature of change	Impact	Mandatory application date/Date of adoption by Group
<p><i>AASB 9 Financial Instruments</i></p>	<p>AASB 9 addresses the classification, measurement and derecognition of financial assets and financial liabilities and introduces new rules for hedge accounting.</p> <p>In December 2014, the AASB made further changes to the classification and measurement rules and introduced a new impairment model. These latest amendments now complete the new financial instruments standard.</p>	<p>The Group has been undertaking significant review of its accounting policies and practices and this review is being implemented during FY 2018 and will see both revenue recognition and impairment comply with AASB 9.</p> <p>This will incorporate changing the loan provisioning methodology from the incurred loss model to the expected loss model and recognising revenue with further reliance on the effective interest rate methodology.</p> <p>Management continues to assess the impact of the new rules. At this stage, the Group is finalising the estimated impact of the new rules on the Group's financial statements.</p>	<p>Must be applied for financial years commencing on or after 1 January 2018.</p> <p>Mandatory for financial years commencing on or after 1 January 2018.</p> <p>Expected date of adoption by the Group: 1 July 2018.</p>

Title of standard	Nature of change	Impact	Mandatory application date/Date of adoption by Group
<p><i>AASB 15 Revenue from contracts with customers</i></p>	<p>The AASB has issued a new standard for the recognition of revenue. This will replace AASB 118 which covers contracts for goods and services and AASB 111 which covers construction contracts.</p> <p>The new standard is based on the principle that revenue is recognised when control of a good or service transfers to a customer – so the notion of control replaces the existing notion of risks and rewards.</p> <p>The standard permits a modified retrospective approach for the adoption. Under this approach entities will recognise transitional adjustments in retained earnings on the date of initial application (e.g. 1 January 2018), without restating the comparative period. They will only need to apply the new rules to contracts that are not completed as of the date of initial application.</p>	<p>AASB 15 paragraph 5(c) specifically excludes financial instruments within the scope of AASB 9 from AASB 15 and on this basis the Group considers all changes will be captured under AASB 9.</p> <p>The Group is currently assessing at which if any point in time fees which are appropriate to measure using concepts considered by AASB15.</p>	<p>Mandatory for financial years commencing on or after 1 January 2018.</p> <p>Expected date of adoption by the Group: 1 July 2018.</p>
<p><i>AASB 16 Leases</i></p>	<p>AASB 16 was issued in February 2016. It will result in almost all leases being recognised on the balance sheet, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item and a financial liability to pay rentals are recognised. The only exceptions are short-term and low value leases.</p>	<p>The standard will affect primarily the accounting for the Group's operating leases. As at the reporting date the Group has non-cancellable operating leases commitments of \$6,014,000, see note 18. However, the Group has not yet determined to what extent these commitments will result in the recognition of an asset and a liability for future payments and how this will affect the Group's profit and classification of cash flows. Some of the commitments maybe covered by the exception for short-term and low value leases and some commitments may relate to arrangements that will not qualify as leases under AASB 16.</p>	<p>Mandatory for financial years commencing on or after 1 January 2019. At this stage the Group does not intend to adopt the standard before its effective date.</p>

Independent Auditor's Report



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INDEPENDENT AUDITOR'S REPORT

To the members of Money3 Corporation Limited

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Money3 Corporation Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 30 June 2017, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial report, including a summary of significant accounting policies and the directors' declaration.

In our opinion the accompanying financial report of the Group, is in accordance with the *Corporations Act 2001*, including:

- (i) Giving a true and fair view of the Group's financial position as at 30 June 2017 and of its financial performance for the year ended on that date; and
- (ii) Complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for opinion

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

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

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

BDO East Coast Partnership ABN 83 236 985 726 is a member of a national association of independent entities which are all members of BDO Australia Ltd ABN 77 050 110 275, an Australian company limited by guarantee. BDO East Coast Partnership and BDO Australia Ltd are members of BDO International Ltd, a UK company limited by guarantee, and form part of the international BDO network of independent member firms. Liability limited by a scheme approved under Professional Standards Legislation, other than for the acts or omissions of financial services licensees.



Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Revenue Recognition

<i>Key audit matter</i>	<i>How the matter was addressed in our audit</i>
<p><i>Refer to note 3 of the accompanying financial statements</i></p> <p>The amount of revenue and profit recognised during the year in relation to interest, application and credit fees is dependent on the company correctly recognising revenue appropriately over the life of a loan using the effective interest rate method.</p> <p>As there are a large number of loan contracts and the terms vary by product, significant risk exists that revenue is incorrectly recognised. In our view, revenue recognition is significant to our audit as the Group may inappropriately account for interest, application and credit fees potentially leading to revenue and profit not being recognised consistently over the life of a loan contract using the effective interest rate method.</p>	<p>Our procedures, amongst others, included:</p> <ul style="list-style-type: none"> • Our Information Technology specialists were used, in conjunction with other audit procedures, to test the Group's controls over: loan initiation and approval; standard terms, fees and charges; calculation of interest, revenue and deferred revenue in respect of fees and charges; controls for recording transactions in the company's loan systems and the general ledger; and testing for duplicate loans. • Detailed analysis of deferred fees and charges to ensure they are recognised over the life of a loan using the effective interest rate method in accordance with Accounting Standards. • Detailed analysis of revenue and the timing of its recognition based on expectations derived from our industry knowledge and knowledge of the company's products, fees and charges, following up variances from our expectations.

