Money3 Corporation Limited

ABN: 63 117 296 143

Appendix 4D [Rule 4.2A.3]

For the half year ended 31 December 2019

Results for Announcement to the Market (All comparisons to half year ended 31 December 2018)

Key Financial Information	$'000	up/down	% movement
Revenue from continuing operations	62,678	Up	55.0%
Revenue from discontinued operations	-	-	-
Profit from continuing operations after tax attributable to members	15,710	Up	34.6%
Profit from discontinued operations after tax attributable to members	2,000	Down	(65.8%)

Dividend Information	Amount per share cents	Franked amount per share cents	Tax rate for franking credit
Final 2019 dividend per share (paid 22 October 2019)	5.0	5.0	30%
Interim 2020 dividend per share (to be paid 20 April 2020)	5.0	5.0	30%

Interim 2020 Dividend Dates	
Ex-dividend date	5 March 2019
Record date	6 March 2019
Payment date	20 April 2020

	31 Dec 19	31 Dec 18
Net Tangible Assets Per Security	$1.23	$1.20

This report is based on the Consolidated Financial Report for the half year ended 31 December 2019 which has been reviewed by BDO with the Independent Auditor’s Review Report included in the half year Financial Report.

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Money3 Corporation Limited

Half Year Report
31 December 2019

Accelerating Sustainable Growth

Contents

Directors' Report

The Board of Directors ("the Board") of Money3 Corporation Limited ("Money3" or "the Company") present the following financial report on the consolidated entity, consisting of Money3 Corporation Limited and its subsidiaries ("the Group") for the financial half year ended 31 December 2019. 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 half year, and up to the date of this report, unless otherwise stated:

- Stuart Robertson
- Symon Brewis-Weston
- Scott Baldwin
- Kate Robb (appointed 1 September 2019)
- Leath Nicholson (resigned 15 November 2019)

Principal Activities

The principal activities of the Group during the period were the provision of financial services specialising in the delivery of secured automotive and personal loans and unsecured personal loans. There have been no significant changes in the principal activities during the half year.

Results of Operations

Money3 is pleased to announce its results for the half year ended 31 December 2019 and confirms its record Net Profit After Tax ("NPAT") for continuing operations of $15.7 million.

Money3 continues to focus on building a profitable and scalable secured automotive lending business through medium term secured loans.

Group Results

For the half year ended 31 December 2019, Money3 delivered a strong financial result, in line with its strategic objectives. Financial highlights of the Group's half year continuing operations against the half year ended 31 December 2018 include:

- 55.0% increase in Revenue to $62.7 million
- 36.9% increase in EBITDA to $30.5 million
- 34.6% increase in NPAT to $15.7 million
- 48.8% increase in gross loan book to $426.7 million
- $50m available headroom in the finance facility, $100 million currently drawn
- Interim FY20 dividend of 5.00 cents fully franked

The current half year ended 31 December 2019 includes results from Go Car Finance which was acquired in March 2019 (refer Note 10).

Directors' Report (continued)

Review of operations

The key financial operating results of the Group's continuing operations are outlined in the below table:

	31 Dec 19 $'000	31 Dec 18 $'000	% Change
Total revenue	62,678	40,433	55.0%
EBITDA	30,468	22,262	36.9%
NPAT	15,710	11,670	34.6%
Gross loan book	**426,731**	**286,833**	**48.8%**
Loans receivable	**387,066**	**258,137**	**49.9%**

Dividends

The Directors have declared an interim dividend of 5.00 cents per share. The dividend will be paid on the 20 April 2020 to those shareholders on the register at the close of business on the 6 March 2019.

The Company also intends to pay a fully franked dividend of at least 10.00 cents for the full financial year (5.00 cents per half year) subject to Board discretion.

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 half year under review.

Significant Matters Subsequent to the Reporting Date

There are no matters or circumstances that have arisen since the end of the half year that have significantly affected or may significantly affect the operations of the Group, the results or the state of affairs of the Group in future years.

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.

Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out on page 6.

