

**DirectMoney Personal Loan Fund**

**ARSN 602 325 628**

Annual report for the financial period from 14 October 2014 to 30 June 2015

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## **Directors' Report**

The directors of One Managed Investment Funds Limited (ABN 47 117 400 987; AFSL 297 042) ("OMIFL" or the "Responsible Entity"), of DirectMoney Personal Loan Fund ("DMPLF" or the "Fund") submit their report for the Fund for the financial period ended 30 June 2015.

### **Information about the Directors and Senior Management**

The names of the directors of the Responsible Entity, in office during the period ended 30 June 2015 are:

<b>Name</b>	<b>Title</b>
Frank Tearle	Executive Director and Company Secretary
Justin Epstein	Executive Director
Elizabeth Reddy	Non-executive Director

The registered office and principal place of business of the Responsible Entity is Level 11, 20 Hunter Street, Sydney NSW 2000.

### **Principal Activities**

The Fund is a registered managed investment scheme, domiciled in Australia. The Fund was constituted on 14 October 2014, registered as managed investment scheme on 23 October 2014 and commenced operations on 13 May 2015. The financial statements cover the period from 14 October 2014 to 30 June 2015. There are no comparatives.

The principal activity of the Fund during the year was to invest in accordance with the provisions of the Fund's Constitution and its most recent Product Disclosure Statement, dated 14 May 2015.

The Fund will acquire loan investments (unsecured loans made to personal borrowers resident in Australia), which are equitable interests in Australian fixed rate unsecured personal loans made by the Seller of either three or five years' duration that provide for fixed monthly repayments, comprised of principal and interest to be made to the Fund.

The Fund did not have any employees during the reporting period.

<b>Fund Service</b>	<b>Provider</b>
Responsible Entity	One Managed Investment Funds Ltd (ACN 117 400 987, AFSL 297042)
Investment Manager	DirectMoney Investment Management Pty Ltd (ACN 604 346 189)
Custodian	One Managed Investment Funds Ltd (ABN 47 117 400 987)
Seller	DirectMoney Pty Ltd (ACN 119 503 221)
Servicer	DirectMoney Loans Servicing Pty Ltd (ACN 604 347 033)
Credit Manager	DirectMoney Credit Management Pty Ltd (ACN 604 841 750)
Auditor	Moore Stephens Sydney (ABN 34 098 199 118)
Fund Administrator	Unity Fund Services Pty Limited (ABN 16 146 747 122)

### **Review of Operations**

#### **Results**

The results of the operations of the Fund are disclosed in the Statement of Comprehensive Income of these financial statements. The profit attributable to unitholders for the period ended 30 June 2015 was \$1,213.

## Directors' Report (continued)

### Distributions

In respect of the financial period ended 30 June 2015, distributions totaling \$1,213 were paid to unitholders and \$768 was payable as at 30 June 2015.

### Value of Assets and Units Issued

The total value of the Fund's assets at 30 June 2015 was \$126,199. The total number of units on issue as at 30 June 2015 was 125,000.

### Fees Paid and Payable to the Responsible Entity/Trustee

The following fees were paid or payable to the responsible entity/trustee out of the Fund during the period ended 30 June 2015:

	14 October 2014 to 30 June 2015 \$
<b>Responsible entity fund administration and management fees for the year to :</b>	
OMIFL	431
<b>Total responsible entity fund administration fee expense for the year</b>	<b>431</b>

### Management Fees Paid and Payable to the Investment Manager

The investment manager of the Fund is DirectMoney Investment Management Pty Ltd ("Investment Manager").

The following fees were paid or payable to the Investment Manager out of the Fund during the period ended 30 June 2015:

- Total management fees for the period were \$272.
- Management fees payable as at 30 June 2015 were \$272.

### Changes in State of Affairs

During the financial period there were no significant changes in the state of affairs of the Fund.

### Subsequent Events

There has been no matter or circumstances occurring subsequent to the end of the period that has significantly affected, or may significantly affect the operations of the Fund, the results of those operations, or the state of affairs of the Fund in future financial years.

### Future Developments

The Fund will be managed in accordance with the Constitution and investment objectives as detailed in its most recent Product Disclosure Statement, dated 14 May 2015.

## Directors' Report (continued)

### Environmental Regulation and Performance

The operations of the Fund are not subject to any particular or significant environmental regulation under a law of the Commonwealth or of a State or Territory. There have been no known significant breaches of any other environmental requirements applicable to the Fund.

### Indemnification of Directors, Officers and Auditors

During the financial period, the Responsible Entity paid premiums in respect of contracts insuring the directors of the Responsible Entity against a liability incurred as a director or executive officer to the extent permitted by the Corporations Act 2001. The contracts of insurance prohibit disclosure of the nature of the liability and the amount of the premiums.

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

### 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 4.

The report is made in accordance with a resolution of the directors of the Responsible Entity, One Managed Investment Funds Limited.



