**Wisr Limited**
**Appendix 4D**
**Half-year report**

## 1. Company details

| | |
|---|---|
| Name of entity: | Wisr Limited |
| ABN: | 80 004 661 205 |
| Reporting period: | For the half-year ended 31 December 2020 |
| Previous period: | For the half-year ended 31 December 2019 |

## 2. Results for announcement to the market

| **Key information** | | | | **$** |
|---|---|---|---|---|
| Revenues from ordinary activities | up | 354% | to | 9,987,719 |
| Loss from ordinary activities after tax attributable to the members of Wisr Limited | down | 27% | to | (9,363,224) |
| Loss for the half-year attributable to the members of Wisr Limited | down | 26% | to | (9,522,016) |

**Dividends paid and proposed**

There were no dividends declared or paid in the reporting period.

**Explanation of key information and dividends**

An explanation of the above figures is contained in the Review of operations included within the attached directors' report. The Directors have determined not to pay dividends at this time.

## 3. Net tangible assets

| | **Reporting period Cents** | **Previous period Cents** |
|---|---|---|
| Net tangible assets per ordinary security | 2.44 | 1.03 |

## 4. Control gained over entities

Not applicable.

## 5. Loss of control over entities

Not applicable.

## 6. Details of associates and joint venture entities

Not applicable.

**Wisr Limited**
**Appendix 4D**
**Half-year report**

**7. Attachments**

*Details of attachments (if any):*

The Interim Report of Wisr Limited for the half-year ended 31 December 2020 is attached.

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**8. Signed**

Signed  Date: 25 February 2021

John Nantes
Director
Sydney

# Wisr Limited

**ABN 80 004 661 205**

# Interim Report – For the half-year ended 31 December 2020

**Wisr Limited**
**Directors' report**
**31 December 2020**

The directors present their report, together with the financial statements, on the consolidated entity (referred to hereafter as the 'consolidated entity' or the 'Group' or 'Wisr') consisting of Wisr Limited (referred to hereafter as the 'Company' or 'parent entity') and the entities it controlled at the end of, or during, the half-year ended 31 December 2020.

**Directors**
The following persons were directors of Wisr Limited during the whole of the financial half-year and up to the date of this report, unless otherwise stated:

John Nantes
Craig Swanger
Christopher Whitehead

**Principal activities**
During the financial half-year, the Group's primary activity was originating personal loans for 3, 5 and 7-year maturities to Australian consumers, funding these loans predominantly via an asset-backed securitisation warehouse structure.

**Review of operations**

Wisr reported an increase in revenue of 354% for the half-year ended 31 December 2020 (H1FY21), up to $10.0 million from $2.2 million in H1FY20 and a 101% increase compared to H2FY20.

The increase was driven by strong growth in loan origination volume which increased 166% to $145.7 million in H1FY21 versus H1FY20.

The total loan book is $274.2 million as at 31 December 2020 (includes $63.3 million off-balance sheet which is serviced by Wisr).

**Other operational highlights from 1 July 2020 to 31 December 2020 included:**

- H1FY21 originations of $145.7 million saw a 166% increase when compared to H1FY20, and a 80% increase when compared to H2FY20 ($81.1 million)
- Total loan originations $390.5 million as at 31 December 2020
- $350 million loan origination mark was achieved in November 2020, with the initial $50 million taking 45 months to originate, the second $50 million taking more than 8 months and the most recent $50 million written in less than 2 months
- Wisr Warehouse funding model delivered a material increase in revenue through significantly improved loan unit economics
- Wisr is well capitalised with $29.0 million in cash and liquid loan assets as at 31 December 2020
- Interest expense increased in line with growth in the Wisr Warehouse loan book size of $206.7 million at 31 December 2020, an 815% increase from 31 December 2019 ($22.6 million)
- Successful launch of secured vehicle finance pilot generating first revenue in Q1FY21
- Wisr recognised across industry with over 15 nominations in the half, winning awards for Most Innovative Financial Institution at the Australian Banking Innovation Awards, Outstanding Leader of the Year at the 2020 Fintech Australia Awards and winner in the Deloitte 2020 Technology Fast 50 (coming in at #19)
- The Group increased its Business Net Promoter Score, a measure of customer and broker satisfaction, to NPS +77 during H1FY21, up from NPS +70 the previous half-year (H1FY20). This is considered best-in-class when compared across the banking and finance industry
- September 2020 appointments of former Social Ventures Chief Strategy Officer, Dr. Lili Sussman and former THE ICONIC Head of Product, Ben Berger, to the Company's newly created roles of Chief Strategy Officer and Chief Product Officer respectively
- 345,475 Australians now have a Wisr profile in the Wisr Ecosystem as at 31 December 2020, a 146% increase compared to 31 December 2019 (140,300)

In H1FY21, the Company reported an overall Cash EBTDA loss of $6.5 million, a 6% decrease on H1FY20 ($6.9 million).

Operational Expenditure (Opex) increased 59%, comparing favourably to the 354% revenue increase, in line with the business now delivering operational leverage as it scales. This lift in Opex was delivered in line with the management plan, and has set up the business to scale effectively in the coming periods.

There was $3.3 million of non-cash expenses predominantly relating to the reset of Board/Staff share based incentive payments for FY18 to FY21 along with the provision for expected credit loss under AASB 9.

