moneyme

2021 Interim Financial Report

for the six months ended 31 December 2020

MoneyMe Limited and its controlled entities

ACN: 636 747 414

ASX: MME

About MoneyMe

MoneyMe is a digital consumer credit business leveraging its Horizon Technology Platform and big data analytics to deliver an innovative credit offering to tech-savvy consumers. Founded in 2013, the business has originated over $600 million in customer receivables through its risk-based lending platform and is well positioned to take advantage of sector developments and trends.

The business operates in the consumer lending sector in Australia, in which lenders provide finance solutions to consumers to fulfil a variety of personal funding requirements. Target customers seek fast, convenient and simple access to credit direct from their mobile devices and at the point of sale. MoneyMe has a diversified set of products, Freestyle – a line of credit with Mastercard, MoneyMe+ for point-of-sale retail, Personal Loans and ListReady and RentReady for the property sector.

MoneyMe's technology platform allows applications to be completed within approximately five minutes and funds to be disbursed or credit facilities to be available for use shortly after an applicant is approved. Algorithms allow the business to provide personalised, risk-based pricing, which balances risk and return in the Group's customer receivables. The business applies market leading loan unit economics, which drives profitable growth.

Chairman's Letter

On behalf of the Board of Directors, it is a pleasure to present the MoneyMe Interim Financial Report for the six months to 31 December 2020 (1H FY21), our second interim report as a listed company.

1H FY21 was another successful period for the company. Revenue increased by 12.3% on the prior comparable period to $23.9 million, gross customer receivables increased by 32.1% on the prior comparable period to $167.5 million and the business delivered a positive Net Profit After Tax (NPAT) of $1.3 million in the first half. The Group continued to deliver on its growth strategy to increase its addressable market opportunities and diversify the profile of its customer receivables, successfully launching the MoneyMe+ product and delivering the PayAnyone and MoneyMe Perks innovations. The Group also delivered a step change reduction in its cost of funds through settlement of a new Major Bank warehouse facility that has increased its lending capacity and enabled price advantages through its risk adjusted pricing model that are further driving originations growth.

The Group's digital approach, enabled by its proprietary technology platform, Horizon, has ensured that it has been close to business-as-usual throughout the COVID-19 pandemic and the Group has been able to continue to seamlessly deliver market leading customer satisfaction and service levels within credit settings calibrated to the environment. This ongoing strong performance and ability to continue to successfully manage throughout the COVID-19 impacted environment is testament to the resilience of our operating model, the quality and capability of our management team and employees, the Group's competitiveness within the market, and our ability as a disrupter to gain market share despite the conditions.

The Group's competitive positioning resulted in it receiving an unsolicited confidential, non-binding indicative proposal from a credible and significant third party seeking to effectively acquire MoneyMe Limited during the 1H FY21 period. The proposal was appropriately assessed by the Board and management with assistance from independent external advisers, with a shared cost arrangement agreed. After due consideration, a decision was made to decline the proposal and continue with the existing business strategy.

We are pleased to see the COVID-19 impacted macroeconomic outlook improve significantly. Our digital operating model and proprietary technology platform, the combination of current and planned new products, expanding distribution opportunities, a lower cost of funds and proactive credit risk management will enable the business to continue to achieve strong financial performance from an increasingly diversified customer receivables base. The Group is set to maintain its current focus on the opportunities for profitable growth.

On behalf of the Board, I would like to thank our customers and shareholders for your trust and ongoing support and our employees for their outstanding work, customer service and the significant milestones achieved in the period.

Yours sincerely

Peter Coad
Chairman
Sydney, 23 February 2021

The Group continued to deliver on its growth strategy to increase its addressable market opportunities and diversify the profile of its customer receivables, successfully launching the MoneyMe+ product and delivering the PayAnyone and MoneyMe Perks innovations.


The pace of innovation is not slowing down and the highly spirited performance culture at MoneyMe is creating increble customer experiences.

CEO's Letter

Defining acceleration for the market, MoneyMe's growth and momentum continues to grow and the brand is keenly positioned with its suite of cross-category products, with more innovations earmarked for release in 2021. The relatively new Freestyle virtual card is on a trajectory to take centre stage and the newly released MoneyMe+ and ListReady products are already making an impact.

The first half of FY21 had many highlights, delivering record customer receivables, good credit quality, stronger unit economics, substantially lower capital costs and momentum quarter-on-quarter is gaining. This first half creates significant leverage in our operating model, to deliver profits and future revenue growth. The advances in our agile technology platform, Horizon, combined with Major Bank funding is delivering highly automated and attractive credit experiences for our customers.

We received an unsolicited confidential, non-binding indicative proposal to effectively acquire MoneyMe Limited in the 1H FY21 period from a very credible and significant third party that implied an equity value for MoneyMe at a significant premium to the current share price, pointing at value in the Group's performance, its technology and fundamentals for high and profitable growth. The proposal was appropriately assessed with assistance from top-tier advisers to ensure due consideration having regard to the interests of, and the future value for, shareholders.

Financial performance

I am very pleased to report that 1H FY21 was a strong period of financial performance for MoneyMe, setting the Group up for a strong full year result.

- Customer originations of $114.3 million[1], up 36.3% on 2H FY20. MoneyMe has now originated over $646 million since inception.
- Gross customer receivables of $167.5 million, up 25.4% on the 30 June 2020 result.
- Revenue of $23.9 million, up 12.3% on the prior comparable period.
- The weighted average cost of funds dropped to <5%, a massive step change following the settlement of a new Major Bank warehouse facility.
- Core operating costs[2] were down to 11.8% of average receivables compared to 13.2% for the prior comparable period reflecting the increasing operating leverage.
- Net charge-offs were reduced to 4.7%, down 14.1% on the prior comparable period.
- PBT of $0.2 million and NPAT of $1.3 million.

The Group's cash and cash equivalent balance remains robust at $28.6 million at 31 December 2020 with the recently established Major Bank warehouse facility providing a sound runway for growth.

Operational performance

The pace of innovation is not slowing down and the highly spirited performance culture at MoneyMe is creating incredible customer experiences. Some of the key highlights for the first half were:

- PayAnyone enabled for Freestyle in November 2020, a first in market experience using credit to transfer money to anyone. This capability is now also enabled for ListReady customers covering property expenses.
- MoneyMe+ which was launched in 1H FY21, our Shop Now and Pay Later product with interest-free payments and a fast online approval at point of sale checkout.
- Better rates for customers using our risk adjusted pricing model and cheaper capital advantage, to increase our Personal Loan offer to $50,000 with an increased term to repay. This is delivering increased customer lifetime value to the business.

[1] This number relates to principal originations.

[2] The core operating costs as a percentage of customer receivables represents sales and marketing plus general and administrative expenses, less any one-off expenses, as a percentage of average gross customer receivables (annualised).

- ListReady, our payment solution to homeowners for the capital requirements involved in selling a property, continues as the strong disruptor for the sector. The solution now has over 500 agencies signed-up, an increase from 297 at 30 June 2020.
- Customer satisfaction and service levels continue to be remarkable with a high Net Promoter Score (NPS) of >70.
- Proactive and robust credit risk management that continues to be calibrated to the COVID-19 impacted environment. As at 31 December 2020, COVID-19 hardship payment plan deferrals were 0.4% of gross customer receivables compared to 1.4% in June 2020.
- A continuation of strong receivable book quality with the average Equifax score increasing to 638.