Frank Tearle

Director

30 September 2015

## MOORE STEPHENS

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**Auditor's Independence Declaration  
to the Directors of One Managed Investment Funds Limited,  
as Responsible Entity of DirectMoney Personal Loan Fund**

As lead auditor for the audit of DirectMoney Personal Loan Fund for the period ended 30 June 2015, I declare that to the best of my knowledge and belief, there have been:

- a. no contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the audit; and
- b. no contraventions of any applicable code of professional conduct in relation to the audit.



**Moore Stephens Sydney**  
Chartered Accountants



**Chris Chandran**  
Partner

Dated in Sydney this 30<sup>th</sup> day of September 2015.

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**Independent Auditor's Report  
To the Unitholders of DirectMoney Personal Loan Fund**

**Report on the Financial Report**

We have audited the accompanying financial report of DirectMoney Personal Loan Fund ("the Fund"), which comprises the statement of financial position as at 30 June 2015, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the period then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the responsible entity's declaration.

*Directors of the Responsible Entity's Responsibility for the Financial Report*

The directors of One Managed Investment Funds Limited, the Responsible Entity of the Fund are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors of Responsible Entity determine is necessary to enable the preparation of a financial report that is free from material misstatement, whether due to fraud or error. In Note 2, the directors also state, in accordance with Accounting Standard AASB 101: *Presentation of Financial Statements* that the financial statements comply with International Financial Reporting Standards.

*Auditor's Responsibility*

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

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

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

*Independence*

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*.

*Auditor's Opinion*

In our opinion,

- a. The financial report of DirectMoney Personal Loan Fund is in accordance with the *Corporations Act 2001*, including:
  - (i) giving a true and fair view of the Fund's financial position as at 30 June 2015 and of its performance for the period ended on that date; and
  - (ii) complying with Australian Accounting Standards (including Australian Accounting Interpretations) and the *Corporations Regulations 2001*; and
- b. The financial report also complies with International Financial Reporting Standards as disclosed in Note 2.

*Moore Stephens Sydney*

**Moore Stephens Sydney**  
Chartered Accountants

*Chris Chandran*

**Chris Chandran**  
Partner

Dated in Sydney this 30<sup>th</sup> day of September 2015.



## Directors' Declaration

The directors of the Responsible Entity declare that:

- (a) in the directors' opinion, there are reasonable grounds to believe that the Fund will be able to pay its debts as and when they become due and payable;
- (b) in the directors' opinion, the attached financial statements are in compliance with International Financial Reporting Standards, as stated in note 3 (a) to the financial statements; and
- (c) in the directors' opinion, the attached financial statements and notes thereto are in accordance with the Corporations Act 2001, including compliance with accounting standards and giving a true and fair view of the financial position and performance of the Fund.

Signed in accordance with a resolution of the directors of the Responsible Entity made pursuant to Section 295(4) of the Corporations Act 2001.

On behalf of the directors of the Responsible Entity, One Managed Investment Funds Limited.



Frank Tearle

Director

30 September 2015

## Statement of Comprehensive Income for the financial period ended 30 June 2015

	Note	14 October 2014 to 30 June 2015 \$
<b>Income</b>		
Interest income	12	1,644
Total income		1,644
<b>Expenses</b>		
Management fees	6	272
Fund administration fees	7	159
Total expenses		431
Net gain attributable to unitholders before finance costs		1,213
<b>Finance costs attributable to unitholders</b>		
Distributions to unitholders		1,213
Net (loss)/gain attributable to unitholders after finance costs		-
(Loss)/profit for the year		
Other comprehensive income		-
Total comprehensive income		-

The accompanying notes to the financial statements should be read in conjunction with this statement.

## Statement of Financial Position as at 30 June 2015

	Note	30 June 2015 \$
<b>Assets</b>		
Cash and cash equivalents	11(a)	4,395
Other assets	8	741
Financial assets held at amortised cost	5	121,063
<b>Total assets</b>		<b>126,199</b>
<b>Liabilities</b>		
Distributions payable		768
Management fees payable	6	272
Administration fees payable	7	159
<b>Total liabilities (excluding net assets attributable to unitholders)</b>		<b>1,199</b>
<b>Net assets attributable to unitholders</b>		<b>125,000</b>

The accompanying notes to the financial statements should be read in conjunction with this statement.

## Statement of Changes in Net Assets Attributable to Unitholders for the period ended 30 June 2015

	Note	Net assets attributable to unitholders of the Fund \$
Balance as at 1 May 2015		-
Reinvestment of distribution by unitholders		-
Applications for units by unitholders		125,000
Redemptions of units by unitholders		-
Net Gain attributable to unitholders before finance cost		1,213
Distributions paid		(1,213)
<b>Balance as at 30 June 2015</b>	<b>9</b>	<b>125,000</b>

The accompanying notes to the financial statements should be read in conjunction with this statement.