**Review of operations (continued)**

Wisr remains resolutely committed to its purpose to provide financial wellness for all Australians through industry leading, innovative products, tools and services.

Capital

As at 31 December 2020 the Group had cash of $27.4 million, compared to $10.4 million as at 31 December 2019. In addition to the $27.4 million there was $1.6 million is liquid loan assets available for sale.

Loan Funding

Following the Company's new loan origination growth and continued strong loan book performance, the Wisr Warehouse loan funding facility was upsized to $250 million in Q2FY21.

Governance and senior management

The Board and senior management team remained unchanged during the period. Craig Swanger was re-elected to the position of Director.

Revenue

The reviewed operational revenue result of $10.0 million for the financial half-year is an increase of 354% on $2.2 million from first-half period last year (H1FY20). The second half under the Wisr Warehouse funding model continues to deliver superior unit economics and significant operating benefits for the Company.

Expenses

The reviewed loss for H1FY21 was $9.4 million, a 27% decrease in loss versus H1FY20 ($12.9 million).

Operational Expenditure (Opex) increased 59%, comparing favourably to the 354% revenue increase, in line with the Company now delivering operational leverage as it scales. This lift in Opex was delivered in line with the management plan, and has set up the Company to scale effectively in the coming half-year.

Part of the increase is attributed to a one-off investment into a new brand campaign and brand assets, which are expected to have a 3-4 year life-span and deliver improved unit economics (specifically CAC) over the coming quarters.

The last six months have seen a significant step-change in operating capability. The $2.4 million increase in talent costs was planned at the time of the January 2020 capital raise but deferred in response to COVID-19. In the medium term, increases in operating cost base will be more incremental, resulting in significant operating leverage as revenue continues to grow strongly in-line with the growth of the Company's loan book.

As mentioned, there were $3.3 million of non-cash expenses predominantly relating to Board/Staff share based incentive payments for FY18 to FY21 along with the provision for expected credit loss under AASB 9.

The amount of $(158k) in other comprehensive loss represents the change in fair value (loss) of the interest rate swaps designated in cash flow hedge relationships. The loss was due to the decrease in forward interest rates since the swaps were transacted.

Wisr Ecosystem

Over 345,400 Australians now have a Wisr profile in the Wisr Ecosystem as at 31 December 2020, a 146% increase compared to 31 December 2019. In FY20, the Company reported entrants to the Wisr Ecosystem as users, this has now changed to the Wisr Profile; a unified experience and gateway into lending, credit score and round-up product.

Secured Vehicle Finance

In Q1FY21 Wisr launched the second lending product, secured vehicle finance, across Wisr's full range of omni-channels to increase the total addressable market. This product is now revenue generating for the business and is funded via the Wisr Warehouse, allowing the product to be a significant contributor to the Company's loan book originations and revenue growth.

**Review of operations (continued)**

Strategic Partnerships

The Company's B2B distribution strategy Wisr@Work and Wisr&Co continued to grow, with the successful completion of the pilot Wisr@Work Financial Wellness program with Guild Super, the Company's first partner in the important superannuation sector.

Customer and Employee Satisfaction

In this financial half-year (H1FY21) the Group's Business Net Promoter Score increased to an NPS of +77, up from +70 during the previous half-year.

**Significant changes in the state of affairs**
There were no significant changes in the state of affairs of the consolidated entity during the financial half-year other than those discussed in the Review of operations.

**Operating segment**
The Group has one operating segment under AASB 8 Operating Segments. This reflects the way the business is monitored and resources are allocated. The Group's revenues and activities are predominately domiciled in Australia.

**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 the following page.

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

On behalf of the directors:



John Nantes
Director

25 February 2021
Sydney

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Fax: +61 2 9240 9821
www.bdo.com.au

Level 11, 1 Margaret St
Sydney NSW 2000
Australia

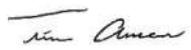
**DECLARATION OF INDEPENDENCE BY TIM AMAN TO THE DIRECTORS OF WISR LIMITED**

As lead auditor for the review of Wisr Limited for the half-year ended 31 December 2020, I declare that, to the best of my knowledge and belief, there have been:

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

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

**Tim Aman**



**BDO Audit Pty Ltd**

Sydney, 25 February 2021

BDO Audit Pty Ltd ABN 33 134 022 870 is a member of a national association of independent entities which are all members of BDO Australia Ltd ABN 77 050 110 275, an Australian company limited by guarantee. BDO Audit Pty Ltd and BDO Australia Ltd are members of BDO International Ltd, a UK company limited by guarantee, and form part of the international BDO network of independent member firms. Liability limited by a scheme approved under Professional Standards Legislation.

**Wisr Limited**
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**For the half-year ended 31 December 2020**

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## General information

The financial statements cover Wisr Limited as a consolidated entity, consisting of Wisr Limited and the entities it controlled at the end of, or during, the half-year. The financial statements are presented in Australian dollars, which is Wisr Limited's functional and presentation currency.

Wisr Limited is a listed public company limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business are:

| **Registered office** | **Principal place of business** |
|---|---|
| Level 4<br>55 Harrington Street<br>The Rocks NSW 2000 | Level 4,<br>55 Harrington Street<br>The Rocks NSW 2000 |

A description of the nature of the consolidated entity's operations and its principal activities are included in the directors' report, which is not part of the financial statements.