The Group's operational performance has been outstanding with significant investment and development continuing at pace as we deliver on our mission to become the favourite credit partner for Generation Now.

FY21 and beyond

The changing and improving macro-environment is creating opportunities and our highly driven and capable team remain focused on achieving growth opportunities in the year ahead. We are incredibly excited as we execute on our strategy, increasing our market presence and share across more categories, increasing our sales to existing customers which delivers very attractive economics, and leveraging automation through our AI platform AIden®, to drive unbeatable customer experiences and value without the costs.

Our dynamic and digital operating model, strong cash position, diversified receivables book, modern product suite and online distribution, positions us well for the current and post COVID-19 environment.

To our MoneyMe shareholders, we are very grateful for your support, and to Team MoneyMe, thank you for achieving the sensational milestones and providing your relentless commitment in this first half. I am incredibly excited for MoneyMe and its progress to being the favourite credit partner for Generation Now, creating customer value and exceptional experiences that deliver shareholder returns.

Yours sincerely

Clayton Howes
Managing Director
and Chief Executive Officer
Sydney, 23 February 2021

Directors' Report

The Directors present their report together with the Condensed Consolidated Financial Statements and accompanying Notes of MoneyMe Limited (the Company) and its controlled entities (the Group) for the period ended 31 December 2020 (1H FY21).

Information about the Directors

The Directors of the Company at the date of this report were:

Clayton Howes

Scott Emery

Peter Coad

Jonathan Lechte

Susan Wynne

Operational and Financial Review

Operational highlights

The business has experienced high growth and expansion in the current year. Key operational highlights include:

- Period-on-period growth of 25.4% on gross customer receivables and 12.3% growth in revenue;
- Successful settlement of a Major Bank warehouse, reducing the cost of funds by over 36%;
- Launch of PayAnyone, a first in market capability that allows credit to transfer money to anyone;
- The successful launch of MoneyMe+ with $18 million of originations since launch and over 200 merchant point-of-sale contracts put in place;
- Expansion and further diversification of the customer base through increased customer receivable offerings with the Freestyle virtual credit account offer increased to $20,000 and the Personal Loan offer increased to $50,000;
- High levels of customer satisfaction, with a high NPS score of 74;
- Recognition by the Australian Fintech Awards for Best Proptech Platform; and
- Ongoing operating efficiencies being delivered through low fixed costs and high automation with core operating costs as a percentage to average assets reducing to 11.8% (13.2% prior comparable period).

The COVID-19 pandemic continues to bring about challenges for the industry. From the Group's perspective, COVID-19 continues to impact in a number of areas including a heighted credit risk. However, the Group's online, low fixed costs and recurring revenue business model mean that these challenges are manageable.

The Group's digital approach, combined with a proprietary technology platform, has ensured that employees and management have been able to flexibly transition between office and home working as a result of COVID-19, while continuing to deliver great customer engagement, effectively manage the customer origination process, proactively refine credit decision making, and manage risk and operational processes.

Financial Highlights

Key Financial Measures with comparatives are provided below.

	Six months to 31 December 2020 $'000	Six months to 31 December 2019 $'000
Total revenue	23,924	21,313
Profit/(loss) before tax (PBT)	228	(1,553)
Net profit after tax (NPAT)	1,290	4,317

	31 December 2020 $'000	30 June 2020 $'000
Cash and cash equivalents	28,567	35,379
Gross customer receivables	167,542	133,560
Total assets	196,381	166,601
Total equity	48,612	46,852

Revenue growth in 1H FY21 materially reflects growth in the gross customer receivables. NPAT reflects revenue growth, before tax operating expenses plus an income tax benefit that materially reflects the recognition of tax assets.

The period-on-period gross customer receivables increase reflects originations growth. Period-on-period total asset increases reflect gross customer receivables growth and the recognition of deferred tax assets. Period-on-period cash decreases reflect investments in gross customer receivables and ongoing investment related spend. Period-on-period equity increases reflect positive NPAT.

The Group continues to apply financial macroeconomic overlays in a number of areas including customer receivable asset provisioning and the on-balance sheet recognition of deferred tax assets. These overlays have been adjusted in the current period to reflect the improving macroeconomic outlook. The Group received a $1.0 million benefit from access to government COVID-19 related stimulus programs in 1H FY21. The Group expects to be able to continue to access available government stimulus measures until 31 March 2021.

Rounding

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

Signed in accordance with a resolution of the Directors.

Peter Coad

Chairman

Sydney, 23 February 2021

Clayton Howes

Managing Director and Chief Executive Officer

Sydney, 23 February 2021

Directors' Declaration

In the opinion of the Directors of MoneyMe Limited:

1. the 2021 Half-Year Financial Statements and Notes are in accordance with the *Corporations Act 2001* (Cth) and Australian Accounting Standard AASB 134 *Interim Financial Reporting* and give a true and fair view of the Group's financial position at 31 December 2020, and of its performance for the half financial year ended on that date; and

2. there are reasonable grounds to believe that the Group will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of the Directors made pursuant to section 303(5) of the *Corporations Act 2001*.

On behalf of the Directors.

Peter Coad
Chairman
Sydney, 23 February 2021

Clayton Howes
Managing Director and Chief Executive Officer
Sydney, 23 February 2021

Independent Auditor's Report

Deloitte.

Deloitte Touche Tohmatsu
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Independent Auditor's Review Report to the shareholders of MoneyMe Limited

Conclusion

We have reviewed the half-year financial report of MoneyMe Limited (the "Company") and its subsidiaries (the "Group"), which comprises the condensed consolidated statement of financial position as at 31 December 2020, and the condensed consolidated statement of profit or loss and other comprehensive income, the condensed consolidated statement of cash flows and the condensed consolidated statement of changes in equity for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration as set out on pages 10 to 33.

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:

(a) giving a true and fair view of the Group's financial position as at 31 December 2020 and of its performance for the half-year ended on that date; and

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

Basis for Conclusion

We conducted our review in accordance with ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*. Our responsibilities are further described in the *Auditor's Responsibilities for the Review of the Half-year Financial Report* section of our report. We are independent of the Group in accordance with the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the annual 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 review report.

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 gives a true and fair view and is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility for the Review of the Half-year Financial Report

Our responsibility is to express a conclusion on the half-year financial report based on our review. ASRE 2410 requires us to conclude whether 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 2020 and its performance for the half-year ended on that date, and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Independent Auditor's 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.

DELOITTE TOUCHE TOHMATSU

Mark Stretton
Partner
Chartered Accountants

Melbourne, 23 February 2021

Independent Auditor's Statement of Independence

Deloitte.

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23 February 2021

The Board of Directors
MoneyMe Limited
3/131 Macquarie Street
SYDNEY NSW 2000

Dear Board Members

Auditor's Independence Declaration to MoneyMe Limited and its subsidiaries

In accordance with section 307C of the *Corporations Act 2001*, I am pleased to provide the following declaration of independence to the directors of MoneyMe Limited and its subsidiaries.