## Statement of Cash Flows for the period ended 30 June 2015

		14 October 2014 to 30 June 2015 \$
	Note	
<b>Cash flows from operating activities</b>		
Interest received		945
Other payments		(42)
Net cash provided by operating activities	11(b)	903
<b>Cash flows from investing activities</b>		
Net proceeds from purchase and sale of financial assets designated at amortised cost		(121,063)
Net cash used in investing activities		(121,063)
<b>Cash flows from financing activities</b>		
Distributions paid to unitholders		(445)
Receipts from unitholder applications		125,000
Net cash provided by financing activities		124,555
<b>Net increase in cash and cash equivalents</b>		<b>4,395</b>
Cash and cash equivalents at the beginning of the period		-
<b>Cash and cash equivalents at the end of the period</b>	11(a)	<b>4,395</b>

The accompanying notes to the financial statements should be read in conjunction with this statement.

## Notes to the Financial Statements

### 1. General Information

DirectMoney Personal Loan Fund (the "Fund") is an unlisted registered managed investment scheme. The responsible entity of the Fund is One Managed Investment Funds Limited (ABN 47 117 400 987; AFSL 297 042) ("OMIFL" or the "Responsible Entity"). The registered office and principal place of business of the Responsible Entity is Level 11, 20 Hunter Street, Sydney NSW 2000.

The Fund was constituted on 14 October 2014, registered as a managed investment scheme on 23 October 2014 and commenced operations on 13 May 2015. The financial statements cover the period from 14 October 2014 to 30 June 2015. There are no comparatives.

The investment manager of the Fund is DirectMoney Investment Management Pty Ltd (the "Investment Manager")

The principal activity of the Fund is disclosed in the Directors' Report.

The financial statements were authorised for issue by the directors of the Responsible Entity on 30 September 2015. The directors of the Responsible Entity have the power to amend and reissue the financial statements.

### 2. Adoption of New and Revised Accounting Standards

#### *Standards and Interpretations in issue but not yet adopted*

At the date of authorisation of the financial statements, the Standards and Interpretations listed below were in issue but not yet effective.

Standard/Interpretation	Effective for annual reporting periods beginning on or after	Expected to be initially applied in the financial year ending
AASB 9 'Financial Instruments', and the relevant amending standards	1 January 2018	30 June 2019
AASB 2015-1 'Amendments to Australian Accounting Standards – Annual Improvements to Australian Accounting Standards 2012-2014 Cycle'	1 January 2016	30 June 2017
AASB 2015-2 'Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 101'	1 January 2016	30 June 2017
AASB 2015-3 'Amendments to Australian Accounting Standards arising from the Withdrawal of AASB 1031 Materiality'	1 July 2015	30 June 2016
AASB 2015-5 'Amendments to Australian Accounting Standards – Investment Entities: Applying the Consolidation Exception'	1 January 2016	30 June 2017

There are no other standards that are not yet effective and that are expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

**Notes to the Financial Statements****3. Significant Accounting Policies*****a) Statement of Compliance***

These financial statements are general purpose financial statements which have been prepared in accordance with Australian Accounting Standards, other authoritative pronouncements and interpretations of the Australian Accounting Standards Board and the Fund's Constitution and the Corporations Act 2001 in Australia.

Compliance with Australian Accounting Standards, as issued by the AASB ensures that the financial statements and notes thereto comply with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB").

The following significant accounting policies have been adopted in the preparation and presentation of the financial statements.

***b) Basis of preparation***

This general purpose financial report has been prepared using historical cost basis.

The Statement of Financial Position is presented on a liquidity basis. Assets and liabilities are presented in decreasing order of liquidity and are not distinguished between current and non-current. All balances are expected to be recovered or settled within 12 months, except for investments in financial assets and net assets attributable to unitholders. The amounts expected to be received or settled in relation to these balances cannot be readily determined.

All amounts are presented in Australian dollars as the functional and presentation currency of the Fund.

***c) Going concern basis***

This financial report has been prepared on a going concern basis.

***d) Revenue and income recognition*****Revenue**

Revenue is recognised and measured at the fair value of the consideration received or receivable to the extent that it is probable that the economic benefits will flow to the Fund and the revenue can be reliably measured.

**Interest income**

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

***e) Cash and cash equivalents***

Cash and cash equivalents comprise cash on hand, cash at banks and cash balances held with brokers.

***f) Investments in financial instruments******Non-derivative financial instruments***

Non-derivative financial instruments comprise cash and cash equivalents, available for sale investments, loans and receivables, as defined by AASB 132 'Financial Instruments: Presentation', are categorised in accordance with AASB 139 'Financial Instruments: Recognition and Measurement'. This classification is determined by the purpose underpinning the acquisition of the investment.

A financial instrument is recognised if the Fund becomes party to the contractual provisions of the instrument. Financial assets and liabilities are recognised on the date that they originate or the trade date at which the Fund becomes a party to the contractual provisions of the instrument.