Signed in accordance with a resolution of directors made pursuant to section 306(3) of the Corporations Act 2001.

On behalf of the directors,

Stuart Robertson
Chairman
Melbourne

14 February 2020

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DECLARATION OF INDEPENDENCE BY JAMES MOONEY TO THE DIRECTORS OF MONEY3 CORPORATION LIMITED

As lead auditor for the review of Money3 Corporation Limited for the half-year ended 31 December 2019, 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 review; and
2. No contraventions of any applicable code of professional conduct in relation to the review.

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

James Mooney
Director

BDO Audit Pty Ltd

Melbourne, 14 February 2020

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INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of Money3 Corporation Limited

Report on the Half-Year Financial Report

Conclusion

We have reviewed the half-year financial report of Money3 Corporation Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 31 December 2019, 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 half-year then ended, and notes comprising a statement of accounting policies and other explanatory information, and the directors' declaration.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of the Group is not in accordance with the *Corporations Act 2001* including:

(i) Giving a true and fair view of the Group's financial position as at 31 December 2019 and of its financial performance for the half-year ended on that date; and

(ii) Complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Directors' responsibility for the Half-Year Financial Report

The directors of the company are responsible for the preparation of the half-year 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 half-year financial report that is free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Group's financial position as at 31 December 2019 and its financial performance for the half-year ended on that date and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of the Group, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

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

BDO Audit Pty Ltd

BDO

James Mooney
Director

Melbourne, 14 February 2020

Directors' Declaration

In accordance with a resolution of the Directors of Money3 Corporation Limited, the Directors of the Company declare that:

1. The financial statements and notes set out on pages 10 to 24 are in accordance with the Corporations Act 2001, including:

   (a) complying with Accounting Standards and Corporation Regulations 2001; and

   (b) giving a true and fair view of the consolidated entity's financial position as at 31 December 2019 and of its performance for the half year ended on that date.

2. In the directors' opinion, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

On behalf of the Directors

Stuart Robertson
Chairman
Melbourne

Dated 14 February 2020

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

for the half year ended 31 December 2019

	Note	Half-year 2019 $'000	Half-year 2018 $'000
Revenue from continuing operations	3	**62,678**	**40,433**
Expenses from operating activities:			
Bad debt expense (net of recoveries)		9,690	4,223
Movement in allowance for impairment losses		2,798	745
Loan origination and servicing costs		2,970	986
Employee related expenses		12,601	10,030
Professional fees		1,034	663
Technology expenses		1,628	717
Advertising expenses		686	212
Other expenses		478	593
Movement in fair value of contingent consideration		323	-
Loss on disposal of assets		2	2
Finance costs, net		6,934	5,135
Depreciation and amortisation		867	127
Total expenses		**40,011**	**23,433**
Profit before income tax from continuing operations		**22,667**	**17,000**
Income tax expense		6,957	5,330
Profit after income tax from continuing operations		**15,710**	**11,670**
Profit from discontinued operations (attributable to equity holders of the Company)	11	2,000	5,851
Profit for the period		**17,710**	**17,521**
Profit attributable to:			
Owners of Money3 Corporation Limited		**17,710**	**17,521**
Other Comprehensive income / (loss)			
Exchange differences on translation of foreign operations		71	-
Other comprehensive income / (loss) for the period, net of tax		71	-
Total comprehensive income for the period		17,781	17,521
Total comprehensive income for the period is attributable to:			
Owners of Money3 Corporation Limited		17,781	17,521
Total comprehensive income for the period attributable to owners of Money3 Corporation Limited arises from:			
Continuing operations		15,781	11,670
Discontinued operations		2,000	5,851
		17,781	**17,521**
Earnings per share for profit from continuing operations attributable to the ordinary equity holders of the Company			
Basic earnings per share (cents)	6	8.60	6.55
Diluted earnings per share (cents)	6	8.45	6.47
Earnings per share for profit attributable to the ordinary equity holders of the Company			
Basic earnings per share (cents)	6	9.69	9.84
Diluted earnings per share (cents)	6	9.53	9.71