As lead audit partner for the review of the financial statements of MoneyMe Limited for the half-year ended 31 December 2020, I declare that to the best of my knowledge and belief, there have been no contraventions of:

(i) the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and

(ii) any applicable code of professional conduct in relation to the review.

Yours sincerely

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

M Stretton

Mark Stretton
Partner
Chartered Accountants

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six months ended 31 December 2020

	Note	For the six months ended 31 December 2020 $'000	For the six months ended 31 December 2019 $'000
Interest income		21,816	19,103
Other income		2,108	2,210
Total Revenue		**23,924**	**21,313**
Interest expense		(5,507)	(6,123)
Sales and marketing expense		(3,739)	(2,385)
Product design and development expense		(1,810)	(1,387)
General and administrative expense		(6,067)	(6,154)
Depreciation and amortisation expense		(803)	(414)
Customer receivable impairment expense		(5,770)	(6,403)
Total Operating Expenses		**(23,696)**	**(22,866)**
Profit/(Loss) Before Tax		**228**	**(1,553)**
Income tax benefit	**6**	1,062	5,870
Net Profit/(Loss) After Tax		**1,290**	**4,317**
Other comprehensive income		–	–
Total Comprehensive Income		**1,290**	**4,317**
		cents	**cents**
Basic profit/(loss) per share	**7**	1	3
Diluted profit/(loss) per share	**7**	1	3

The Financial Statements are to be read in conjunction with the Notes to the Financial Statements.

Condensed Consolidated Statement of Financial Position

For the six months ended 31 December 2020

	Note	31 December 2020 $'000	30 June 2020 $'000
Cash and cash equivalents	**8**	28,567	35,379
Net customer receivables	**9**	154,307	120,751
Current tax asset	**6**	–	–
Deferred tax asset	**6**	5,355	4,296
Intangible assets	**10**	2,630	2,166
Right-of-use asset	**11**	1,681	1,905
Property, plant and equipment		1,158	1,105
Other receivables	**12**	2,683	999
Total assets		**196,381**	**166,601**
Borrowings	**13**	140,481	113,126
Other payables	**12**	4,228	1,913
Lease liability	**11**	1,844	2,120
Current tax payable	**6**	–	1,580
Employee-related provisions		1,216	1,010
Total liabilities		**147,769**	**119,749**
Net assets		**48,612**	**46,852**
Share capital	**14**	44,108	44,108
Reserves	**15**	1,229	759
Retained earnings		3,275	1,985
Total equity		**48,612**	**46,852**

The Financial Statements are to be read in conjunction with the Notes to the Financial Statements.

Condensed Consolidated Statement of Changes in Equity

For the six months ended 31 December 2020

	Note	Share Capital $'000	Reserves $'000	Retained Earnings $'000	Total $'000
Balance as at 30 June 2019		**2,794**	**118**	**786**	**3,698**
Adjustment on adoption of AASB 16		-	-	(100)	(100)
Balance as at 1 July 2019		**2,794**	**118**	**686**	**3,598**
Profit for the period		–	–	4,317	4,317
Other comprehensive income		–	–	–	–
Shares issued	**14**	208,706	–	–	208,706
Business reorganisation	**1**	(167,090)	–	–	(167,090)
Share-based payment expense	**15**	300	233	–	533
Balance as at 31 December 2019		**44,710**	**351**	**5,003**	**50,064**
Balance as at 1 July 2020		**44,108**	**759**	**1,985**	**46,852**
Profit for the period		–	–	1,290	1,290
Other comprehensive income		–	–	–	–
Shares issued	**14**	–	–	–	–
Share-based payment expense	**15**	–	470	–	470
Balance as at 31 December 2020		**44,108**	**1,229**	**3,275**	**48,612**

The Financial Statements are to be read in conjunction with the Notes to the Financial Statements.

Condensed Consolidated Statement of Cash Flows

For the six months ended 31 December 2020

	Note	31 December 2020 $'000	31 December 2019 $'000
Income from customers		19,764	21,283
Payments to suppliers and employees		(8,401)	(10,006)
Net funding interest paid		(4,636)	(5,470)
Income tax paid		(1,577)	–
Transaction costs related to borrowings		(323)	–
Net cash inflows from operating activities		**4,827**	**5,807**
Payments for property, plant and equipment		(497)	(353)
Payments for intangible asset development		(823)	(422)
Net customer receivable disbursements		(36,850)	(44,636)
Net cash outflows from investing activities		**(38,170)**	**(45,411)**
Proceeds from borrowings		26,880	33,265
Principal repayment of leases		(349)	(274)
Proceeds from issued share capital		–	41,616
Net cash inflows from financing activities		**26,531**	**74,607**
Net increase/(decrease) in cash and cash equivalents		**(6,812)**	**35,003**
Cash and cash equivalents at the beginning of the period		35,379	6,062
Cash and cash equivalents	**8**	**28,567**	**41,065**

The Financial Statements are to be read in conjunction with the Notes to the Financial Statements.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 31 December 2020

1. Group Information

1.1 Company information

MoneyMe Limited (the Company) is a listed public company limited by shares, incorporated and domiciled in Australia. The Company was incorporated on 17 October 2019. The Company is also the parent and ultimate holding entity of the MoneyMe Group. The address of its registered office and principal place of business is:

Level 3
131 Macquarie Street
Sydney, NSW 2000

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

1.2 Controlled entities information

Name	Location	Establishment date	Proportion of ownership held by Group	
			2021	**2020**
MoneyMe Financial Group Pty Limited[1]	Australia	9 May 2013	100%	100%
MoneyMe Finance Pty Limited[2]	Australia	7 November 2019	100%	100%
MoneyMe Technology Pty Limited	Australia	7 November 2019	100%	100%
MoneyMe Partnership Pty Limited[3]	Australia	7 November 2019	100%	100%
MoneyMe International Pty Limited[4]	Australia	13 October 2020	100%	–
ListReady Pty Limited	Australia	29 May 2019	100%	100%
RentReady Pty Limited	Australia	7 May 2020	100%	100%
MoneyMe Velocity Warehouse Trust[5]	Australia	17 December 2017	100%	100%
MoneyMe Horizon 2018 Warehouse Trust[6]	Australia	19 December 2018	100%	100%
MoneyMe Horizon 2020 Warehouse Trust[6]	Australia	25 August 2020	100%	100%
MoneyMe Share Plan Trust[7]	Australia	7 December 2020	100%	–
MoneyMe Financial Group (UK) Limited	United Kingdom	21 October 2020	100%	–
ListReady (NZ) Pty Limited	New Zealand	14 April 2020	100%	100%

[1] Owns 100% of the shares of ListReady Pty Limited.

[2] Owns the residual income units relating to MoneyMe Velocity Warehouse Trust, MoneyMe Horizon 2018 Warehouse Trust and MoneyMe Horizon 2020 Warehouse Trust. Ownership changed in the 2020 financial year from MoneyMe Financial Group Pty Limited to MoneyMe Finance Pty Limited.