**Notes to the Financial Statements****3. Significant Accounting Policies (continued)*****f) Investments in financial instruments (continued)***

Financial assets are derecognised if the Fund's contractual rights to the cash flows from the financial assets expire, or if the Fund transfers the financial assets to another party without retaining substantially all the risks and rewards attached to the asset.

Financial liabilities are derecognised if the Fund's obligations specified in the contract expire or are discharged or cancelled.

***Loan investments***

Loan investments are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and that the Fund does not intend to sell immediately or in the near term. Investors should view the Fund as a medium to long term investment. This is because a complete withdrawal can only be affected over a minimum of 36 months and hence there is a minimum exposure to the Fund of 37 months.

Loan Investments are equitable interests in Australian fixed rate unsecured personal loans which entitle the Fund to receive all of the principal repayments and a portion of the monthly interest repayments made by borrowers on loans made by the Seller.

The classification of financial instruments (investment in loans) designated initially at fair value plus transaction costs using the effective interest rate method, and subsequently at amortised cost less any impairment losses (delinquent loans) less principal payments during the period of the loan.

***Derivative financial instruments***

During the year, the Fund did not hold any derivative financial instruments to hedge its interest rate risk exposures.

***g) Taxation***

Under the current tax legislation, the Fund is not subject to income tax provided that the unitholders are presently entitled to the income of the Fund and that the Fund entirely distributes its taxable income.

There is no taxable income of the Fund to which the unitholders are not currently entitled. Additionally, the Fund's Constitution requires the distribution of the full amount of the net taxable income of the Fund to unitholders each year. As a result, deferred taxes have not been recognised in the financial statements in relation to the differences between carrying amounts of assets and liabilities and their respective tax bases. This includes taxes on capital gains which could arise in the event of a sale of investments for the amount at which they are stated in the financial statements. In the event that the taxable gains are realised by the Fund, these gains would be included in the taxable income and assessable in the hands of the unitholders.

***h) Distributions***

In accordance with the Fund's Constitution, the Trustee must pay distributions to unitholders within three months after the Distribution Calculation Date. According to PDS dated 14 May 2015, the intention is that distributions will be paid monthly, usually within 10 Business Days after the last day of each month except for the month of June.

Distributable income includes capital gains arising from the disposal of investments. Unrealised gains or losses on investments that are recognised in the Statement of Comprehensive Income are not distributed until realised. Capital losses are not distributed to unitholders and are retained to be offset against future realised capital gains.

***i) Payables***

Trade and other payables are recognised when the Fund becomes obliged to make future payments resulting from the purchase of goods and services.

***j) Applications and redemptions***

Applications received for units in the Fund are recorded net of any entry fees payable prior to the issue of units in the Fund. Redemptions from the Fund are recorded gross of any exit fees payable after the cancellation of units redeemed.



**Notes to the Financial Statements****3. Significant Accounting Policies (continued)*****k) Critical accounting judgements and key sources of estimation uncertainty***

Management has adhered to the Fund's unit pricing policy which sets out the basis upon which the units of the Fund have been valued, a copy of which is available upon request.

In the application of the accounting policies, management are required to make judgments, 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 various other factors that are believed to be reasonable under the circumstance, the results of which form the basis of making the judgments. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods. The assumptions and methods used in the determination of the value of investments are outlined in notes 3(b) and 3(f) of these financial statements.

***l) Goods and services tax ("GST")***

Revenues, expenses and assets are recognised net of the amount of GST except:

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

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

**4. Financial Risk Management Objectives and Policies**

The investment strategy of the Fund is to invest in unsecured personal loans made to borrowers resident in Australia. The loans will be written by DirectMoney Pty Ltd (the "Seller") through its online lending platform. The Seller will lend relatively small amounts to a large number of borrowers who have satisfied the Seller's minimum credit score requirements. The minimum loan amount is \$5,000 and the maximum loan amount is \$35,000. The Seller maintains comprehensive policies and processes for the assessment of each loan applicant's creditworthiness and the management of the credit risk arising from the granting of a loan. These policies and procedures are subject to an ongoing process of review and development, supplemented by annual external reviews. The Seller's credit risk assessment and loan underwriting process is similar to that employed by banks. The Seller uses the skills and resources of its credit team and employs the services of third party service providers.

When the Fund acquires a loan investment it will pay the Seller no more than the principal amount remaining on the loan as at the sale date plus the interest accrued on the loan since the last monthly repayment date. The loan investments entitle the Fund to receive all of the principal repayments and a portion of the monthly interest repayments made by borrowers on loans made by the Seller. The portion of the monthly interest payments that the Fund is entitled to receive is referred to as the Assigned Interest Portion. The portion of the monthly interest repayment that the Fund is not entitled to receive is referred to as the Retained Interest Portion. The Retained Interest Portion is paid to the Credit Manager.