The financial statements were authorised for issue, in accordance with a resolution of directors, on 25 February 2021.

**Wisr Limited**
**Consolidated statement of profit or loss and other comprehensive income**
**For the half-year ended 31 December 2020**

| | Note | 31 Dec 2020 $ | 31 Dec 2019 $ |
|---|---|---|---|
| **Revenue** | 2 | 9,987,719 | 2,201,936 |
| Other income | | 50,000 | 74,626 |
| **Expenses** | | | |
| Employee benefits expense | | (6,689,072) | (4,259,044) |
| Marketing expense | | (3,155,620) | (1,653,415) |
| Customer processing costs | | (1,651,727) | (753,143) |
| Property expenses | | (143,357) | (103,879) |
| Other expenses | | (1,908,608) | (1,996,406) |
| Finance costs | | (2,437,140) | (219,665) |
| Depreciation and amortisation expense | | (108,703) | (61,924) |
| Provision for expected credit loss expense | 4 | (2,669,274) | (1,127,481) |
| Share based payment expense | 9 | (637,442) | (4,955,997) |
| **Loss before income tax** | | (9,363,224) | (12,854,392) |
| **Income tax expense** | | - | - |
| **Loss after income tax for the year** | | (9,363,224) | (12,854,392) |
| **Loss for the year is attributable to:** | | | |
| Owners of Wisr Limited | | (9,363,224) | (12,854,392) |
| **Earnings (loss) per share for loss attributable to the owners of Wisr Limited** | | **Cents** | **Cents** |
| Basic earnings (loss) per share | | (0.86) | (1.58) |
| Diluted earnings (loss) per share | | (0.86) | (1.58) |
| **Other comprehensive loss** | | | |
| Loss arising from changes in fair value of cash flow hedging instruments entered into | 10 | (158,792) | - |
| Other comprehensive loss for the half-year, net of tax | | (158,792) | - |
| **Total comprehensive loss for the half-year** | | (9,522,016) | (12,854,392) |
| **Total comprehensive loss for the half-year is attributable to:** | | | |
| Owners of Wisr Limited | | (9,522,016) | (12,854,392) |

*The above consolidated statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes*

**Wisr Limited**
**Consolidated statement of financial position**
**As at 31 December 2020**

| | Note | 31 Dec 2020 $ | 30 Jun 2020 $ |
|---|---|---|---|
| **Assets** | | | |
| Cash and cash equivalents | 3 | 27,410,800 | 37,973,266 |
| Trade and other receivables | | 815,648 | 1,023,326 |
| Loan receivables | 4 | 204,321,948 | 85,997,500 |
| Property, plant and equipment | | 172,054 | 5,733 |
| Other assets | | 814,863 | 489,569 |
| Right of use assets | 5 | 2,075,494 | - |
| Intangible assets | | 425,480 | 471,760 |
| **Total assets** | | 236,036,287 | 125,961,154 |
| **Liabilities** | | | |
| Trade and other payables | | 4,095,493 | 2,516,847 |
| Provision for employee benefits | | 661,479 | 541,540 |
| Lease liability | 5 | 2,074,306 | - |
| Derivative financial instruments | | 402,379 | 225,129 |
| Borrowings | 6 | 201,619,867 | 86,710,392 |
| **Total liabilities** | | 208,853,524 | 89,993,908 |
| **Net assets** | | 27,182,763 | 35,967,246 |
| **Equity** | | | |
| Issued capital | 8 | 91,827,511 | 89,827,317 |
| Reserves | 10 | 1,756,891 | 3,181,186 |
| Accumulated losses | | (66,401,639) | (57,041,257) |
| **Total equity** | | 27,182,763 | 35,967,246 |

*The above consolidated statement of financial position should be read in conjunction with the accompanying notes*

**Wisr Limited**
**Consolidated statement of changes in equity**
**For the half-year ended 31 December 2020**

| | Issued Capital $ | Reserves $ | Accumulated losses $ | Total equity $ |
|---|---|---|---|---|
| Balance at 1 July 2019 | 48,412,004 | 1,895,421 | (33,534,592) | 16,772,833 |
| Loss after income tax expense for the half-year | - | - | (12,854,392) | (12,854,392) |
| Other comprehensive income for the half-year, net of tax | - | - | - | - |
| Total comprehensive loss for the half-year | - | - | (12,854,392) | (12,854,392) |
| *Transactions with owners in their capacity as owners:* | | | | |
| Issue of share capital | - | - | - | - |
| Costs of capital raising | 122,016 | - | - | 122,016 |
| Share based payments (Note 9) | 1,318,542 | 3,637,455 | - | 4,955,997 |
| Transfer of share-based reserve to issued capital on exercise of options | 1,138,317 | (1,138,317) | - | - |
| Issue of shares as a result of exercise of options for consideration | 22,191 | (2,191) | - | 20,000 |
| Transfer of reserve to accumulated losses | | (31,581) | 31,581 | - |
| Balance at 31 December 2019 | 51,013,070 | 4,360,787 | (46,357,403) | 9,016,454 |