[3] Owns 100% of the shares of RentReady Pty Limited and ListReady (NZ) Pty Limited.

[4] Owns 100% of the shares of MoneyMe Financial Group (UK) Limited.

[5] Ownership reflects capital and residual income unit ownership. The MoneyMe Velocity Warehouse Trust was wound up on 16 November 2020.

[6] Ownership reflects capital and residual income unit ownership.

[7] The purpose of the Trust is to support management of MoneyMe's Employee Equity Incentive Plan.

1.3 Public listing and business reorganisation

During the 2020 financial year, the Group undertook an Initial Public Offering (IPO) and reorganisation. This included establishing a listed entity, MoneyMe Limited, which became the parent entity of MoneyMe Financial Group Pty Limited and its controlled entities. The Company and the existing shareholders in MoneyMe Financial Group Pty Limited acquired the holdings of the previous shareholders in consideration for cash and shares in the Company immediately upon IPO completion.

The IPO-related restructuring is considered to be a form of capital restructuring and group reorganisation in reference to AASB 3 *Business Combinations* that is being accounted for at book value as follows:

- the assets and liabilities of MoneyMe Limited include the carrying values of the assets and liabilities of MoneyMe Financial Group Pty Limited;
- the retained earnings and other equity balances recognised in the Consolidated Financial Statements include the existing retained earnings and other equity balances of MoneyMe Financial Group Pty Limited; and
- the amounts recognised as issued capital in the Consolidated Financial Statements of MoneyMe Limited reflect the impact of the restructure, and the market capitalisation of the Company at the date of the IPO completion. An offsetting entry to a reorganisation reserve has been recognised to align total equity with the net asset position of the Group.

During the 2020 financial year, the Group incurred IPO-related expenses. IPO-related expenses related to the equity raising, which allocated against equity ($4.0 million) (gross of tax), with the remaining IPO-related expenses allocated against general and administrative expenses ($2.4 million).

2. New and Amended Accounting Standards

2.1 AASB 17 *Insurance Contracts*

AASB 17 *Insurance Contracts* is effective for annual reporting periods beginning on or after 1 January 2023. AASB 17 establishes the principles for the recognition, measurement, presentation, and disclosure of insurance contracts and supersedes AASB 4 *Insurance Contracts*.

The Group expects to adopt AASB 17 for its 2023 Annual Financial Report. It is to be applied retrospectively unless impracticable, in which case the modified retrospective approach, or the fair value approach would be applied. The Group expects the standard's application to the MoneyMe 2023 Annual Financial Report will be limited or *de minimis* given AASB 17's focus on insurance policy issuers rather than policy recipients.

The Group has assessed that other new and amended accounting standards for this reporting period are unlikely to have a material impact for this period.

3. Basis of Preparation

The Group is a for-profit business which is publicly accountable. The Interim Financial Report is a general-purpose financial report, which has been prepared in accordance with the Corporations Act and AASB 134 *Interim Financial Reporting*. Compliance with AASB 134 ensures compliance with International Accounting Standard (IAS) 34 *Interim Financial Reporting*.

The Interim Financial Report does not include notes of the type normally included in an Annual Financial Report and should be read in conjunction with the MoneyMe Limited 2020 Annual Report and any public announcements made by the Group.

Selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the financial position and performance of the Group since the end of the Group's 2020 reporting period. Significant and other accounting policies applied in this consolidated Interim Financial Report are the same as those applied by the Group as at the year ended 30 June 2020 unless otherwise stated.

Management considers that the carrying value amount of financial assets and liabilities recognised in the Condensed Consolidated Statement of Financial Position approximate fair values.

4. Critical Accounting Estimates and Judgements

4.1 Overview

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

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

4.2 Customer receivable provisioning

4.2.1 Significant changes in credit risk and default

Expected credit losses (ECLs) are measured as an allowance equal to 12-month ECL for stage 1 assets, or lifetime ECL for stage 2 or stage 3 assets. An asset moves to stage 2 when its credit risk has increased significantly since initial recognition. AASB 9 *Financial Instruments* does not define what constitutes a significant increase in credit risk. The Group judges that the credit risk of an asset has significantly increased to be stage 2 when a customer receivable exposure is greater than 30 days past due. The Group judges that a financial asset is in stage 3 when one or more contractual payments have been missed or in reference to receivable payments that are more than 90 days past payment, or in hardship.

In the 2020 financial year, COVID-19 hardship receivables were classified as stage 1 assets unless another trigger was identified during the monitoring of these receivables that would result in a significant increase in credit risk. No separate treatment has been applied to COVID-19 hardship receivables for the 1H FY21 period, reflecting higher level of understanding and certainty relating to them gained over the last period. As a result, COVID-19 hardship customer receivables for 1H FY21 are provided for in the same way as other receivables as stage 1, 2 or 3 assets. Consequently, some COVID-19 hardship customer receivables recently are classified as stage 1, 2 or 3 assets as at 31 December 2020, when they may have been assessed as stage 1 assets as at 30 June 2020. As at 31 December 2020, COVID-19 hardship payment plan deferrals were 0.4% of gross customer receivables compared to 1.4% in June 2020.

4.3 Calculation of loss allowance

4.3.1 Base loss allowance calculation

Probability of default (PD) constitutes a key input in measuring ECL. PD is an estimate of the likelihood of default over a given time horizon based on historic customer repayment data. Loss given default (LGD) is an estimate of the loss arising on default. It is based on the difference between the contractual cash flows due and those that the Group would expect to receive.

Management use data-based modelling to support judgements in this area with separate models used in relation to the Personal Loan, Freestyle and ListReady products. Personal Loan and Freestyle modelling applies up to 2 years of the most recent historic data. ECL amortisation period is 60 months.

PD for Personal Loans has been segmented into two groups for borrowers with employment length greater than 1 year and less than 1 year. Personal loan PD segmentation has not changed from prior year. Freestyle PD has also been segmented into two groups, for borrowers with a credit limit amount greater than $4,017 and less than $4,017. Freestyle PD segmentation has changed from prior year as it was previously prepared in accordance with the same Personal loan segmentation. The change reflects further analysis and modelling to further align calculations with the Freestyle product credit risk drivers.

LGD has also been segmented into groups to account for different risk profiles of the Group's borrowers. The LGD for Personal loan and Freestyle has been segmented based on borrower's employment with a specific industry sector. The segmentation has been updated in the 6 months to 31 December 2020 from 30 June 2020 and includes new industry sectors.

The maximum input for Exposure at default (EAD) for the Personal loan increased to $50,000 as at 31 December 2020 since 30 June 2020 in line with the Group's current customer receivable offering. EAD maximum input for Freestyle increased to $20,000 in the 6 months to 31 December 2020.

The Group applies a 25% Credit Conversion Factor (CCF) in relation to undrawn commitments on Freestyle for customers who are not in arrears. For customers in arrears the CCF is reduced to 2%. This approach is consistent with the approach taken at 30 June 2020.

ListReady has a lower LGD than the Personal Loan and Freestyle products given the Group has the right to place a caveat over the borrower's property. ListReady-related modelling also uses more general conservative assumptions as inputs that reflect the product's relatively recent launch, during the 2020 financial year, and materiality.