Risks arising from investing in financial instruments are inherent in the Fund's activities and cannot be completely mitigated by the Responsible Entity, the Investment Manager and the Fund's appointed service providers. The Fund is exposed to a number of risks that could affect the performance of the Fund, the level of income distributions and the repayment of capital.

While the Responsible Entity and the Investment Manager cannot completely eliminate all risks, the Responsible Entity and the Investment Manager aim to manage the impact of these risks through the use of consistent and carefully considered investment guidelines and compliance procedures.

## Notes to the Financial Statements

### 4. Financial Risk Management Objectives and Policies (continued)

#### (a) Credit risk

Credit risk represents the risk that the Fund will incur financial loss as a result of a failure by a counter party to discharge an obligation to a financial instrument.

The Seller utilises credit checking processes and credit approval policies to try and ensure that only creditworthy borrowers are approved for loans, which in turn are sold to the Fund as Loan Investments.

A potential borrower must satisfy the Seller's credit policy's requirements. A potential borrower must demonstrate a good credit record, a history of stable employment and sufficient disposable income to meet loan commitments before they will be approved for a loan.

The Seller uses a scoring methodology to assess the credit worthiness of individual borrowers and the interest rate offered to each borrower will reflect their score. The Seller will only lend to borrowers who meet a minimum credit score requirements.

The Seller has four credit bands into which loan applicants are assigned depending on the credit score they achieve during the assessment of their application for a loan. Each credit band has its own rate of interest. The four credit bands are referred to as platinum, gold, silver and bronze and the interest rates charged on loans vary between the four bands. These interest rates may change over the life of the Fund.

The following table details the breakdown of loan investments acquired during the financial period ended 30 June 2015.

Loan Credit Band	Purchase Amount (Principal)	Principal repaid	Closing balance	% of investment
Platinum	\$14,491	\$369	\$14,123	12%
Gold	\$85,314	\$1,979	\$83,335	69%
Silver	\$23,890	\$285	\$23,605	19%
Bronze	-	-	-	-
<b>Total</b>	<b>\$123,695</b>	<b>\$2,633</b>	<b>\$121,063</b>	<b>100%</b>

The exposure to loan investments in the four credit bands may change from time to time as it ultimately depends upon the loans that can be written by the Seller. No assurance is or can be given on the Fund's exposure to Loan Investments as between the four credit bands.

#### *Delinquent loans*

Under the terms of the Loan Sale and Servicing Deed, the Servicer (DirectMoney Loans Servicing Pty Ltd) is responsible for monitoring, servicing and recording the repayment by borrowers of the loan investments. However, if the borrower does not bring their payments up to date in the timeframe allowed by the Loan Sale and Servicing Deed then the loan investment will be determined to be delinquent by the Servicer. The Servicer will notify the Responsible Entity when loan investments have become Delinquent Loan Investments. In these circumstances the Delinquent Loan Investment will be sold as set out in section 3.11 of the Product Disclosure Statement for the Fund dated 14 May 2015.

There were no delinquent loans as at 30 June 2015. Refer to Note 4(i) for details of the obligation of the Seller for Delinquent Loans.

#### (b) Interest rate risk

Interest rate risk arises from the possibility that changes in interest rates will affect future cash flows or the fair value of financial instruments. Changes in interest rates within Australia will impact directly and indirectly on the Fund and the returns from the Fund.

## Notes to the Financial Statements

**4. Financial Risk Management Objectives and Policies (continued)****(b) Interest rate risk (continued)**

Falling interest rates may reduce the revenue the Fund earns, as newer loan investments may have lower rates of interest. Increased competition in the personal unsecured loan market generally may see the rate of interest charged to borrowers reduce, and hence the income of the Fund would reduce.

Conversely, if unsecured personal loan interest rates rise then it will take time for this rise to be reflected in the return earned by the Fund. This is because loan investments held by the Fund have a fixed interest rate over their lifetime so the impact of new loan investments at higher interest rates will not be fully felt for some time.

The Fund's exposure to interest rate risk relates primarily to the investments in financial assets as disclosed in Note 5. The interest rates on Fund's investments in financial assets are fixed and as a result the Fund's investments are not exposed to the interest rate risk. However, the Fund's investments are exposed to default risk as stated in Note 4(h).

The table below summarises the Fund's exposure to interest rate risks at the end of the reporting period.

	Floating interest rate	Fixed interest rate	Non-interest bearing	Total
30 June 2015	\$	\$	\$	\$
<b>Assets</b>				
Cash and cash equivalents	4,395	-	-	4,395
Other assets	-	-	741	741
Financial assets held at amortised cost	-	121,063	-	121,063
<b>Total assets</b>	<b>4,395</b>	<b>121,063</b>	<b>741</b>	<b>126,199</b>
<b>Liabilities</b>				
Distribution payable	-	-	768	768
Accruals & payables	-	-	431	431
<b>Total liabilities</b>	<b>-</b>	<b>-</b>	<b>1,199</b>	<b>1,199</b>
<b>Net exposure</b>	<b>4,395</b>	<b>121,063</b>	<b>(458)</b>	<b>125,000</b>

**(c) Return risk**

The primary objective of the Fund is to provide Investors with a monthly income return that is higher than the return paid by banks on basic savings and deposit accounts. However, the Fund's return is not guaranteed and no assurance is or can be given that a rate of return above that paid by banks on basic savings and deposit accounts will be achieved. An investment in the Fund is not the same as a deposit with a bank and an investment in the Fund is not covered by the depositor protections available to depositors that make a deposit with an Australian Authorised Deposit-taking Institution.