Loans receivable and adequacy of allowance for impairment losses

<i>Key audit matter</i>	<i>How the matter was addressed in our audit</i>
<p><i>Refer to note 6 of the accompanying financial statements</i></p> <p>The Group has a large number of short term loan contracts, and customers are often financially challenged and generally have a poorer credit history than borrowers from other mainstream lending institutions. Due to these circumstances, a significant risk exists that the company's allowance for impairment losses may be understated and consequently net loan receivables and profit may be overstated.</p>	<p>Our procedures amongst others, included:</p> <ul style="list-style-type: none"> • Testing of controls around the aging of debts in the company's loan software system and the appropriateness and application of the business rules for recognising loans in default. • Detailed analysis of loans in arrears or subject to special payment terms using prior periods history of loans in these categories subsequently going into default and using this evidence to support the appropriateness of the impairment allowance at year end.

Independent Auditor's Report

continued



In our view, correctly estimating the allowance for impairment losses against loans receivable is significant to our audit.

- Detailed analysis of management's estimate of the impairment allowance and the adequacy of procedures and processes adopted by management.
- Detailed analysis of the impairment allowance based on expectations derived from our industry knowledge and knowledge of the Groups credit risk and following up variances from our expectations.

Carrying value of Goodwill - Impairment Assessment

<i>Key audit matter</i>	<i>How the matter was addressed in our audit</i>
<p><i>Refer to note 9 of the accompanying financial statements</i></p> <p>Goodwill is allocated across three cash generating unit's (CGU's), as set out in Note 9.</p> <p>In our view, correctly estimating the recoverable amount of goodwill for each CGU using a value in use (VIU) methodology and whether or not an impairment charge is necessary is significant to our audit. These calculations involve judgements by management about the budgeted cash flows for the 30 June 2018 financial year, future growth rates of revenue and expenses of the business in each CGU, discount rates and terminal growth rates applied to future cash flow forecasts for each CGU and sensitivities of inputs and assumptions used in the VIU models.</p>	<p>Our procedures amongst others, included:</p> <ul style="list-style-type: none"> • Obtaining an understanding of the key controls associated with the preparation of the VIU models and critically evaluating management's methodologies and their documented basis for key assumptions. • Agreeing VIU cash flows for the 30 June 2018 financial year to the latest board approved budgets. • Corroborating assumptions for key inputs in the VIU model for each CGU to forecast revenue growth rates, forecast expense growth rates, discount rates and terminal growth rates by comparing forecasts to historical actuals. • Using our valuation specialists to critically assess management's discount rates based on external data where available. • Performing a sensitivity analysis on the key financial assumptions in the VIU models for each CGU. These included sensitised revenue forecasts, revenue multipliers used in the terminal year of cash flows, and the discount rates applied.

Other information

The directors are responsible for the other information. The other information comprises the information contained in the Directors' report for the year ended 30 June 2017, but does not include the financial report and our auditor's report thereon, which we obtained prior to the date of this auditor's report, and the Annual report, which is expected to be made available to us after that date.

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



In connection with our audit of the financial report, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

When we read the Annual report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to the directors and will request that it is corrected. If it is not corrected, we will seek to have the matter appropriately brought to the attention of users for whom our report is prepared.

Responsibilities of the directors for the Financial Report

The directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards 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 preparing the financial report, the directors are responsible for assessing the ability of the group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the Financial Report

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

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website (<http://www.auasb.gov.au/Home.aspx>) at:

http://www.auasb.gov.au/auditors_responsibilities/ar1.pdf

This description forms part of our auditor's report.

Report on the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included on pages 15 to 22 of the directors' report for the year ended 30 June 2017.

In our opinion, the Remuneration Report of Money3 Corporation Limited, for the year ended 30 June 2017, complies with section 300A of the *Corporations Act 2001*.

Independent Auditor's Report

continued



Responsibilities

The directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

BDO East Coast Partnership

A handwritten signature in blue ink, appearing to read 'David Garvey', is written over a small, stylized BDO logo.

David Garvey
Partner

Melbourne, 31 August 2017

ASX Additional Information

Additional information required by the Australian Securities Exchange and not shown elsewhere in this report is as follows. The information is current as at 31 August 2017.