As at 31 December 2020, $1.9 million (1%) of gross customer receivables were classified as general hardship customer receivables all of which are subject to revised payment arrangements. The general hardship customer receivables account for $0.2 million of the stage 3 provision balance as at 31 December 2020.

4.3.2 Loss allowance overlay calculations

Management have also applied model risk, macroeconomic and further management overlays to address the risk of data modelling errors and the uncertainty from the broader economic environment. Macroeconomic overlays have been decreased significantly when compared to the Group's 2020 Annual Report to reflect improvement in the COVID-19 environment. Management's judgement in this area also reflects reference to operational credit risk reporting and available market benchmarking.

The principal macroeconomic indicators referenced in the economic scenarios considered for the positions on 30 June 2020 and 31 December 2020 are Gross Domestic Product (GDP), GDP index, GDP index change and unemployment. GDP has been determined to have economic correlations to inflation and unemployment, which can have a corresponding impact on customer receivable performance. The model also references information from the Australian Prudential Regulation Authority (APRA) Authorised Deposit-Taking Institution (ADI) quarterly performance statistics for losses data, with a set of variables obtained from the Australian Bureau of Statistics (ABS) including GDP, GDP growth rates, headline Consumer Price Index (CPI) growth rates, trimmed CPI and unemployment. Economic forecast reports from the market are used to support and validate this data further.

Macroeconomic overlays have been determined based on statistical modelling. This modelling involved regression analysis using historical macroeconomic data sourced from the ABS to support the determination of key macroeconomic predictors to be used for scenario modelling. Scenario modelling reflects reference to a Base Case forecast provided by a credible third party, which is adjusted to determine upside and downside scenarios. The scenarios were weighted to determine an appropriate macroeconomic overlay with an appropriate weighting to the downside to capture the uncertainty of COVID-19. The ECL related to the macroeconomic overlay has been calculated so that it includes the maximum customer receivable tenor offered across the portfolio.

While management acknowledge that the macroeconomic trends have improved drastically since 30 June 2020, the macroeconomic environment is still not performing at the same level of activity as it was in 31 December 2019. Therefore management have applied a management overlay to uplift the ECL to a level that reflects the current uncertainty in the macroeconomic environment.

The 31 December 2020 loss allowance model risk and macroeconomic overlay calculations and approach remain unchanged from the 2020 approach. The model risk overlay reflects the same risk buffer as at 30 June 2020, which also reflects the impacts of model back testing, availability of additional historical data and further modelling to undrawn balances. It also reflects changes in assumptions and inputs used to calculate the macroeconomic overlay, which has resulted in the decrease in the macroeconomic overlay. Management have added an additional overlay in the period to 31 December 2020 to help ensure that the provision remains prudent and reflects the ongoing uncertainties from the COVID-19 environment.

Refer to Note 9 for further information.

4.4 Going concern

A Going Concern assessment has been made in reference to accounting standards and Corporations Act requirements to confirm that there are reasonable grounds to believe that the Group will be able to pay its debts as and when they become due and payable.

This assessment has included completion of financial projections that take into the account the COVID-19 environment and reference to external macroeconomic projections. The business expects to continue to operate within its set liquidity risk appetite and continue its normal business activities.

4.5 Fee income recognition

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

4.6 Taxation

The Group's current tax balances reflect management's assessment of the amount of tax payable or receivable in the current period, supported by the judgement specialist independent tax advice where deemed appropriate.

The Group's deferred tax balances reflect an expectation to recover or settle temporary differences that relate to tax. These assessments and expectations reflect an interpretation of tax legislation regarding arrangements entered into by the Group and the application of tax rates that are expected to apply in the period when tax liabilities are expected to settle or tax assets are expected to be utilised.

Deferred tax asset recognition reflects an assessment that it is probable that there will be enough taxable profits against which to utilise the benefits of the temporary differences and that they are expected to reverse in the foreseeable future.

Management have applied overlay adjustments to all deferred tax asset balances to reflect uncertainties relating to model risk, business uncertainties and uncertainties that reflect the macro-environment. The macroeconomic overlay applied to the current and prior period deferred tax asset balances reflects consideration of the COVID-19 environment in particular.

Refer to Note 6 for further information.

5. Coronavirus 2019 (COVID-19)

The global COVID-19 pandemic continues to present a key challenge for businesses, governments and individuals to manage. An assessment of its impact on the Group's key risks, as identified in its Risk Appetite, is provided below.

5.1 Credit risk

The business has continued to originate customer receivables with credit decision rules calibrated through its Horizon Technology Platform, and decision settings appropriate for the COVID-19 environment during 1H FY21. Regular and enhanced reporting and analysis of customer receivable performance and new originations has continued to be completed as the COVID-19 environment has progressed to inform and guide timely and appropriate decision-making.

The Group is aware that some borrowers benefited from government stimulus-related measures, such as JobKeeper or early access to superannuation funds. It is also likely that some borrowers may have benefited from hardship arrangements put in place by other financial institutions. As a result of such arrangements, some borrowers may present a lower credit risk to the Group in the current environment than otherwise might have been the case.

The Group continues to adopt a robust approach in accounting for the potential impacts of COVID-19 on credit risk and provisioning. Despite the inherent uncertainties from the COVID-19 environment, the Group's diversified customer base and targeted origination growth strategy continue to minimise COVID-19-related credit risk.

Refer to Note 9 for further information.

5.2 Liquidity risk

Management has continued to complete additional reporting and analysis of liquidity risk and actual and projected cash flows as the COVID-19 environment has progressed to inform and guide timely and appropriate decision-making.

The Group executed a new funding facility in 1H FY21 as planned with the potential to increase borrowings limits in line with originations growth.

The Group has accessed a number of government COVID-19 stimulus measures that have supported operational cash flows in the immediate term. As at 31 December 2020, $1.0 million has been offset against the Group's total expenses (including tax expense).

The Group's liquidity is assessed to be sound, despite the uncertainties of the COVID-19 environment, in line with given its proven ability to access equity and debt capital, in addition to the Group's positive cash balance and cash flow projections.

Refer to Notes 8 and 13 for further information.

5.3 Regulatory compliance

No material further changes have been adopted by the Group in this area since 30 June 2020 to address impacts from the COVID-19 environment.

5.4 Operational risk

Employee working arrangements have evolved in response to the environment and advice received with further staff returning to office-based work arrangements that reflect implementation of the appropriate the safety and wellbeing protocols.

The Group maintained 100% uptime availability throughout the period with development ongoing to further enhance and develop the core Horizon Technology Platform in particular. There has not been any material impacts from the use third-party suppliers as a result of COVID-19-related issues.

5.5 People

Staff morale and engagement continued to remain high during the 1H FY21 despite the COVID-19 environment and while adopting changed working arrangements. No staff COVID-19 cases have been identified with no loss of any personnel due to COVID-19-related issues. The business has continued to attract and retain high-performing talent to support current and future business performance with a strong focus throughout the period to maintain regular communication and implement the latest government health and safety requirements.