**(d) Seller risk**

The Fund's income depends upon it purchasing an equitable interest in loans made to borrowers by the Seller. The Seller is therefore crucial to the performance of the Fund. If the Seller becomes insolvent, is wound up, or otherwise becomes unable to make further loans to borrowers or fails to lend loans to suitable borrowers, then this will adversely affect the Fund's performance and may ultimately affect the Fund's viability.

**(e) Loan servicing risk and servicer risk**

DirectMoney Loan Servicing Pty Ltd (the "Servicer") is responsible for monitoring loan investments, ensuring that borrowers make repayments on time and for following up on late payments from borrowers. The Servicer is also responsible for reporting to the Responsible entity on the status of defaulting loans which underpin loan investments. If the Servicer does not carry out these functions effectively then this could impact upon the Fund's performance.

## Notes to the Financial Statements

## 4. Financial Risk Management Objectives and Policies (continued)

*(f) Related party risk*

All of the Seller, Servicer, Investment Manager and Credit Manager have significant roles and responsibilities in relation to the Fund. These are related parties with common directors and shareholders. Refer to Note 15(b) for details of Related Parties.

The situation may arise where one or more of the Seller, Servicer or Investment Manager has its appointment terminated by the Responsible Entity or otherwise ceases to carry out its role in relation to the Fund. However, because they are related entities there is a risk the working relationship between the remaining entities and the Responsible entity may break down or prove to be unworkable. This may adversely affect the Fund and may threaten its ongoing viability.

*(g) Credit manager risk*

The Credit Manager is responsible for holding, operating and maintaining the Loan Investment Reserve Account, which contains the Retained Interest Portion. The Retained Interest Portion is used to cover shortfalls that may result from the sale of Delinquent Loan Investments to a Buyer or Buyers. There is a risk that if the Credit Manager does not carry out its function correctly then this could have an adverse effect upon the Fund. This risk is somewhat mitigated as the Responsible Entity holds a security interest over the Loan Investment Reserve Account which means the funds in the account cannot be disposed of or otherwise dealt with by the Credit Manager without the Responsible Entity's consent.

*(h) Default risk*

There is a risk that borrowers may not be able to meet their financial obligations to pay interest and/or principal in respect of loans when they fall due. If a borrower fails to repay the principal or to make an interest payment on a loan investment when they are due, the Fund will suffer reduced cash inflows and interest income as a result. This may affect the Fund's ability to pay distributions or may impact upon the value of Units in the Fund.

The following table below summarises the impact of 10% default risk on the accrued interest receivable for the financial period ended 30 June 2015.

	Default risk
	Impact on Operating profit/Net assets attributable to unitholders
30 June 2015	-10%
	\$
Operating Profit	(70)

*(i) Delinquent loan investment sale risk*

The Seller (under the instructions of the Investment Manager) will attempt to sell a Delinquent Loan Investment to a Buyer and any balance of outstanding principal on the Delinquent Loan Investment will be made up from the funds in the Loan Investment Reserve Account, if there are sufficient funds available. However, there is no guarantee that a Buyer will be available to purchase a Delinquent Loan Investment, nor is the price that will be obtained by the Fund through selling a Delinquent Loan Investment guaranteed. DirectMoney Credit Management Pty Ltd, the Credit Manager, is responsible for holding, operating and maintaining the Loan Investment Reserve Account. Refer to Note 15(b).

If the Fund ultimately receives less than the amount of the outstanding principal on a Delinquent Loan Investment and there are insufficient funds in the Loan Investment Reserve Account, then this will impact on the value of Loan Investments held by the Fund and will reduce the Unit price of the fund.

*(j) Fraud risk*

There is a risk that borrowers may deliberately fabricate evidence to support their loan applications and that they have no intention of paying off their loan. Although the Seller has procedures in place to detect fraudulent applications the risk of fraud cannot be discounted. If Loan Investments constituting fraudulently obtained loans are sold to the Fund then this could result in the Unit price and returns from the Fund being affected.

## Notes to the Financial Statements

## 4. Financial Risk Management Objectives and Policies (continued)

*(k) Liquidity risk*

Liquidity risk is the risk that the Fund will not be able to meet its financial obligations as they fall due. The Fund's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Fund's reputation.