| | Issued Capital $ | Reserves $ | Accumulated losses $ | Total equity $ |
|---|---|---|---|---|
| Balance at 1 July 2020 | 89,827,317 | 3,181,186 | (57,041,257) | 35,967,246 |
| Loss after income tax expense for the half-year | - | - | (9,363,224) | (9,363,224) |
| Other comprehensive income for the half-year, net of tax | - | (158,792) | - | (158,792) |
| Total comprehensive loss for the half-year | - | (158,792) | (9,363,224) | (9,522,016) |
| *Transactions with owners in their capacity as owners:* | | | | |
| Issue of share capital | - | - | - | - |
| Costs of capital raising | - | - | - | - |
| Share based payments (Note 9) | - | 637,442 | - | 637,442 |
| Transfer of share-based reserve to issued capital on exercise of options | 1,835,713 | (1,835,713) | - | - |
| Issue of shares as a result of exercise of options for consideration | 134,481 | (34,390) | - | 100,091 |
| Issue of shares for services rendered | 30,000 | (30,000) | - | - |
| Transfer of reserve to accumulated losses | - | (2,842) | 2,842 | - |
| Balance at 31 December 2020 | 91,827,511 | 1,756,891 | (66,401,639) | 27,182,763 |

*The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes*

**Wisr Limited**
**Consolidated statement of cash flows**
**For the half-year ended 31 December 2020**

| | Note | 31 Dec 2020 $ | 31 Dec 2019 $ |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Receipts from customers | | 8,393,784 | 1,205,131 |
| Payments to suppliers and employees | | (12,461,644) | (8,246,759) |
| | | (4,067,860) | (7,041,628) |
| Interest received on investments and cash | | 6,473 | 24,234 |
| Management fees received | | 666,201 | 702,437 |
| Interest and other finance costs paid | | (2,098,529) | (163,328) |
| Proceeds from R&D tax incentive | | 380,874 | 219,078 |
| Net cash used in operating activities | | (5,112,841) | (6,259,207) |
| **Cash flows from investing activities** | | | |
| Payments for development of technology assets | | - | (13,306) |
| Receipts from investments | | - | - |
| Net movement in customer loans | | (120,246,570) | (17,716,979) |
| Net cash used in investing activities | | (120,246,570) | (17,730,285) |
| **Cash flows from financing activities** | | | |
| Proceeds from issue of shares | | - | - |
| Proceeds from exercise of share options | | 100,091 | 20,000 |
| Costs of raising capital paid | | - | 122,016 |
| Repayment of borrowings – secured notes | | (1,675,000) | (425,000) |
| Proceeds from issuance of borrowings | | 116,850,000 | 22,600,000 |
| Transaction costs related to borrowings | | (478,146) | (127,276) |
| Net cash from financing activities | | 114,796,945 | 22,189,740 |
| Net decrease in cash and cash equivalents | | (10,562,466) | (1,799,752) |
| Cash and cash equivalents at the beginning of the financial half-year | | 37,973,266 | 11,993,165 |
| Cash and cash equivalents at the end of the financial half-year | | 27,410,800 | 10,193,413 |

*The above consolidated statement of cash flows should be read in conjunction with the accompanying notes*

## Note 1. Significant accounting policies

These financial statements for the interim half-year reporting period ended 31 December 2020 have been prepared in accordance with Australian Accounting Standard AASB 134 'Interim Financial Reporting' and the Corporations Act 2001, as appropriate for for-profit oriented entities. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 'Interim Financial Reporting'.

These financial statements do not include all the notes of the type normally included in annual financial statements. Accordingly, these financial statements are to be read in conjunction with the annual report for the year ended 30 June 2020 and any public announcements made by the Company during the interim reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

The principal accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period, unless otherwise stated below.

The statement of financial position is presented on a liquidity basis. Assets and liabilities are presented in decreasing order of liquidity and do not distinguish between current and non-current. All balances are expected to be recovered within 12 months except for intangible assets, right of use assets, property, plant and equipment and financial instruments, for which expected term is disclosed.

These interim financial statements were authorised for issue on 25 February 2021.

### a) New, revised or amended Accounting Standards and Interpretations adopted

The Group has adopted all of the new, revised or amending Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period.

Any new, revised or amending Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

## Note 2. Revenue

| | Consolidated | |
|---|---|---|
| | 31 Dec 2020 | 31 Dec 2019 |
| | $ | $ |
| **Interest income on financial assets** | | |
| Effective interest income on financial assets | 9,093,895 | 1,060,365 |
| Other revenue from financial assets | 47,953 | 170,877 |
| Interest on cash | 6,473 | 5,611 |
| Interest from investments | - | 18,623 |
| Total income from investments (financial assets) | 9,148,321 | 1,255,476 |
| | | |
| **Revenue from contracts with customers** | | |
| Management fees | 839,398 | 946,460 |
| Total revenue from contracts with customers | 839,398 | 946,460 |
| | | |
| Total revenue | 9,987,719 | 2,201,936 |

***Disaggregation of revenue***
The above provides a breakdown of revenue by major revenue stream. The categories above depict how the nature, amount, timing and uncertainty of revenue and cash flows are affected by economic data. As disclosed in the directors' report, the Group has one operating segment.

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the entity and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

**Note 2. Revenue (cont.)**

**Interest income on financial assets**

*i) Interest income*
Interest revenue is recognised as interest accrues using the effective interest method. This is a method of calculating the amortised cost of a financial asset and allocating the interest income over the relevant period using the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

*ii) Loan establishment fees*
Loan establishment fees are deferred and recognised as an adjustment to the effective interest rate as these fees are an integral part of generating an involvement with the resulting financial instrument.