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

Condensed Consolidated Statement of Financial Position

as at 31 December 2019

	Note	31 December 2019 $'000	30 June 2019 $'000
ASSETS			
Current assets			
Cash and cash equivalents		16,924	36,308
Loans receivable, net	4	130,852	127,671
Receivable from sale of subsidiaries		-	7,725
Other assets and receivables		2,917	434
Total current assets		**150,693**	**172,138**
Non-current assets			
Loans receivable, net	4	232,010	190,256
Other assets and receivables		131	180
Property, plant & equipment		2,037	1,853
Right-of-use assets		2,264	-
Intangible assets		23,209	23,572
Deferred tax assets, net		7,604	6,503
Total non-current assets		**267,255**	**222,364**
Total assets		**417,948**	**394,502**
LIABILITIES			
Current liabilities			
Trade and other payables		6,967	7,165
Borrowings	7	100,525	3,437
Current tax payable		4,996	2,388
Lease liabilities		690	-
Employee benefit obligations		1,574	1,413
Contingent consideration		1,921	1,783
Derivative financial instruments		19	-
Provisions		-	285
Total current liabilities		**116,692**	**16,471**
Non-current liabilities			
Borrowings	7	42,607	132,570
Employee benefit obligations		264	248
Lease liabilities		1,927	-
Contingent consideration		4,546	4,360
Provisions		306	150
Total non-current liabilities		**49,650**	**137,328**
Total liabilities		**166,342**	**153,799**
Net assets		**251,606**	**240,703**
EQUITY			
Share capital	8	166,884	163,722
Reserves		4,291	4,560
Retained earnings		80,431	72,421
Total equity		**251,606**	**240,703**

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

Condensed Consolidated Statement of Changes in Equity

for the half year ended 31 December 2019

	Share Capital $'000	Retained Earnings $'000	Reserves $'000	Total $'000
Total equity at 1 July 2018	**153,969**	**61,118**	**4,092**	**219,179**
Profit after income tax expense for the half year	-	17,521	-	17,521
Other comprehensive income for the half year	-	-	-	-
Total comprehensive income for the half year	-	17,521	-	17,521
Transactions with owners in their capacity as owners:				
Share based expenses, net	1,621	-	806	2,427
Dividends paid	*3,481	(8,894)	-	(5,413)
Closing balance as at 31 December 2018	**159,071**	**69,745**	**4,898**	**233,714**
Total equity at 1 July 2019	**163,722**	**72,421**	**4,560**	**240,703**
Transition adjustments on adoption of new accounting standards and interpretations	-	(578)	-	(578)
Restated total equity at 1 July 2019	**163,722**	**71,843**	**4,560**	**240,125**
Profit after income tax expense for the half year	-	17,710	-	17,710
Other comprehensive income for the half year	-	-	71	71
Total comprehensive income for the half year	-	17,710	71	17,781
Transactions with owners in their capacity as owners:				
Share based expenses, net	23	-	676	699
Issued shares on vesting of employee share scheme	1,429	-	(1,016)	413
Dividend paid	*1,710	(9,122)	-	(7,412)
Closing balance as at 31 December 2019	**166,884**	**80,431**	**4,291**	**251,606**