(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		Listed Options	
	Number of Holders	Number of Shares	Number of Holders	Number of Options	Number of Holders	Number of Options
100,001 and Over	149	121,280,449	8	8,250,000	11	13,531,025
10,001 to 100,000	882	28,543,370	11	1,100,000	32	1,222,599
5,001 to 10,000	401	3,009,494	-	-	18	175,500
1,001 to 5,000	912	2,600,505	-	-	4	10,876
1 to 1,000	552	278,979	-	-	0	0
Total	2,896	155,712,797	19	9,350,000	65	14,940,000

The number of shareholders holding less than a marketable parcel of shares are

184 10,742

(b) Twenty largest holders of quoted shares are:

Listed Ordinary Shares		
Name of Holder	No. of Shares	% of Holding
1 UBS Nominees Pty Ltd	20,959,159	13.46
2 HSBC Custody Nominees (Australia) Limited	11,723,022	7.53
3 J P Morgan Nominees Australia Limited	9,127,706	5.86
4 Hosking Financial Investments Pty Ltd	6,507,145	4.18
5 Rubi Holdings Pty Ltd	6,000,000	3.85
6 Silvan Bond Pty Ltd	4,550,796	2.92
7 Citicorp Nominees Pty Limited	4,064,414	2.61
8 Platey Pty Ltd	3,445,000	2.21
9 BNP Paribas Noms Pty Ltd	3,380,585	2.17
10 Sandhurst Trustees Ltd	2,578,718	1.66
11 Belstock Pty Ltd	2,170,288	1.39
12 Wallbay Pty Ltd	2,138,145	1.37
13 Mr Andrew John Hopkins	1,974,359	1.27
14 Matooka Pty Ltd	1,705,450	1.10
15 Aust Executor Trustees Ltd	1,570,646	1.01
16 Picton Cove Pty Ltd	1,518,991	0.98
17 Mr Kang Hong Tan & Mrs Hwea Chong Tan	1,390,000	0.89
18 Rocsange Pty Ltd	1,334,464	0.86
19 Craig Harris	1,034,304	0.66
20 Citicorp Nominees Pty Limited	1,010,279	0.65
Top twenty shareholders	88,183,471	56.63
Total issued capital	155,712,797	100

ASX Additional Information

continued

(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
Tiga Trading Pty Ltd & Associated entities	20,870,058	13.39%
Rocsange Pty Ltd	10,347,169	6.65%

(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 26,990,000 (2016: 24,800,000) options on issue as follows:

Director Options

The Company has issued 5,000,000 options during the year (2016: nil) to the Directors (or their nominees) ("Director Options").

	Issue Date	Options Granted	Exercise Price	Expiry Date	Vesting Date
Scott Baldwin	24 November 2016	2,400,000	\$1.500000	23 November 2021	24 November 2019
Ray Malone	24 November 2016	1,250,000	\$1.500000	23 November 2021	24 November 2019
Leath Nicholson	24 November 2016	750,000	\$1.500000	23 November 2021	24 November 2019
Stuart Robertson	24 November 2016	600,000	\$1.500000	23 November 2021	24 November 2019

- The options vest in full when an event occurs which gives rise to a change in control of the Company.
- If the Company, after having granted these options, restructures its issued share capital, the number of options to which each option holder is entitled or the exercise price of the options must be reorganised in accordance with the ASX Listing Rules.
- 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, the shares 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.

Corporate Information

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

Company Directors

Ray Malone

Non-Executive Chairman

Vaughan Webber B.Ec (resigned 6 October 2016)

Non Executive Chairman

Stuart Robertson B.Com ACA FFINSIA GAICD MBA

Non Executive Director

Leath Nicholson B.Ec (Hons) LLB (Hons) LLM (Commercial Law)

Non Executive Director

Kang Hong Tan ACA (UK) FIPA (Aust)

Non Executive Director

Scott Joseph Baldwin B.Eng (Hons) MBA GAICD

Managing Director

Company Secretaries

Brett Coventry B.Acc CPA MBA

Terri Bakos B.Acc ACA ACIS

Head Office

Level 1, 40 Graduate Road

Bundoora Victoria 3083

Telephone 03 9093 8255

Facsimile 03 9093 8227

Share Registry

Link Market Services Limited

Tower 4, Level 13, 727 Collins Street

Melbourne Victoria 3008

Solicitors

Foster Nicholson Legal Pty Ltd

Level 7, 420 Collins Street

Melbourne Victoria 3000

Registered Office

Level 1, 40 Graduate Road

Bundoora Victoria 3083

Auditors

BDO East Coast Partnership

Tower 4, Level 18, 727 Collins Street

Melbourne Victoria 3008

Bankers

Bendigo Bank

4 Prospect Hill Road

Camberwell Victoria 3124

Stock Exchange Listing

Money3 Corporation Limited shares are listed on the Australian Securities Exchange (ASX code **MNY**)

Website

www.money3.com.au