**Revenue from contracts with customers**

*Management fees*
Management fees are earned through the contracts with funders (customers) which entitle the consolidated entity to fees as a result of satisfying the performance obligation, being the monthly management of the associated loan portfolio. Revenue is recognised on an over-time basis. The allocation of the transaction price is calculated as a percentage of the loan balance managed by the consolidated entity on a monthly basis, being the satisfaction of the performance obligation.

Revenue is recognised at an amount that reflects the consideration to which the consolidated entity is expected to be entitled in exchange for transferring services to a customer.

The consolidated entity invoice on a monthly basis which aligns to the recognition criteria noted above and as a result, there is no recognition of contract assets or liabilities required.

**Note 3. Cash and cash equivalents**

| | Consolidated | |
|---|---|---|
| | **31 Dec 2020** | **30 Jun 2019** |
| | **$** | **$** |
| Cash at bank | 19,491,156 | 33,242,349 |
| Restricted cash | 7,919,644 | 4,730,917 |
| | 27,410,800 | 37,973,266 |

Cash and cash equivalents include cash on hand, deposits held at call with banks, other short term highly liquid investments with original maturities of three months or less, bank overdrafts, and restricted cash.

Restricted cash is held by Wisr Warehouse Trust No.1 and not available to pay creditors of other entities within the Group.

**Note 4. Loan receivables**

A financial asset shall be measured at amortised cost if it is held within a business model whose objective is to hold assets in order to collect contractual cash flows which arise on specified dates and that are solely principal and interest. A debt investment shall be measured at fair value through other comprehensive income if it is held within a business model whose objective is to both hold assets in order to collect contractual cash flows which arise on specified dates that are solely principal and interest as well as selling the asset on the basis of its fair value. All other financial assets are classified and measured

**Note 4. Loan receivables (cont.)**

at fair value through profit or loss unless the entity makes an irrevocable election on initial recognition to present gains and losses on equity instruments (that are not held-for-trading or contingent consideration recognised in a business combination) in other comprehensive income ('OCI'). Despite these requirements, a financial asset may be irrevocably designated as measured at fair value through profit or loss to reduce the effect of, or eliminate, an accounting mismatch.

*Impairment of financial assets*
The Group recognises a loss allowance for Expected Credit Loss ('ECL') on financial assets which are either measured at amortised cost or fair value through other comprehensive income. The measurement of the loss allowance depends upon the Group's assessment at the end of each reporting period as to whether the financial instrument's credit risk has increased significantly since initial recognition, based on reasonable and supportable information that is available, without undue cost or effort to obtain.

The Group has adopted the three-stage model for ECL provisioning:

Stage 1: 12 months ECL
Where there has not been a significant increase in exposure to credit risk since initial recognition, a 12-month ECL allowance is estimated. This represents a portion of the loan receivable lifetime ECL that is attributable to a default event that is possible within the next 12 months. Effective interest is calculated on the gross carrying amount of the loan receivable.

Stage 2: Lifetime ECL – not credit impaired
Where a loan receivable credit risk has increased significantly since initial recognition, but is not credit impaired, the loss allowance is based on the loan receivable lifetime ECL. For these loan receivables, the Group recognises as a collective provision a lifetime ECL (i.e. reflecting the remaining term of the loans receivable). Effective interest is calculated on the gross carrying amount of the financial instrument.

Stage 3: Lifetime ECL – credit impaired
Where there is objective evidence that the loan receivable has become credit impaired, the loss allowance is based on the loan receivable lifetime ECL. Effective interest is calculated on the net carrying amount of the financial instrument.

For financial assets measured at fair value through other comprehensive income, the loss allowance is recognised within other comprehensive income. In all other cases, the loss allowance is recognised in profit or loss.

*Allowance for expected credit losses*
The Group has historically adopted an off-balance sheet loan funding model which resulted in relatively low loan receivables on balance sheet. With the Warehouse Trust going live in mid-November 2019, loan receivables on the balance sheet have increased significantly.

The ECL analysis was performed on two distinct loan receivable books:
Book 1 – Warehouse Trust – Predominantly Stage 1
Book 2 – Wisr Finance – Combination of Stages 1 to 3. This book consists of seasoned, mostly legacy loan receivables which didn't qualify for sale to funding partners etc.

Credit loss refers to the instance whereby a counterparty defaults on its contractual obligations resulting in financial loss to the Group. Default is defined as loan receivables which are at least 90 days past due. A significant increase in credit risk is defined as loan receivables which are at least 30 days past due.

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

The EAD represents the total value the Group is exposed to when the loan receivable defaults. The 12-month ECL is calculated by multiplying the 12-month EAD, PD and LGD. Lifetime ECL is calculated using the lifetime PD instead.

The 12-month and lifetime PDs represent the probability of default occurring over the next 12 months and the remaining maturity of the loan receivable respectively. The LGD represents the unrecovered portion of the EAD taking into account any applicable recovery of the loan receivable.

The Group originates loan receivables of 3, 5, and 7 year maturities to Australian consumers. These loans are either retained to maturity within the Wisr Warehouse Trust No. 1 or on-sold to wholesale and institutional investors.

**Note 4. Loan receivables (cont.)**

The allowance for ECL assessment requires a degree of estimation and judgement. It is based on 12-month and lifetime ECL, grouped based on days overdue, and makes assumptions to allocate an overall ECL for each group. These assumptions include the Group loan book performance history, existing economic and market conditions.