**Shares issued under the Dividend Reinvestment Plan (DRP).*

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

Condensed Consolidated Statement of Cash Flows

for the half year ended 31 December 2019

	Note	Half-year 2019 $'000	Half-year 2018 $'000
Cash flows from operating activities			
Interest, fees and charges from customers		63,045	66,332
Payments to suppliers and employees (GST inclusive)		(18,635)	(23,686)
Interest received from banks		177	315
Finance costs		(7,003)	(5,035)
Income tax paid		(5,620)	(8,307)
Net cash provided by operating activities before changes in operating assets		**31,964**	**29,619**
Loan principal advanced to customers net of repayments		(61,063)	(47,880)
Net cash used in operating activities		**(29,099)**	**(18,261)**
Cash flows from investing activities			
Payments for property, plant and equipment		(358)	(217)
Proceeds from sale of investments		9,725	-
Net cash provided/ (used) in investing activities		**9,367**	**(217)**
Cash flows from financing activities			
Proceeds from share issue		415	1,246
Proceeds from borrowings		8,604	-
Repayment of lease liability		(326)	-
Dividends paid		(7,412)	(5,413)
Net cash provided/ (used) in financing activities		**1,281**	**(4,167)**
Net decrease in cash held		**(18,451)**	**(22,645)**
Cash and cash equivalents at the beginning of the half year		*35,376	46,308
Effects of exchange rate changes on cash and cash equivalents		(1)	-
Cash and cash equivalents at end of the half year		**16,924**	**23,663**

**Net of Bank overdrafts of $932k as at 30 June 2019*

Notes to the Condensed Financial Statements for the half year ended 31 December 2019

Introduction

The interim financial report for the half year ended 31 December 2019 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 interim 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

(a) Basis of accounting

This condensed consolidated interim financial report for the half year ended 31 December 2019 has been prepared in accordance with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*.

This condensed consolidated interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for year ended 30 June 2019 and any public announcements made by Money3 Corporation Limited during the interim reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

The accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period, except for the adoption of new standards as set out in note 1 (c) below.

(b) 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.

(c) New standards adopted by the Group

The Group had to change its accounting policies and made a modified retrospective adjustment as a result of adopting AASB 16 *Leases*. The impact of the adoption of the leasing standard and the new accounting policies are disclosed in note 1(d).

(d) Changes in accounting policies

The Group has adopted AASB 16 retrospectively from 1 July 2019 but has not restated comparatives for year ended 30 June 2019 reporting period, as permitted under the specific transitional provisions in the standard. The reclassifications and the adjustments arising from the new leasing rules are therefore recognised in the opening balance sheet on 1 July 2019.

On adoption of AASB 16, the Group recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of AASB 117 *Leases*. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 July 2019.

Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable, and
- variable lease payments that are based on an index or a rate.

Notes to the Condensed Financial Statements for the half year ended 31 December 2019 (continued)

1. Summary of Significant Accounting Policies (continued)

The weighted average lessee's incremental borrowing rate applied to the lease liabilities on 1 July 2019 was 6.3%.

	Consolidated 1 July 2019 $'000
Operating lease commitments disclosed as at 30 June 2019	3,202
Discounted using the lessee's incremental borrowing rate of at the date of initial application	2,970
(less): short-term leases recognised on a straight-line basis as expense	(39)
Lease liabilities recognised as at 1 July 2019	**2,931**
of which	
Current lease liabilities	657
Non-current lease liabilities	2,274
Lease liabilities	**2,931**

The associated right-of-use assets for property leases were measured on a retrospective basis as if the new rules had always been applied. The recognised right-of-use assets relates to properties and the carrying amount at 1 July 2019 is $2.7m. The net impact on retained earnings as at 1 July 2019 was a decrease of $0.16m.

The Group leases various offices. Rental contracts are typically made for fixed periods of 3 to 5 years but may have extension options. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants, but leased assets may not be used as security for borrowing purposes.

Until the financial year ended 30 June 2019, leases of property, plant and equipment were classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) were charged to profit or loss on a straight-line basis over the period of the lease.

From 1 July 2019, leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability;
- any lease payments made at or before the commencement date less any lease incentives received;
- any initial direct costs, and
- restoration costs.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be determined, the lessee's incremental borrowing rate is used, being the rate that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.

Payments associated with short-term leases are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less.

In applying AASB 16 for the first time, the Group has used the following practical expedients permitted by the standard:

- accounting for operating leases with a remaining lease term of less than 12 months as at 1 July 2019 as short-term leases
- reliance on previous assessments on whether leases are onerous
- the use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

Notes to the Condensed Financial Statements for the half year ended 31 December 2019 (continued)

1. Summary of Significant Accounting Policies (continued)

The Group has also elected not to reassess whether a contract is or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date the Group relied on its assessment made applying AASB 117 and Interpretation 4 Determining whether an Arrangement contains a Lease.