In order to manage the Fund's overall liquidity, the Responsible Entity has the discretion to reject an application for units and to defer or adjust redemption of units if exercise of such discretion is in the best interest of unit holders. The Fund did not reject or withhold any redemption during the financial period ended 30 June 2015.

## 5. Financial Assets Measured at Amortised Cost

*Loan Investments*

	30 June 2015 \$
Loan investments – current	28,300
Loan investments – non current	92,763
<b>Total financial assets at amortised cost</b>	<b>121,063</b>

## 6. Management Fees

*Management Fees Paid and Payable to the Investment Manager*

The manager of the Fund is DirectMoney Investment Management Pty Ltd (ACN 604 346 189) (the "Investment Manager" or "DMIMPL").

An investment management fee of 1.925% per annum (including GST) of the gross value of the assets of the Fund is paid monthly in arrears to the Responsible Entity, who then pays this fee to the Investment Manager in accordance with the Product Disclosure Statement dated 14 May 2015.

The following fees were paid or payable to the Investment Manager out of the Fund during the period ended 30 June 2015:

- Total management fees for the period ended 30 June 2015 were \$272.
- Management fees payable as at 30 June 2015 were \$272.

## 7. Responsible Entity/Trustee Fees

The responsible entity of the Fund is One Managed Investment Funds Limited ("OMIFL" or the "Responsible Entity").

In accordance with the Fund's Constitution, the Responsible Entity is entitled to a trust administration fee of up to 1.00 percent per annum of the gross value of the assets. The Responsible Entity pays itself, the Fund Administrator, the Fund's auditors, other service providers and the Fund's expenses (excluding Abnormal Expenses) out of this fee. This fee is accrued daily and is payable monthly in arrears out of the Assets from the commencement of the Trust to the date of the final distribution following a winding up of the Trust in accordance with the constitution.

## Notes to the Financial Statements

## 7. Responsible Entity/Trustee Fees (continued)

The following fees were paid or payable to the responsible entity/trustee out of the Fund during the period ended 30 June 2015.

	Period ended 30 June 2015 \$
Responsible entity fee expense for the year to :	
OMIFL	159
Total responsible entity fee expense for the financial period ended 30 June 2015	159

## 8. Other Assets

	30 June 2015 \$
Withholding tax paid	42
Interest accrued on loan investments	699
Total other assets	741

## 9. Net Assets Attributable to Unitholders

## Period ended 30 June 2015

	No. of Units	\$
Opening balance as at 1 May 2014		-
Reinvestment of distribution by unitholders	-	-
Applications for units by unitholders	125,000	125,000
Redemptions of units by unitholders	-	-
Distributions paid to unitholders	-	(1,213)
Total comprehensive income	-	1,213
Closing balance as at 30 June 2015	125,000	125,000

## 10. Capital Management

As a result of the ability to issue, redeem and transfer units, the capital of the Fund can vary depending on the demand for redemptions and subscriptions to the Fund. The Fund is not subject to externally imposed capital requirements and has no restrictions on the issue, repurchase or resale of redeemable units. The Fund's objectives for managing capital are:

- to invest the capital in investments meeting the description, risk exposure and expected return indicated in the Fund's product disclosure statement;
- to achieve consistent returns while safeguarding capital by investing in unsecured loans made to personal borrowers resident in Australia
- to maintain sufficient liquidity to meet the ongoing expenses of the Fund; and
- to maintain sufficient size to make the operation of the Fund cost-efficient.

## Notes to the Financial Statements

## 11. Cash and Cash Equivalents

- (a) Cash and cash equivalents include cash on hand, cash at banks net of outstanding overdrafts and cash balances held with brokers. Cash at the end of the year as shown in the Statement of Cash Flows is reconciled to the related items in the Statement of Financial Position as follows:

	30 June 2015 \$
Cash at banks	4,395

- (b) Reconciliation of total comprehensive income for the year to net cash flows provided by operating activities:

	Period ended 30 June 2015 \$
Total comprehensive income	1,213
Net income	1,213
Distributions to unitholders	(1,213)
Change in assets and liabilities:	
Increase in other assets	(741)
Increase in trade and other payables	431
Net cash provided by operating activities	903

## 12. Interest Income

The following table provides information about the interest income generated from different sources during the financial period ended 30 June 2015.

	30 June 2015 \$
Interest income received – Loan Investments	1,552
Interest income received – Bank	92
	1,644

## 13. Commitments and Contingencies

There are no commitments or contingencies at 30 June 2015.

## 14. Subsequent Events

Effective from 6 July 2015 the name of the Seller has been changed to DirectMoney Finance Pty Ltd from DirectMoney Pty Ltd.

Other than above, there has not been any matter or circumstance occurring subsequent to the end of the financial period ended 30 June 2015 that has significantly affected, or may significantly affect, the operations of the Fund, the results of those operations, or the state of affairs of the Fund in future financial years.