In FY2020, the Group had an additional provision on COVID-19 affected loan receivables. The Group did not consider the existence of a COVID-19 payment arrangement in itself to represent a significant increase in credit risk (SICR). This assessment was performed through consideration of both qualitative and quantitative factors surrounding the customer's credit risk.

Loan receivables which were on a COVID-19 payment arrangement, where normal loan repayments have resumed, have been classified at the stage prior to entering a payment arrangement. Remaining COVID-19 affected loans have been classified as a significant increase in credit risk or in default.

Scenario analysis and forward looking macroeconomic assessments were not incorporated as a result of the following factors:

- COVID-19 affected loans were specifically assessed and it was noted that 77% of the receivables of loans returned to normal within 3-6 months. 13% remain in first 3-6 months of deferral where we expect majority (80%) to cure. Remaining 10% have requested a further extension of greater than 6 months and have been assessed for hardship through our standard policy.
- The Group enacted tightened credit policy and reduced risk tolerance in response to the COVID-19 pandemic.

It was also noted that further scenario analysis and macroeconomic forecasting would result in undue cost and effort.

| | Consolidated | |
|---|---|---|
| | **31 Dec 2020** | **30 Jun 2020** |
| | **$** | **$** |
| Gross loan receivables | 210,227,887 | 89,729,432 |
| Less provision for expected credit loss | (5,905,939) | (3,731,932) |
| | 204,321,948 | 85,997,500 |

The following tables summarise gross carrying amount of loan receivables and provision for expected credit loss by stages:

| | | |
|---|---|---|
| **Gross loan receivables** | | |
| 12-month (Stage 1) | 206,820,547 | 84,019,478 |
| Lifetime (Stage 2&3) | 3,407,340 | 5,709,954 |
| Total gross carrying amount | 210,227,887 | 89,729,432 |
| | | |
| **Less provision for expected credit loss** | | |
| 12 month expected credit loss | 3,642,749 | 1,970,134 |
| Lifetime expected credit loss | 2,263,190 | 1,761,798 |
| Total provision for expected credit loss | 5,905,939 | 3,731,932 |
| | | |
| **Net balance sheet carrying value** | 204,321,948 | 85,997,500 |
| | | |
| **Expected credit loss per gross loan receivables** | **%** | **%** |
| 12-month (Stage 1) | 1.76 | 2.34 |
| Lifetime (Stage 2 & 3) | 66.42 | 30.85 |
| Total expected credit loss per total gross loan receivables | 2.81 | 4.16 |
| | | |
| **Reconciliation of total provision for expected credit loss** | **$** | **$** |
| Balance at 1 July | 3,731,932 | 235,646 |
| Expected credit loss expense recognised during the half-year to profit or loss | 2,669,274 | 4,097,956 |
| Receivables written-off during the half-year | (571,888) | (660,060) |
| Recoveries during the half-year | 76,621 | 58,390 |
| Balance at 31 Dec | 5,905,939 | 3,731,932 |

## Note 5. Leases

The Group has a property lease which commenced in December 2020 with a 3-year and 1 month term.

The Group also had two non-cancellable property leases which expired in September 2020 at which point became month on month agreements.

| | 31 Dec 2020 $ | 30 Jun 2020 $ |
|---|---|---|
| **AASB 16 related amounts recognised in the statement of financial position:** | | |
| **Right of use assets** | | |
| Leased property | 2,133,146 | - |
| Accumulated depreciation | (57,652) | - |
| Net right of use asset | 2,075,494 | - |
| **Lease liabilities** | | |
| Lease liabilities - expected to be settled within 12 months | 515,803 | - |
| Lease liabilities – not expected to be settled within 12 months | 1,558,503 | - |
| | 2,074,306 | - |

| **AASB 16 related amounts recognised in the statement of profit or loss** | 31 Dec 2020 $ | 31 Dec 2019 $ |
|---|---|---|
| Depreciation charge related to right of use assets | 57,652 | - |
| Interest expense on lease liabilities | 10,666 | - |
| Short-term lease expense prior to entering into above lease arrangement | 143,357 | 103,879 |
| | 211,675 | 103,879 |

### Right-of-use assets

A right-of-use asset is recognised at the commencement date of a lease. The right-of-use asset is measured at cost, which comprises the initial amount of the lease liability, adjusted for, as applicable, any lease payments made at or before the commencement date net of any lease incentives received, any initial direct costs incurred, and, except where included in the cost of inventories, an estimate of costs expected to be incurred for dismantling and removing the underlying asset, and restoring the site or asset.

Right-of-use assets are depreciated on a straight-line basis over the unexpired period of the lease or the estimated useful life of the asset, whichever is the shorter. Where the consolidated entity expects to obtain ownership of the leased asset at the end of the lease term, the depreciation is over its estimated useful life. Right-of use assets are subject to impairment or adjusted for any remeasurement of lease liabilities.

The consolidated entity has elected not to recognise a right-of-use asset and corresponding lease liability for short-term leases with terms of 12 months or less and leases of low-value assets. Lease payments on these assets are expensed to profit or loss as incurred.