The Group did not have any leases that were previously classified as finance leases. There were no onerous lease contracts that would have required an adjustment to the right-of-use assets at the date of initial application.

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated).

Potential future cash outflows of $3.2m have not been included in the lease liability because it is not reasonably certain that the leases will be extended (or not terminated). The assessment is reviewed if a significant event or a significant change in circumstances occurs which affects this assessment and that is within the control of the lessee.

(e) Critical judgements

An adjustment has been recorded upon adoption of AASB Interpretation 23 *Uncertainty over Income Tax Treatments*. The Group has identified a tax liability relating to a closed tax period. There is uncertainty as to whether the Australian Tax Office (ATO) will elect to reopen the closed period, and as to the amount of liability, interest and penalties if they elect to do so. Having evaluated the probabilities, an adjustment of $0.4m has been recorded reducing opening retained earnings at 1 July 2019.

(f) Comparative information

The classification of current and non-current loans receivable is based on the amount of the principal balance that is expected to be collected within 12 months and the beyond 12 months from the reporting date respectively. Following a review of the underlying calculations as presented in the financial report at 30 June 2019, $38.6m has been reclassified from current to non-current loans receivable at 30 June 2019. This change has no impact on the revenue, profit, total assets, total liabilities, net assets and equity of the comparative period.

Notes to the Condensed Financial Statements for the half year ended 31 December 2019 (continued)

2. Segment Information

The Group has identified its operating segments based on 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 performance.

Australia (AU)

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

New Zealand (NZ)

This segment was created with the acquisition of Go Car Finance in New Zealand in March 2019, it provides lending facilities generally based on the provision of an underlying asset as security, generally referred through a dealer. Previously referred to as International segment.

Consolidated half year ended 31 December 2019	**AU**	**NZ**	**Unallocated**	**Total**
	$'000	**$'000**	**$'000**	**$'000**
Segment revenue	52,083	10,590	5	62,678
EBITDA / Segment result	29,839	4,388	(1,759)	32,468
Depreciation and amortisation	(184)	(198)	(485)	(867)
Net finance costs	-	(1,829)	(5,105)	(6,934)
Profit before tax	**29,655**	**2,361**	**(7,349)**	**24,667**
Income tax expense	-	-	-	(6,957)
Profit after tax	**-**	**-**	**-**	**17,710**
Loans receivable	315,131	71,935	-	387,066

Consolidated half year ended 31 December 2018	**AU**	**NZ**	**Branch** (Discontinued)	**Online** (Discontinued)	**Unallocated**	**Total**
	$'000	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
Segment revenue	40,433	-	19,167	6,384	-	65,984
EBITDA / Segment result	24,918	-	7,102	1,718	(2,656)	31,082
Depreciation and amortisation	(13)	-	(44)	(230)	(114)	(401)
Net finance costs	-	-	-	-	(5,135)	(5,135)
Profit before tax	**24,905**	-	**7,058**	**1,488**	**(7,905)**	**25,546**
Income tax expense	-	-	-	-	-	(8,025)
Profit after tax	**-**	-	**-**	**-**	**-**	**17,521**
Loans receivable	258,137	-	39,184	8,740	-	306,061

Branch (Discontinued) and Online (Discontinued)

These two segments provided services and lending facilities in Australia generally without the provision of an underlying asset as security through the branch network and the internet respectively. With the disposal of Money3 Branches Pty Ltd (Branches) and Money3 Services Pty Ltd (Online), the two segments are designated as discontinued.

Notes to the Condensed Financial Statements for the half year ended 31 December 2019 (continued)

3. Revenue

	Consolidated Half-year 2019 $'000	Consolidated Half-year 2018 $'000
Revenue from operating activities		
Interest, fees and charges on loans receivable	61,581	40,433
Other income	1,097	-
Total revenue from operating activities	**62,678**	**40,433**

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.