## Notes to the Financial Statements

## 15. Related Party Transactions

The responsible entity of the Fund is One Managed Investment Funds Limited (ABN 47 117 400 987; AFSL 297 042) (the "Responsible Entity"). The Responsible Entity has appointed DirectMoney Investment Management Pty Ltd (ACN 604 346 189) ("Investment Manager") as the investment manager of the Fund.

Transactions with related parties have taken place at arm's length and in the ordinary course of business. For transactions during the year and amounts payable at year end between the Fund and the related parties, refer to Notes 6 and 7.

*(a) One Managed Investment Funds Limited (the Responsible Entity)*

OMIFL has extensive experience as a corporate trustee and custodian, and is a professional responsible entity operating numerous schemes. OMIFL is a subsidiary of the One Investment Group which is an independent Australian funds management business that focuses on providing responsible entity/trustee and other services associated with funds management. The key management personnel of the Responsible Entity for the financial period ended 30 June 2015 is:

Name	Title
Frank Tearle	Executive Director and Company Secretary
Justin Epstein	Executive Director
Elizabeth Reddy	Non-executive Director

Holding of units by key management personnel and their associated entities for OMIFL at 30 June and interest held is as follows:

	30 June 2015	
	Units held	% of the Fund
Justin Epstein (*Initial Units)	10	0.01%
One Managed Investment Funds Ltd	5,000	4.00%
	<b>5,010</b>	<b>4.01%</b>

\* Initial units issued at the same time of the commencement of the trust. Initial units held by Justin Epstein are not entitled to receive any return (both income and capital) from the Fund. Initial units will be cancelled by the Responsible Entity if the Fund is terminated in accordance with the constitution.

No fees or remuneration were paid directly to the key management personnel from the Fund during the financial period ended 30 June 2015. Refer to Note 7 for the fees paid to the Responsible Entity.

The Responsible Entity has appointed third party service providers to the Fund, some of whom are related parties of the Responsible Entity. The following entities which are related parties of the Responsible Entity have provided services to the Fund during the financial period ended 30 June 2015:

- Unity Fund Services Pty Limited (ACN 146 747 122) – fund administration services
- Unity Tax Services Pty Limited (ACN 147 393 557) – taxation services
- One Registry Services Pty Limited (ACN 141 757 360) – unit registry services
- One Managed Investment Funds Limited (ACN 117 400 987) – custodial services

None of the above have received any remuneration directly from the Fund in relation to these services and are remunerated out of the Responsible Entity Fee disclosed in Note 7.



## Notes to the Financial Statements

## 15. Related Party Transactions (continued)

(b) *DirectMoney Group*

The DirectMoney Group of companies includes DirectMoney Pty Ltd (the "Seller"), DirectMoney Investment Management Pty Ltd (the "Investment Manager"), DirectMoney Loans Servicing Pty Ltd (the "Servicer") and DirectMoney Credit Management Pty Ltd (the "Credit Manager"), ("DirectMoney Group"). The Investment Manager, the Servicer and the Credit Manager are wholly owned subsidiaries of the Seller. Each of the Investment Manager, the Seller, the Servicer and the Credit Manager have been appointed by the Responsible Entity to fulfil a separate role for the fund as follows:

- *DirectMoney Investment Management Pty Ltd* is the investment manager of the Fund. It is an authorised representative of DirectMoney Pty Ltd (authorised representative no: 473725). Its primary role is to ensure the portfolio of the Fund is managed in accordance with its obligations contained in the Investment Management Agreement. Refer to Note 6 for details of management fees paid.
- *DirectMoney Pty Ltd* is the seller of loans to the Fund. It holds an Australian credit licence (number 458572) and an AFS Licence (number 458572). It operates a web based lending platform through which it makes unsecured personal loans to Australian resident borrowers which are then available for sale to the Fund as Loan Investments. The Loan Investments are equitable interest which will entitle the Fund to receive all of the principal repayments and a portion of the monthly interest repayments made by borrowers on loans made by the seller. Refer to Notes 3(f) and 4(a) for further details on Loan Investments.
- *DirectMoney Loans Servicing Pty Ltd* has been appointed as the servicer of Loan Investments for the Fund. It is responsible for monitoring and servicing the Loan Investments, ensuring that borrowers make repayments on time and it is responsible for following up on late payments from borrowers. No fees were paid to this entity during the financial period ended 30 June 2015.
- *DirectMoney Credit Management Pty Ltd* is responsible for holding, operating and maintaining the Loan Investment Reserve Account. It has provided a security interest to the Responsible Entity over monies held by it. No fees were paid to this entity during the financial period ended 30 June 2015.

The key management personnel of DirectMoney Group in relation to the Fund for the financial period ended 30 June 2015 is:

Name	Title
Stephen Porges	Executive Chairman
David Doust	Founder/Director
Peter Beaumont	Chief Operations Officer
Craig Swanger	Independent Director

No fees or remuneration were paid directly to the key management personnel from the Fund during the financial period ended 30 June 2015.