### Lease liabilities

A lease liability is recognised at the commencement date of a lease. The lease liability is initially recognised at the present value of the lease payments to be made over the term of the lease, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the consolidated entity’s incremental borrowing rate. Lease payments comprise of fixed payments less any lease incentives receivable, variable lease payments that depend on an index or a rate, amounts expected to be paid under residual value guarantees, exercise price of a purchase option when the exercise of the option is reasonably certain to occur, and any anticipated termination penalties. The variable lease payments that do not depend on an index or a rate are expensed in the period in which they are incurred.

Lease liabilities are measured at amortised cost using the effective interest method. The carrying amounts are remeasured if there is a change in the following: future lease payments arising from a change in an index or a rate used; residual guarantee; lease term; certainty of a purchase option and termination penalties. When a lease liability is remeasured, an adjustment is made to the corresponding right-of use asset, or to profit or loss if the carrying amount of the right-of-use asset is fully written down.

**Note 5. Leases (cont.)**

**Critical accounting judgements, estimates and assumptions**

*Lease term*
The lease term is a significant component in the measurement of both the right-of-use asset and lease liability. Judgement is exercised in determining whether there is reasonable certainty that an option to extend the lease or purchase the underlying asset will be exercised, or an option to terminate the lease will not be exercised, when ascertaining the periods to be included in the lease term. In determining the lease term, all facts and circumstances that create an economical incentive to exercise an extension option, or not to exercise a termination option, are considered at the lease commencement date. Factors considered may include the importance of the asset to the Group's operations; comparison of terms and conditions to prevailing market rates; incurrence of significant penalties; existence of significant leasehold improvements; and the costs and disruption to replace the asset. The Group reassesses whether it is reasonably certain to exercise an extension option, or not exercise a termination option, if there is a significant event or significant change in circumstances.

*Lease make good provision*
A provision has been made for the present value of anticipated costs for future restoration of leased premises. The provision includes future cost estimates associated with closure of the premises. The calculation of this provision requires assumptions such as application of closure dates and cost estimates. The provision recognised for each site is periodically reviewed and updated based on the facts and circumstances available at the time. Changes to the estimated future costs for sites are recognised in the statement of financial position by adjusting the asset and the provision. Reductions in the provision that exceed the carrying amount of the asset will be recognised in profit or loss.

*Incremental borrowing rate*
An incremental borrowing rate of 6% is used as an estimate of the market borrowing rate.

**Note 6. Borrowings**

| | Consolidated | |
|---|---|---|
| | **31 Dec 2020** | **30 Jun 2020** |
| | **$** | **$** |
| Secured note | - | 1,675,000 |
| | | |
| Warehouse trust funding | 202,606,723 | 85,598,949 |
| Less transaction costs | (986,856) | (563,557) |
| | 201,619,867 | 85,035,392 |
| | | |
| Total borrowings | 201,619,867 | 86,710,392 |

*Secured note*
In FY2020, the note was used for working capital purposes through initial funding of loan receivables prior to them being sold to funding partners as part of normal business operations.

*Warehouse trust*
At 31 December 2020, Wisr Warehouse Trust No. 1 had $250m (30 Jun 2020: $95m) in committed financing, $206.7m (30 Jun 2020: $85.9m) of which has been utilised. The facility is secured against the underlying pool of receivables with no credit recourse back to the consolidated entity. Wisr Warehouse Trust No. 1 consists of four classes of notes with Wisr the holder of the Class 4 note. The Class 1 note has a tenor availability period until November 2022 and the Class 2 & 3 notes a tenor availability period until November 2021. The all in cost of funds for the Wisr Warehouse Trust No. 1 is circa 3.50% per annum. The Warehouse trust funds loan receivables of 3, 5, and 7 year maturities.
The Warehouse trust borrowings are initially recognised at the fair value of the consideration received, net of transaction costs. It is subsequently measured at amortised cost using the effective interest method.
The increase in transaction costs relates to the establishment of further Warehouse trust funding.

**Note 7. Contingent liabilities**

There were no material contingent liabilities reportable during the period.

## Note 8. Issued capital

| | Consolidated | |
|---|---|---|
| | **31 Dec 2020** | **30 Jun 2020** |
| | **$** | **$** |
| **(a) Issued and paid up capital** | | |
| Ordinary shares fully paid | 94,151,765 | 92,151,571 |
| Costs of raising capital | (2,324,254) | (2,324,254) |
| | 91,827,511 | 89,827,317 |

Ordinary shares participate in dividends and the proceeds on winding up the Company. At shareholder meetings, each ordinary share is entitled to one vote when a poll is called. Otherwise, each shareholder has one vote on show of hands.

| | 31 Dec 2020 | | 31 Dec 2019 | |
|---|---|---|---|---|
| | **Number of shares** | **$** | **Number of shares** | **$** |
| **(b) Reconciliation of issued and paid-up capital** | | | | |
| Opening balance as at 1 July | 1,059,391,937 | 92,151,571 | 790,208,152 | 48,412,004 |
| Issue of shares from raising capital | - | - | - | - |
| Costs of raising capital | - | - | - | 122,016 |
| Issue of shares to CEO as part of long-term incentive | - | - | 20,158,720 | 1,437,900 |
| Issue of shares to CFO as part of long-term incentive | 5,037,412 | 154,447 | 5,037,412 | 154,447 |
| Issue of shares to Head of Growth (former COO) as part of long-term incentive | - | - | 8,428,067 | 770,474 |
| Issue of shares to staff on vesting of long-term incentives | 12,901,001 | 137,755 | 2,503,501 | 94,038 |
| Issue of shares on exercise of options | 1,013,637 | 134,481 | 200,000 | 22,191 |
| Issue of shares to KMP & Board on vesting of performance rights | 17,100,000 | 1,543,511 | - | - |
| Issue of shares for service | 888,303 | 30,000 | - | - |
| Closing Balance as at 31 December | 1,096,332,290 | 94,151,765 | 826,535,852 | 51,013,070 |