Recognition and Measurement

Revenue is measured at fair value of the consideration received or receivable and 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. The Group bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and specifics of each arrangement and contract.

Interest, Fees and Charges

Interest, 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 is deferred and recognised over the life of the loans using the effective interest rate method over the loan period.

4. Loans Receivable

	Consolidated 31 December 2019 $'000	Consolidated 30 June 2019 $'000
Loans receivable	387,066	338,129
Allowance for impairment losses	(24,204)	(20,202)
Net loans receivable	**362,862**	**317,927**
Current loans receivable	130,852	127,671
Non-current loans receivable	232,010	190,256
Net loans receivable	**362,862**	**317,927**

Notes to the Condensed Financial Statements for the half year ended 31 December 2019 (continued)

4. Loans Receivable (continued)

Gross loan book represent cash to be received at balance date. Deferred revenue represents interest, fees and charges accumulated on individual loans which will be recognised as revenue in future periods using the effective interest rate method. Gross loan book less deferred revenue represents the loans receivable calculated in accordance with the accounting policy.

	Consolidated 31 December 2019 $'000	Consolidated 30 June 2019 $'000
Gross loan book	426,731	374,000
Deferred revenue	(39,665)	(35,871)
Loans receivable	**387,066**	**338,129**

Key Estimate

Recognition of income is in line with the expected repayment profile of loans in the ordinary course of business. The loss allowances for loans receivable are based on assumptions about risk of default and expected loss rates. The Group uses judgment in making these assumptions and in selecting the inputs to the impairment calculation, based on the Group's history, existing market conditions as well as forward looking estimates at the end of each reporting period.

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 receivable 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.
The Group applies a three-stage approach to measuring expected credit losses (ECLs) for loans receivable measured at amortised cost. Loans receivable move through the following three stages based on the change in credit risk since initial recognition:

Stage 1: 12-months ECL

The Group collectively assesses ECLs on loans receivable where there has not been a significant increase in credit risk since initial recognition and that were not credit impaired upon origination. For these loans receivable, the Group recognises as a collective provision the portion of the lifetime ECL associated with the probability of default events occurring within the next 12 months. The Group does not conduct an individual assessment of exposures in Stage 1 as there is no evidence of one or more events occurring that would have a detrimental impact on estimated future cash flows.

Stage 2: Lifetime ECL – not credit impaired

The Group collectively assesses ECLs on loans receivable where there has been a significant increase in credit risk since initial recognition but are not credit impaired. For these loans receivable, the Group recognises as a collective provision a lifetime ECL (i.e. reflecting the remaining term of the loans receivable). Like Stage 1, the Group does not conduct an individual assessment on Stage 2 loans receivable as the increase in credit risk is not, of itself, an event that could have a detrimental impact on future cash flows.

Stage 3: Lifetime ECL – credit impaired

The Group identifies, both collectively and individually, ECLs on those exposures that are assessed as credit impaired based on whether one or more events that have a detrimental impact on the estimated future cash flows of that asset have occurred. For exposures that have become credit impaired, a lifetime ECL is recognised as a collective or specific provision.

A loan receivable balance is written off when the customer is unlikely to pay their obligation and the Group determines there is no reasonable expectation of recovery. In assessing whether reasonable expectation of recovery exists, multiple factors are considered including days past due without repayment, recourse available to the Group such as realisability of security, insurance payout and other related factors.

Notes to the Condensed Financial Statements for the half year ended 31 December 2019 (continued)

4. Loans Receivable (continued)

Determining the stage for impairment

At each reporting date, the Group assesses whether there has been a significant increase in credit risk for loans receivable since initial recognition by comparing the risk of default occurring over the remaining expected life from the reporting date and the date of initial recognition. Loans receivable will move through the ECL stages as asset quality deteriorates. If, in a subsequent period, asset quality improves and reverses any previously assessed significant increase in credit risk since origination, then the allowance for impairment losses reverts from lifetime ECL to 12-months ECL. Loans receivable that have not deteriorated significantly since origination are considered to have a low credit risk. The allowance for impairment losses for these loans receivable is based on a 12-months ECL. When an asset is uncollectible, it is written off against the related provision. Such assets are written off after all the necessary procedures have been completed and the amount of the loss has been determined. Subsequent recoveries of amounts previously written off reduce the amount of the expense in the income statement.