5.6 Customer and brand reputation

The Group's NPS was an impressive 74 at 31 December 2020. This continues to represent high customer satisfaction levels, driven by high levels of automation and no disruption to service levels during a period when customers may have expected long wait times and disruption to services.

5.7 Financial performance

MoneyMe has developed a number of growth strategies which include increasing MoneyMe's customer diversification, and increasing MoneyMe's total addressable market through product innovation and distribution channel developments.

The Group is reporting record revenue of $23.9 million for 1H FY21, up 12.3% on the prior comparative period. The record revenue for 1H FY21 reflects strong customer originations of $114.3 million[1], up 36.3% on 2HFY20. Strong results were achieved across Key Operating Metrics.

The strong 1H FY21 financial result has been achieved despite impacts of the COVID-19 environment that have included a temporary reduction in origination levels, higher than planned asset run-off that appears in part to reflect the ability for some borrowers to have early access to superannuation and other market arrangements.

The Group has continued to innovate and implement growth strategies throughout the COVID-19 pandemic, including the launch of the new MoneyMe+ product, PayAnyone for the Freestyle and Personal Loan products and MoneyMe Perks for the Freestyle product.

[1] The number relates to principal originations.

6. Taxation

6.1 Overview

The restructure on listing resulted in a new tax consolidated group being created with MoneyMe Limited as its head entity. As a result, all tax values of the Group's assets and liabilities were reset and current and deferred tax amounts relating to transactions, events and balances of all entities in the Group were treated as if those transactions, events and balances were the head entity's own, in addition to the current and deferred tax amounts arising in relation to its own transactions, events and balances. Any adjustments to the tax bases of assets and liabilities were recognised through the Group's Statement of Profit or Loss and Other Comprehensive Income.

6.2 Income tax benefit

The components of tax expense comprise:	31 December 2020 $'000	31 December 2019 $'000
Current tax	(270)	1,834
Deferred tax	(1,059)	(7,288)
Research and Development (R&D) tax offset[1]	270	(416)
Adjustment in relation to prior year tax expense	(3)	–
Income tax benefit	**(1,062)**	**(5,870)**

[1] The R&D tax offset is an offset available for active R&D entities on eligible R&D activities.

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

	31 December 2020 $'000	31 December 2019 $'000
Profit before income tax	**228**	**(1,553)**
Income tax using the domestic tax rate of 30.0% in 2020 (2019: 27.5%)	69	(427)
Effect of expenses that are not deductible	3	2
Effect of concessions (R&D and other allowances)	606	(119)
Recognition of additional temporary differences	(1,965)	(5,325)
Adjustment in relation to prior year tax expense	(3)	-
Income tax benefit	**(1,062)**	**(5,870)**

6.3 Current tax payable

	$'000
Current tax asset/(payable) as at 30 June 2020	**(1,580)**
Current tax expense for the period	(270)
R&D tax offset	270
Tax payments made	1,577
Adjustment in relation to prior year tax expense	3
Current tax asset/(payable) as at 31 December 2020	–

6.4 Deferred tax

	Net deferred tax at 1 July 2020 $'000	Recognised in P&L $'000	Net deferred tax at 31 December 2020 $'000
Cash & cash equivalents	**–**	–	**–**
Other receivables	**31**	229	**260**
Net customer receivable	**1,920**	599	**2,519**
Property, plant & equipment	**(12)**	(9)	**(21)**
Right-of-use asset	**144**	(218)	**(74)**
Intangible asset	**1,582**	(373)	**1,209**
Other payables	**93**	(84)	**9**
Lease liability	**(91)**	212	**121**
Borrowings	**-**	(1)	**(1)**
Employee-related provisions	**77**	105	**182**
IPO costs	**552**	(125)	**427**
Treasury share issuance	**–**	724	**724**
Net deferred tax asset/(liability)	**4,296**	1,059	**5,355**

The carrying amount of deferred tax assets has been reviewed as at 31 December 2020 in reference to the current COVID-19 environment in particular. It is assessed that there is appropriate certainty to support the reported deferred tax asset, with overlays applied, after considering tax regulations, business plans and probable projected taxable profits.

It is noted that the reported deferred tax asset excludes $7.3 million of unrecognised deferred tax asset (i.e. held off-balance sheet) as part of set overlays that reflect consideration and uncertainties relating to the COVID-19 environment. The Group has unused tax losses of $0.9 million as at 31 December 2020.

7. Earnings Per Share

	31 December 2020 $'000	31 December 2019 $'000
Profit/(loss) after income tax	1,290	4,317
		No.
Weighted average number of ordinary shares used in calculating basic EPS	169,440,010	139,254,914
Adjustments for calculation of diluted EPS:		
Options	980,989	2,274,095
Rights	–	1,834,000
Weighted average number of ordinary shares used in calculating diluted EPS	170,420,999	143,363,009
	cents	**cents**
Basic profit/(loss)/EPS	**1**	**3**
Diluted profit/(loss)/EPS	**1**	**3**

8. Cash and Cash Equivalents

	31 December 2020 $'000	30 June 2020 $'000
Cash at bank	17,978	26,577
Restricted cash held in the Group's warehouse trusts	10,589	8,802
Total cash and cash equivalents	**28,567**	**35,379**

9. Net Customer Receivables

9.1 Overview

	31 December 2020 $'000	30 June 2020 $'000
Gross customer receivables	167,542	133,560
Customer receivable provisions	(13,235)	(12,809)
Net customer receivables	**154,307**	**120,751**

9.2 Gross customer receivables

	31 December 2020 $'000	30 June 2020 $'000
Opening balance	**133,560**	**87,458**
Customer receivables originated during the year	116,786	185,372
Principal payments received	(77,459)	(126,980)
Customer receivables written off	(5,344)	(12,290)
Closing balance	**167,542**	**133,560**

The above disclosure includes effective interest rate related balances.

9.3 Summary of customer receivable provisions movements

	31 December 2020 $'000	30 June 2020 $'000
Opening balance	**12,809**	**9,126**
Additional provisioning	5,770	15,973
Customer receivables written off	(5,344)	(12,290)
Closing balance	**13,235**	**12,809**

The Group's customer receivables increased significantly in 1H FY21 driven by originations. 1H FY21 originations reflect continued growth in the Group's Personal Loan and Freestyle virtual credit account (Freestyle) product in particular.

The provision as a percentage of the total customer receivables has reduced from 9.60% as at 30 June 2020 to 7.90% as at 31 December 2020. This reflects further improvements in the credit quality of the underlying customer receivables and the impacts of the improving macroeconomic outlook.

9.4 Customer receivable balances by impairment stage

The following tables show movements in gross carrying amounts of customer receivables subject to impairment requirements to net customer receivables for the prior and current period.

31 December 2020	Stage 1 $'000	Stage 2 $'000	Stage 3 $'000	Total $'000
Gross customer receivables	159,211	5,018	3,313	167,542
Provision	(8,903)	(2,171)	(2,161)	(13,235)
Net customer receivables	**150,308**	**2,847**	**1,152**	**154,307**

30 June 2020	Stage 1 $'000	Stage 2 $'000	Stage 3 $'000	Total $'000
Gross customer receivables	126,182	4,191	3,187	133,560
Provision	(7,902)	(2,365)	(2,542)	(12,809)
Net customer receivables	**118,280**	**1,826**	**645**	**120,751**

9.5 Customer receivable provision staging movements

The following table shows movement in provisions for the prior and current period.

