resimac

annual report 18/19

Resimac Group Ltd

ABN 55 095 034 003
Australian Credit Licence 247829
ASX: RMC

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Who We Are

Resimac Group Ltd is one of Australia and New Zealand's most established non-bank lenders. With over 30 years experience in delivering home finance solutions, we're proud to be servicing over 50,000 current customers.

As a pioneer of the Residential Mortgage-Backed Securities (RMBS) industry we have one of Australia's most respected securitisation programs, having issued over A$28b across more than 47 transactions.

We have distribution to over 85% of mortgage brokers, as well as our products being available to consumers via our direct channels.

Assets Under Management in excess of

$13b

PRODUCTS

Resimac offers a range of mortgage solutions - both Prime and Specialist Lending.

CHANNELS

Resimac offers customers their "Channel of Choice".

They can engage with us via Brokers, Online and Direct.

Resimac is a profitable organisation with diverse income streams - net interest margin on principally funded loans, annuity trail income on non-principally funded loans and other fee income. We operate a proprietary servicing platform and have been issued a Standard & Poor's ('S&P') "STRONG" Servicer Ranking, which was reaffirmed in February 2019.

- **Strong funding capabilities** - long standing warehouse relationships for short-term funding
- **Diversified long-term funding platform** with global multi-currency issuance programmes
- **Well established white label arrangement** with leading domestic banks

- **A full range** of home loans from Prime Lending and Specialist Lending products
- **Assets Under Management** in excess of $13 billion
- **Diversified distribution platform** originating $4.1 billion p.a.

> "We understand the requirements of our customers, employees and stakeholders, and are building a best-in-class business that delivers against those requirements.

Message from the Chairman

CHUM DARVALL
Chairman

$47.2m	$31.1m	$117.9m	56.6%
STATUTORY NPAT	NORMALISED NPAT	NET INTEREST INCOME	COST TO INCOME RATIO (NORMALISED)
↑ 86%	↑ 19%	↑ 15%	↓ 510bps
$3.6b	$10.2b	$13.4b	1.5c
PRINCIPALLY FUNDED SETTLEMENTS	PRINCIPALLY FUNDED AUM	TOTAL AUM	FINAL DIVIDEND
↓ 1%	↑ 19%	↑ 11%	FINAL DIVIDEND OF **1.0c** PLUS ONE OFF SPECIAL DIVIDEND OF **0.5c** PER SHARE (FULLY FRANKED)

Dear Shareholders,

Financial year 2019 has been a very positive year for our organisation across a number of fronts.

In December 2018, we changed the name of the company from Homeloans Limited to Resimac Group Ltd, and consolidated our brand to Resimac. This consolidation allowed us to further leverage our excellent reputation in both the capital and debt markets, and has been well received. We took this opportunity to simplify our product offering to the broker market which was welcomed by the industry and has been a success.

Industry-Leading Performance

Resimac Group is pleased to report strong financial results across all key areas.

Key highlights include a normalised Net Profit After Tax (NPAT) result of $31.1m, up 19% on FY18; and a fully-franked final dividend of 1.0 cents per share, plus a one-off special dividend of 0.5 cents per share.

The reduction in the cost to income ratio from 61.7% to 56.6% showed effective cost management discipline within the organisation.

Navigating the Market

The Royal Commission into Banking and property market movements presented challenges to our industry. However, our credit and risk management practises were validated during this year, both in terms of our origination processes, and our low loss and delinquency levels that outperform industry benchmarks.

Cost of funds volatility created some pressure on Net Interest Margin (NIM) however, we have still experienced a pleasing lift in Net Interest Income of 15% vs FY18.

Supporting our growth is that the non-bank market share continued to rise during FY19, and our channel diversification strategy served us well. We were happy to actively support the Third Party channel as the findings from the Royal Commission were released, recognising its importance to the 55% of consumers who choose to use brokers. In addition, our ongoing focus on the development of our Direct channel has established a strong foundation for growth over coming years.

We are encouraged by our progress towards our goal of over 2% market share in originations over the next 3 years.

Board Movements

At the conclusion of our AGM and Board meeting in November, Mike Jefferies will step down from the Resimac Group board. Mike served on the Resimac board from 2011 and was appointed to the Resimac Group Board in Oct 2016. During his tenure with the group, he Chaired the Remuneration and Nominations Committee and was a member of the Audit Committee.

Mike has brought experience ranging from mergers and acquisitions to public company governance, and is a person of considerable commercial acumen. On behalf of the Board and Resimac Group, I sincerely thank Mike for his invaluable contribution and wish him well.

With Thanks

FY19 was a very successful year for Resimac Group and I would like to extend my thanks to our CEO, Scott McWilliam, the management team and staff for their contribution and commitment to our company.

Chum Darvall
Independent Non-Executive Chairman

Message from the CEO

FY19: A Year of Transformation

SCOTT MCWILLIAM
CEO

Financial Year 2019 was a year of change for our organisation.