Measurement of Expected Credit Losses (ECLs)

ECLs are derived from unbiased and probability-weighted estimates of expected loss and incorporate all available information which is relevant to the assessment including information about past events, current conditions and reasonable and supportable forecasts of future events and economic conditions at reporting date.

The Group calculates ECL using three main components, a probability of default (PD), a loss given default (LGD) and the exposure at default (EAD).

The 12-month ECL is calculated by multiplying the 12-month PD, LGD and EAD. Lifetime ECL is calculated using the lifetime PD instead. The 12-month and lifetime PDs represent the probability of default occurring over the next 12 months and the remaining maturity of the instrument respectively. The EAD represents the total value the Group is exposed to when the loan receivable defaults. The LGD represents the unrecovered portion of the EAD taking into account the mitigating effect of realisable value of security.

Notes to the Condensed Financial Statements for the half year ended 31 December 2019 (continued)

5. Dividends

	Half year 2019 Cents per share	Half year 2019 $'000	Half year 2018 Cents per share	Half year 2018 $'000
The dividends were paid as follows:				
Final dividend paid during the half year ended 31 December - fully franked at 30% tax rate	5.00	9,122	5.00	8,894

6. Earnings per share

	Consolidated half year 2019 Cents	Consolidated half year 2018 Cents
a) Basic earnings per share		
From continuing operations attributable to the ordinary equity holders of the Group	8.60	6.55
From discontinued operations	1.09	3.29
Total basic earnings per share attributable to the ordinary equity holders of the Group	**9.69**	**9.84**
b) Diluted earnings per share		
From continuing operations attributable to the ordinary equity holders of the Group	8.45	6.47
From discontinued operations	1.08	3.24
Total diluted earnings per share attributable to the ordinary equity holders of the Group	**9.53**	**9.71**

c) Reconciliations of earnings used in calculating earnings per share	**$'000**	**$'000**
Basic earnings per share		
Profit attributable to the ordinary equity holders of the Group		
From continuing operations	15,710	11,670
From discontinued operations	2,000	5,851
	17,710	**17,521**

d) Weighted average number of ordinary and potential ordinary shares used in the calculation of diluted earnings per share as follows:	**Number**	**Number**
Weighted average number of ordinary shares basic	182,737,883	178,053,000
Dilutive potential ordinary shares	3,168,000	2,411,000
Weighted average number of ordinary shares and potential ordinary shares used in calculation of diluted earnings per share	185,905,883	180,464,000

Notes to the Condensed Financial Statements for the half year ended 31 December 2019 (continued)

7. Borrowings

	Consolidated 31 December 2019 $'000	Consolidated 30 June 2019 $'000
Current		
Overdraft facility	-	932
Finance facility (net of unamortised costs)	100,525	2,505
	100,525	**3,437**
Non-Current		
Finance facility (net of unamortised costs)	42,607	132,570
	42,607	132,570
Net borrowings	**143,132**	**136,007**

Finance Facility

In December 2017, the Company entered into a variable rate $150m finance facility for the Australian operations. The facility agreement is for three years from the date of the initial advance, being 15 December 2017. The facility is subject to a first ranking General Security Agreement (fixed and floating charge) over all present and after acquired assets of the Australian operations.

Go Car Finance has a $1m overdraft facility, a variable rate funding facility of $36m and a fixed rate funding facility of $8.7m. Both funding facilities terminate in April 2022 and the counterparty to the variable rate funding facility has a first ranking security while the counterparty to the fixed rate funding facility has a subordinated ranking security over the property of the entities within the Go Car Finance group.