	Stage 1 $'000	Stage 2 $'000	Stage 3 $'000	Total $'000
Opening balance as at 30 June 2020	**7,902**	**2,365**	**2,542**	**12,809**
Transfers between stages	(1,725)	(79)	3,629	**1,825**
Originations	4,181	322	189	**4,692**
Write-offs	–	–	(3,729)	**(3,729)**
Overlay risk parameter changes	(1,455)	(437)	(470)	**(2,362)**
Closing balance as at 31 December 2020	**8,903**	**2,171**	**2,161**	**13,235**

The provision associated with the Personal Loan product was 54% (30 June 2020: 62%), Freestyle product 44% (30 June 2020: 37%) and the ListReady product 2% (30 June 2020: 1%).

The above table reflects a $0.4 million (3%) increase in the customer receivable provision from $12.8 million at 30 June 2020 to $13.2 million at 31 December 2020. The provision increased by $6.5 million before write-offs and overlay risk parameter changes to be $19.3 million, 11% of gross customer receivables. This is an improvement of 8% compared to the 30 June 2020 reported position. The improvement reflects the continued underlying reduction in credit risk from customer receivables. Gross customer Equifax scores increased from 635 at 30 June 2020 to 638 at 31 December 2020.

Approximately two-thirds of the stage 1 closing customer receivable provision before write-offs and overlay risk parameter changes ($10.4 million) relates to assets originated in the prior period. Assets originated in the prior period substantially represent stage 3 closing customer receivable provisioning before write-offs and overlay risk parameter changes (96%).

The table above also reflects $8.9 million (67%) of the closing 31 December 2020 provision balance in the stage 1 with $2.2 million (16%) in stage 2 and $2.2 million (16%) in stage 3. $2.2 million of the change in the 6 months to 31 December 2020 in provisioning was due to a net transfer of assets between stages. Write-offs materially relate to assets originated in the prior year.

The net overlay risk parameter changes between the 30 June 2020 position and 31 December 2020 position of $2.4 million reflects modelled reductions in the macroeconomic overlay being partially offset by a management overlay that recognises continuing uncertainties in the current economic outlook, despite the improved macroeconomic environment and outlook since 30 June 2020.

9.6 Gross customer balance provision stage movements

The following table shows movements in gross carrying amounts of customer receivables subject to provisioning requirements for the current period.

Gross asset credit exposure staging movements	Stage 1 $'000	Stage 2 $'000	Stage 3 $'000	Total $'000
Opening balance	126,182	4,191	3,187	**133,560**
Originations	116,275	322	189	**116,786**
Repayments, transfers between stages and parameter changes	(83,246)	504	3,666	**(79,075)**
Write-offs for current period customer receivables	–	–	(3,729)	**(3,729)**
Closing balance	**159,211**	**5,018**	**3,313**	**167,542**
Personal Loan	87,186	2,786	1,661	**91,633**
Freestyle/MoneyMe+	68,641	2,119	1,380	**72,140**
ListReady/RentReady	3,384	113	272	**3,769**
Closing balance	**159,211**	**5,018**	**3,313**	**167,542**

The above table reflects $159.2 million (95%) of 1H FY21 closing gross customer receivables being in stage 1 provisioning. Stage 3 customer receivables as a percentage of gross customer receivables have reduced from 2.4% at 30 June 2020 to 2.0% at 31 December a result of the higher quality originations.

9.7 Undrawn commitment customer receivable balances by impairment stage

The following table shows movements in gross carrying amounts of customer receivables subject to impairment requirements to net customer receivables for the prior and current period. Undrawn balances are considered as Stage 1 only.

31 December 2020	Stage 1 $'000	Stage 2 $'000	Stage 3 $'000	Total $'000
Gross undrawn customer receivables	22,134	–	–	22,134
Provision	(1,528)	–	–	(1,528)
Net undrawn customer receivables	**20,606**	**–**	**–**	**20,606**

30 June 2020	Stage 1 $'000	Stage 2 $'000	Stage 3 $'000	Total $'000
Gross undrawn customer receivables	13,604	–	–	13,604
Provision	(793)	–	–	(793)
Net undrawn customer receivables	**12,811**	**–**	**–**	**12,811**

10. Intangible Assets

	$'000
Balance as at 30 June 2020	**2,166**
Additions	823
Amortisation expense for the period	(359)
Balance as at 31 December 2020	**2,630**

11. Leases

The Group's lease commitments relate to leases in place for the office premises at 131 Macquarie Street, Sydney NSW 2000 and 317 Hunter Street, Newcastle NSW 2300. They have been recognised as follows in accordance with AASB 16 *Leases*:

11.1 Right-of-use asset

	$'000
Balance as at 1 July 2020	**1,905**
Lease bank guarantee deposit interest[1]	64
Depreciation expense for the period	(288)
Balance as at 31 December 2020	**1,681**

[1] Reflects the fair value of bank guarantee deposit related interest associated with the right-of-use asset.

11.2 Lease liability

	$'000
Balance as at 1 July 2020	**2,120**
Additions	–
Interest accrual in the period	73
Payments in the period	(349)
Balance as at 31 December 2020	**1,844**
Net lease related asset/(liability)	**(163)**

A lease interest expense relating to the lease liability was recognised as part of interest expense during the period.

No explicit incremental borrowing rate has been outlined in the lease agreements. The Group has applied an incremental borrowing rate of 7.25%.

The maturity of the unwinding of the lease liability is two to three years.

12. Other Receivables and Payables

12.1 Other receivables

$2.7 million of other receivables are held at amortised cost. The $1.7 million increase from 30 June 2020 includes the Group's prepaid insurance. $1.1 million is a receivable for costs incurred of $2 million from assessing an unsolicited confidential, non-binding indicative proposal received from a credible and significant third party to effectively acquire MoneyMe Limited. The proposal was appropriately assessed with assistance from appropriate external advisers, with a shared cost arrangement put in place. After due consideration, a decision to decline the proposal was made.

12.2 Other payables

$4.2 million of other payables represent liabilities for goods and services provided. The $2.3 million increase from 30 June 2020 is largely driven by the Group's third party commitments resulting from an inorganic growth opportunity. Refer to Note 12.1 for further information.

13. Borrowings

The Group sells customer receivables to special purpose vehicle securitisation warehouses (the MME Horizon 2018 Warehouse Trust and the MME Horizon 2020 Warehouse Trust) through its asset-backed securitisation program. In the six months to 31 December 2020, the Group also sold customer receivables to an additional special purpose vehicle securitisation warehouse (the MME Velocity Warehouse Trust), until it was wound up on the 16th of November 2020. The special purpose vehicles are consolidated as the Group owns all units of the trusts, entitling it to 100% of the net income distribution.