Our rebrand activity gave us an opportunity to consolidate our products and service offering across the industry and generated great momentum. We were pleased to continue that momentum by actively supporting the broker channel after the findings from the Royal Commission, and helping to ensure that all consumers continue to access the choice and competition that a strong broker channel facilitates.

Our digital program achieved its first milestone with the implementation of a new workflow system establishing a foundation for further digital transformation initiatives and scale opportunities within the organisation. In addition, we established strategic partnerships with Athena and Positive Group, further supporting our digital capability and diversifying our asset classes.

Organisational Resilience

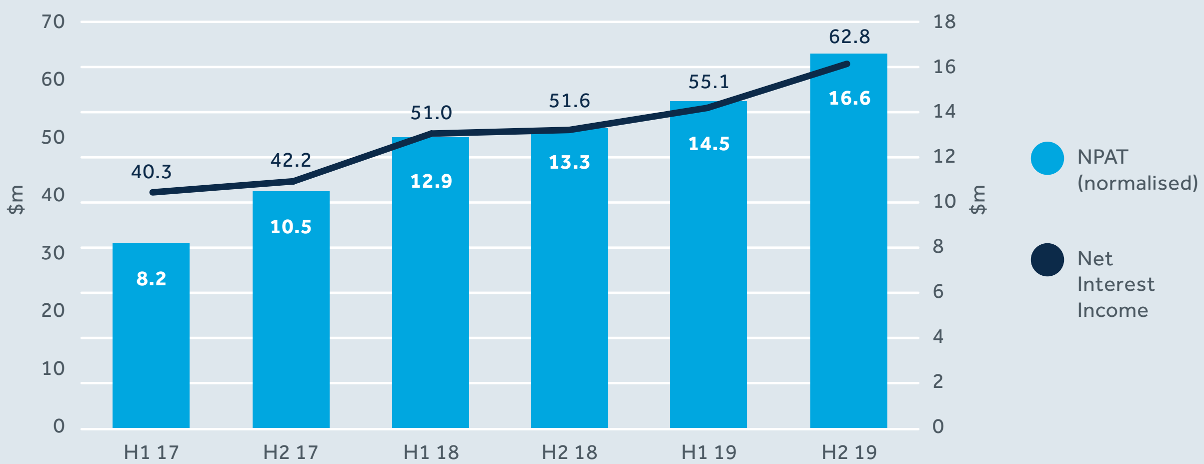
Despite the challenges in the industry in FY19, our organisation has demonstrated incredible resilience, and delivered impressive results for our shareholders.

Strong Growth in Revenue & Earnings

While the industry experienced a drop in new business originations of 12.9%, we achieved consistent settlements year on year vs FY18.

FY19 normalised NPAT increased 19% vs FY18. Our principally funded Assets Under Management (AUM) grew by 19%, and our Net Interest Income also increased by 15% driven by AUM growth, stable funding costs and BBSW normalising from the December / January peak.

Revenue & Earnings



Ongoing Momentum with our Funding Program

Resimac has continued to strengthen its funding capabilities with new warehouse lines established with UOB (Singapore), MUFG and Deutsche Bank, extending duration profiles and developing strategic relationships.

We also continued to develop our RMBS program with an inaugural 144a issuance in the US market, providing a deep investor base for Specialist Lending asset class growth. Private bond placement transactions were also completed with new banking relationships, securing $600m of incremental funding with a 6 year duration profile – the longest in Resimac's issuance history.

Ongoing Operational Efficiencies

In addition to the successful implementation of our workflow system as the first step in our digital journey, we made great inroads in achieving efficiencies within our operating model.

The decision to move our Direct Sales team to Sydney has allowed us to access a larger talent pool and support our growth objectives for the channel.

To add further support to our operating model, we have expanded our operations in Manila, and refined our processes, to assist with scale in our back-end operations.

Our work in this area contributed to a 510bps reduction in our cost to income ratio, from 61.7% in FY18 to 56.6% in FY19.

A Platform for Future Growth

Our FY19 results have provided a strong foundation for our ongoing growth in the non-bank sector. It's pleasing to note that the challenges as outlined in the Chairman's message, are now facilitating positive change: BBSW has stabilised, loan originations and the property market are improving, and the broker channel has never been stronger - thanks to the actions of many parties post the Royal Commission findings.

Next steps for the Group in FY20 is to continue to focus our efforts on customer centric process improvement and digital automation, driving operational efficiencies and scale. We intend to grow our market share by increasing our penetration in the broker channel, focusing on Specialist Lending, and expanding our Direct channel.

Message from the CEO

FY19: A Year of Transformation

Customer Centric Process Improvement & Digital Automation

CUSTOMER GROUP & EXPERIENCE DEFINITION

- Borrowers
- Brokers
- Investors
- Employees
- Shareholders
- Regulators

PROCESS IMPROVEMENTS

- ✔ Functional process consolidation
- ✔ Increased Manila support
- ✔ Site consolidation
- → Ongoing process efficiency reviews

DIGITAL AUTOMATION

- ✔ GL system upgrade
- ✔ Salesforce implementation (workflow)
- → Online app experience (Athena partnership)
- → Third party origination process remediation
- → Self-service capability
- → Core system upgrade

Optimal Customer Journey

- Improved conversion rates and customer experience
- Increased settlements
- Increased life of loan
- Lower origination and servicing expenses
- Increased scalability to support growth objectives

Our funding program remains a focus, having already raised $2bn in term funding in FY20 from the global capital markets with significant support from the Asia Pacific & Japanese region and the US. The Group continues to receive strong support from domestic and offshore institutional debt investors along with new balance sheet financing offers from banks, further augmenting the Group's asset growth objectives.