## Note 9. Share based payments

The share-based payment expense of $637,442 (2019: $4,955,997) consists of:

- Board/KMP performance rights of $120,863 (2019: $3,384,222) previously disclosed upon initial issuance, accrued up to 31 December 2020 and relating to FY20, FY21 and FY22. KMP LTIs for the period FY17, FY18 and FY19 was nil (2019: $1,318,542).
- Staff LTI scheme of $506,420 (2019: $253,233), accrued up to 31 December 2020 and relating to FY18, FY19, FY20 and FY21
- Recruitment expense of $10,159 (2019: $nil).

The fair value of the staff LTI scheme has been calculated in accordance with AASB 2 Share-based Payment using a Hoadley Barrier model which included the below inputs.

FY21 Staff LTI scheme:
Assumptions - Grant date 1 July 2020, Volatility 40%, Spot price $0.2000.

| Tranche | Expiry date | Barrier price | Fair value |
|---|---|---|---|
| 1 | 31 Jul 22 | $0.2300 | $0.1060 |
| 2 | 31 Jul 23 | $0.2300 | $0.1099 |

*Performance rights*

| | 31 December 2020 | | 31 December 2019 | |
|---|---|---|---|---|
| | **Number of performance rights** | **Exercise price** | **Number of performance rights** | **Exercise price** |
| Opening balance as at 1 July | 92,717,541 | Nil | 38,966,725 | Nil |
| - Granted | 12,791,431 | Nil | 91,017,549 | Nil |
| - Forfeited | (96,282) | Nil | (5,322,551) | Nil |
| - Exercised | (30,001,001) | Nil | (2,503,501) | Nil |
| Closing balance as at 31 December | 75,411,689 | Nil | 122,158,222 | Nil |

## Note 10. Equity – reserves and accumulated losses

### (a) Employee equity benefits reserve

The employee equity benefits reserve records items recognised as expenses on valuation of employee performance rights and accrual of employee short-term and long-term incentives.

### (b) Other share based payments reserve

The other share based payments reserve records funding expenses accrued and are expected to be paid in the form of shares.

### (c) Cash flow hedge reserve

The reserve is used to recognise the effective portion of the gain or loss of cash flow hedge instruments that is determined to be an effective hedge. There are no comparative figures for 2019 as no hedging arrangements existed in 2019.

| Movement in reserves: | Employee equity benefits reserve $ | Other share based payments reserve $ | Cash flow hedge reserve $ | Total $ |
|---|---|---|---|---|
| **At 1 July 2020** | 2,953,958 | 430,070 | (202,842) | 3,181,186 |
| Share based payments expense | 627,283 | 10,159 | - | 637,442 |
| Transfer from reserve to accumulated losses | (2,842) | - | - | (2,842) |
| Transfer from reserve on exercise of options | (1,835,713) | - | - | (1,835,713) |
| Transfer from reserve on exercise of options for consideration | - | (34,390) | - | (34,390) |
| Transfer from reserve for issue of shares for services rendered | - | (30,000) | - | (30,000) |
| Loss arising on changes in fair value of hedging instruments entered into for cash flow hedges | - | - | (284,210) | (284,210) |
| Cumulative loss arising on changes in fair value of hedging instruments reclassified to profit or loss | - | - | 125,418 | 125,418 |
| **At 31 December 2020** | 1,742,686 | 375,839 | (361,634) | 1,756,891 |

## Note 11. Events after the reporting period

There are no reportable events after the reporting period.

**Wisr Limited**
**Directors' declaration**
**For the half-year ended 31 December 2020**

In the directors' opinion:

- the attached financial statements and notes comply with the Corporations Act 2001, Australian Accounting Standard AASB 134 'Interim Financial Reporting', the Corporations Regulations 2001 and other mandatory professional reporting requirements;

- the attached financial statements and notes give a true and fair view of the consolidated entity's financial position as at 31 December 2020 and of its performance for the financial half-year ended on that date; and

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

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

On behalf of the directors



John Nantes
Director

25 February 2021
Sydney

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# INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of Wisr Limited

## Report on the Half-Year Financial Report

### Conclusion

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

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

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

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

### 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 Financial Report* section of our report. We are independent of the Company in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to the 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 the same terms if given to the directors as at the time of this auditor's review report.

BDO Audit Pty Ltd ABN 33 134 022 870 is a member of a national association of independent entities which are all members of BDO Australia Ltd ABN 77 050 110 275, an Australian company limited by guarantee. BDO Audit Pty Ltd and BDO Australia Ltd are members of BDO International Ltd, a UK company limited by guarantee, and form part of the international BDO network of independent member firms. Liability limited by a scheme approved under Professional Standards Legislation.

**Responsibility of the directors for the 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 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 financial performance for the half-year ended on that date and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

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.

**BDO Audit Pty Ltd**



**Tim Aman**
**Director**

Sydney, 25 February 2021