	31 December 2020 $000	30 June 2020 $000
Opening balance	**113,126**	**78,289**
Drawdowns	79,554	32,525
Repayments	(51,053)	–
Other	(1,146)	2,312
Closing balance	**140,481**	**113,126**

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

	31 December 2020 $000	30 June 2020 $000
MME Velocity Warehouse Trust[1]	–	68,895
MME Horizon 2018 Warehouse Trust[1]	52,983	52,948
MME Horizon 2020 Warehouse Trust[1]	97,640	–
MoneyMe Financial Group Pty Limited	16,919	11,717
Gross customer receivables	**167,542**	**133,560**

The figures above reflect an allocation of effective yield between customer receivables funding sources for the current and prior year. Refer to Note 1.2 for further information on the controlled entities of the Group.

[1] Includes Class C Note investments by MoneyMe Finance Pty Limited.

The tables below reconcile the borrowings associated with the warehouse trusts, including the drawn balance, facility limits and undrawn balances. The difference between the drawn balance and total borrowings disclosed on the balance sheet includes capitalised borrowing costs, and Group investments.

	31 December 2020 $'000	30 June 2020 $'000
MME Velocity Warehouse Trust	–	65,000
MME Horizon 2018 Warehouse Trust	47,500	47,500
MME Horizon 2020 Warehouse Trust	93,500	–
Drawn balances	**141,000**	**112,500**
MME Velocity Warehouse Trust	–	5,000
MME Horizon 2018 Warehouse Trust	–	–
MME Horizon 2020 Warehouse Trust	81,500	–
Undrawn balances	**81,500**	**5,000**
MME Velocity Warehouse Trust	–	70,000
MME Horizon 2018 Warehouse Trust	47,500	47,500
MME Horizon 2020 Warehouse Trust	175,000	–
Facility limits	**222,500**	**117,500**

14. Share Capital

	Date	Shares (No.)	Issue price	$'000
Balance	**30 June 2020**	**169,440,000**		**44,108**[1]
Issuance of treasury shares[2]		2,000,000	1.42	2,840
Ordinary and treasury shares		**171,440,000**		**46,948**
Elimination of inter-group transactions[3]		–	–	(2,840)
Balance	**31 December 2020**	**171,440,000**[4]		**44,108**

[1] For this reporting period, the Group has classified the reorganisation reserve under share capital, rather than reserves.
[2] Issuance of treasury shares to the MoneyMe Share Plan Trust.
[3] Elimination of inter-group transaction between MoneyMe Limited and the MoneyMe Share Plan Trust.
[4] Reflects the issued share capital as at 31 December 2020.

15. Reserves

15.1 Share-based payment reserve reconciliation

The following reconciles the movement in the share-based payment reserve in the six months to 31 December 2020 and the prior comparable period.

	$'000
Balance as at 30 June 2020	**759[1]**
Recognition of additional share-based payments	470
Balance as at 31 December 2020	**1,229**

[1] For this reporting period, the Group has classified the reorganisation reserve under share capital, rather than reserves. See Note 14 for further information.

15.2 Share options

2021	Opening balance	Granted	Lapsed/Cancelled/Forfeited	Vested	Closing balance	Exercisable at the end of the period
No.						
S1 2020	**1,118,699**		(137,710)	–	**980,989**	**980,989**
S2 2020	**818,686**	–	-	–	**818,686**	**-**
Total	**1,937,385**	–	(137,710)	–	**1,799,675**	**980,989**

15.3 Employee performance rights (EPRs)

	Current period expense ($'000)	Fair value per right ($)	Grant date (contractual)	Projected vesting date (contractual)	Projected vesting date (contractual)
S2 2020 EPR	(294)	1.25	11/2019	08/2021	08/2022
S3 2020 EPR	(116)	1.25	11/2019	11/2020	11/2021
S1 2021 EPR	(4)	1.46	12/2020	08/2022	08/2023

2021	Opening balance	Granted	Lapsed/Cancelled /Forfeited	Exercised	Closing balance	Exercisable at the end of the period
No.						
S2 2020 EPR	**1,044,000**	–	(22,000)	–	**1,022,000**	–
S3 2020 EPR	**300,000**	–	–	–	**300,000**	**150,000**
S1 2021 EPR	**-**	2,262,500	–	–	**2,262,500**	**-**
Total	**1,344,000**	2,262,500	(22,000)	–	**3,584,500**	**150,000**

The Group first issued performance rights in 2020.

The EPRs have $nil consideration and exercise price. The EPR Series 1 2021 were issued subject to business and individual performance conditions for the period from 1 July 2020 to 30 June 2021. Employee performance conditions include the Group achieving its 2021 full year revenue, NPAT and gross assets targets and their individual targets. Non-Executive Director performance conditions are for the funding facility settled in September 2020 to continue to operate for the benefit of the Company to achieve its strategic objectives as intended for the Performance Period to 30 June 2021. The EPRs also have a vesting condition for the holder to be contracted to provide services to the Group at the time of vesting. 50% of the EPRs that remain on foot can vest on the day following the release of the Group's annual financial results for the financial year ending 30 June 2022 and 50% on the day following the release of the Group's annual financial results for the financial year ending 30 June 2023.

16. Related-Party Transactions

16.1 Newcastle and Sydney office fit-out

A related party was engaged to complete office fit-outs in Sydney and Newcastle in the 2020 financial year, which continued into the six month period ending 31 December 2020. The transactions were made in accordance with normal terms and conditions of the market with pricing assessed to be on an arm's length basis. Total contracted spend was $0.9 million as at 31 December 2020.

16.2 Other related parties

A related party was employed to support the ListReady sales team during the 2021 and 2020 financial year. The fair value of the services are assessed to be less than $0.01 million (2020: $0.02 million).

17. Parent Entity Information

The parent entity had a $nil net profit after tax and comprehensive income for the current and prior comparative periods.

The parent entity had total assets of $41.2 million as at 31 December 2020 (30 June 2020: $43.3 million), $nil total liabilities in the current and prior year periods and total equity of $41.2 million as at 31 December 2020 (30 June 2020: $43.3 million).

The accounting policies of the parent entity, are consistent with those of the Group, as disclosed in Note 2, noting that the consolidation related policies are not applicable to this Note.

18. Subsequent Events

The COVID-19 environment has continued to evolve and develop during the period post 31 December 2020. The revised and improved economic outlook and forecasts provided by the Reserve Bank of Australia on Friday 5 February are noted in particular as are Government plans to continue to refine robust international travel restrictions and quarantine and the roll-out of a large scale Australia wide COVID-19 vaccination program.

The Group is continuing to monitor the changing environment and considers that no adjustments are required as a result of changes after 31 December 2020 in relation to the critical estimates and judgements in particular as set out in Note 4.

The Group received approval in February 2021 to increase the Class A commitment in respect of the Class A facility in the MME Horizon 2020 Warehouse Trust to $150 million, from $100 million, bringing the total facility limit to $225 million. This change will further support the Group's funding capacity to fund customer receivables growth.

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Clayton Howes (CEO and Managing Director)

Jonathan Lechte (Independent Non-Executive Director)

Scott Emery (Non-Executive Director)

Susan Wynne (Independent Non-Executive Director)

AUDITOR

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