Financing Facilities Available

	Consolidated 31 December 2019 $'000	Consolidated 30 June 2019 $'000
Finance facility	195,694	194,466
Used at balance date	(144,734)	(138,229)
Unused at balance date	**50,960**	**56,237**

8. Share Capital

	Consolidated 31 December 2019		Consolidated 30 June 2019	
	Number of ordinary shares '000	$'000	Number of ordinary shares '000	$'000
Balance at the beginning of the financial period	182,125	163,722	176,265	153,969
Issued during the period:				
New issue on acquisition of Go Car Finance	-	-	1,055	1,920
Issued shares on vesting of employee share scheme	904	1,429	1,658	2,439
Issue of shares – employees share scheme	11	23	791	778
Issue of Shares – DRP	792	1,710	2,356	4,616
Balance at end of the financial period	**183,832**	**166,884**	**182,125**	**163,722**

Notes to the Condensed Financial Statements for the half year ended 31 December 2019 (continued)

9. Significant Matters Subsequent to the Reporting Date

There are no matters or circumstances have arisen since the end of the half year that have significantly affected or may significantly affect the operations of the Group, the results or the state of affairs of the Group in future years.

10. Business combination

(a) Summary of acquisition

In the previous financial year on 12 March 2019, Money3 acquired 100% of the issued share capital of Go Car Finance Group (GCF), a lender of secured automotive loans in New Zealand. The Go Car Finance acquisition is aligned with Money3's long term strategy and provides Money3 with geographical expansion, market access and a strong existing business.

Details of the purchase consideration, the net assets acquired, and related goodwill are given below:

	Recognised at 30 June 2019 $'000
Purchase consideration (refer to (b) below)	
Cash paid	13,574
Ordinary shares issued	1,920
Liability for contingent consideration	6,143
Total purchase consideration	**21,637**

The Group completed the accounting for the acquisition of Go Car Finance in November 2019. The fair values of the intangibles disclosed below have been determined on the basis of independent valuations. There has been no change to the provisionally determined fair values of the assets and liabilities disclosed at 30 June 2019.

	Fair Value at 30 June 2019 $'000
Cash at bank	903
Loans receivables	44,262
Other receivables	355
Other assets	106
Property, plant & equipment	807
Intangible assets	5,737
Deferred tax liabilities, net	(1,247)
Bank overdraft	(30)
Trade & other payables	(4,285)
Employee benefit obligations	(175)
Borrowings	(32,288)
Provisions	(349)
Net identifiable assets acquired	13,796
Add: Goodwill	7,841
Net assets acquired	**21,637**

The goodwill is attributable to the intellectual property and the workforce. It will not be deductible for tax purposes.

Notes to the Condensed Financial Statements for the half year ended 31 December 2019 (continued)

10. Business combination (continued)

(b) Purchase consideration - cash outflow

	Year ended 30 June 2019 $'000
Outflow of cash to acquire subsidiary, net of cash acquired	
Cash paid	13,574
Less: Balances acquired	
Cash	903
Bank overdraft	(30)
	873
Net outflow of cash - investing activities	**12,701**

(c) Contingent consideration

In the event that Go Car Finance achieves certain pre-determined annual profitability and growth over the first three years post acquisition, additional consideration of up to $1.9m may be payable annually in cash or in equity in the first two years and up to $3.8m in the third year. The potential undiscounted amount payable under the agreement is for a pre-tax profit hurdle of $4.2m in the first year with 20% incremental hurdles in the following two years. The fair value of the contingent consideration at 31 December 2019 is $6.5m (30 June 2019: $6.1m) and was estimated by calculating the present value of the future expected cash flows using a pre-tax discount rate of 13.6% and probability adjusted three years forecast profit before tax between $4.2m and $6.5m.

11. Discontinued operation

On 20 May 2019, the Group sold Money3 Branches Pty Ltd and Money3 Services Pty Ltd (wholly owned subsidiaries) to Commit Co Pty Ltd.

At 30 June 2019, the gross carrying amount receivable from the sale of subsidiaries was $9.7m and an impairment allowance of $2m had been recognised. Subsequently, the Group received full payment and the impairment allowance was reversed in the current half year.