Thanks to our Team

I join with the Chairman thanking the management team and staff of Resimac Group for their contribution to our great results. I'd also like to thank our Board for their support over the last 12 months.

We can all be proud of the results we have achieved in FY19, and the foundation we have built for future growth in FY20 and beyond.

Scott McWilliam
Chief Executive Officer

Board of Directors

Chum Darvall
Chairman
Independent
Non-Executive Director

Susan Hansen
Independent
Non-Executive Director

Michael Jefferies
Independent
Non-Executive Director

Warren McLeland
Non-Executive Director

Duncan Saville
Non-Executive Director

Directors' Report

Resimac Group Ltd and its Controlled Entities

The Directors of Resimac Group Ltd ("Resimac" or "the Company") and its controlled entities ("the Group") submit herewith the financial report for the financial year ended 30 June 2019. In order to comply with the provisions of the *Corporations Act 2001*, the Directors' Report as follows:

Information about the Directors

The names and particulars of the Directors of the Company during or since the end of the financial year are:

Mr Cholmondeley (Chum) Darvall, AM

Chairman since November 2017
Independent Non-Executive Director

Chum was previously Non-Executive Vice Chairman of Deutsche Bank and prior to that Chief Executive Officer of Deutsche Bank Australia and New Zealand from 2002 to 2011. He was also formerly the Chairman of TransGrid appointed by the New South Wales Government, until its sale in December 2015. Chum holds a Bachelor of Arts degree, is a Senior Fellow of the Financial Services Institute of Australia and a Fellow of the Australian Institute of Company Directors.

Special responsibilities:

- Chairman of Resimac Group Ltd (appointed 13 November 2017)
- Chair of the Remuneration and Nomination Committee (appointed 21 February 2018). Member since 24 August 2017
- Member of the Risk and Compliance Committee (appointed 24 August 2017)

Mrs Susan Hansen

Independent Non-Executive Director
since October 2016

Susan is a Chartered Accountant and holds a Bachelor of Commerce degree and an MBA from the University of Cape Town. Susan has 35 years of experience including a Big Four Accounting firm and an investment bank (financial analysis and risk assessment). Susan is a Principal of a financial training organisation based in New Zealand.

Other listed directorships (last three years):

- Non-Executive director of Utilico Emerging Markets Limited (since 2013)

Special responsibilities:

- Chair of the Audit Committee (since November 2016)
- Member of the Remuneration and Nomination Committee (since November 2016)
- Member of the Risk and Compliance Committee (since November 2016)
- Chair of Resimac NZ Home Loans Limited

Mr Michael Jefferies

Independent Non-Executive Director since October 2016

Michael is a Chartered Accountant and holds a Bachelor of Commerce degree. He has extensive experience in finance and investment, including 20 years as an executive at Guinness Peat Group, and currently serves on a number of boards.

Other listed directorships (last three years):

- Independent Non-Executive director of Ozgrowth Limited (since October 2007)
- Independent Non-Executive director of Afterpay Touch Group Limited (since June 2017) having formerly been Executive Chairman and Acting Chief Executive of Touchcorp Limited and Independent Non-Executive director of Afterpay Limited prior to the merger of these two companies to form Afterpay Touch Group Limited (resigned January 2018)
- Independent Non-Executive Chairman of Pantoro Limited (since October 2016)

Special responsibilities:

- Member of the Remuneration and Nomination Committee (appointed 21 February 2018). Previous Chair of this Committee from 10 November 2016 to 21 February 2018
- Member of the Audit Committee (since November 2016)

Mr Duncan Saville

Non-Executive Director
since November 2017

Duncan is a Chartered Accountant and an experienced non-executive director. He is chairman of ICM Limited, an international fund manager. He is a fellow of the Institute of Chartered Accountants Australia and New Zealand, the Australian Institute of Company Directors and the Financial Services Institute of Australasia.

Other listed directorships (last three years):

- Non-Executive director of West Hamilton Holdings, incorporated in Bermuda (since 2012)
- Former Non-Executive director of Touchcorp Limited (retired 30 August 2017), and Somers Limited (retired 5 September 2018), both incorporated in Bermuda.
- Former Non-Executive director of Cue Energy Resources Limited and New Zealand Oil and Gas Limited, incorporated in New Zealand (resigned from both on 14 December 2017).

Special responsibilities:

- Member of the Remuneration and Nomination Committee (appointed 21 February 2018).

"Resimac is one of Australia and New Zealand's premier non-bank home loan lenders.

Mr Warren McLeland

Non-Executive Director since October 2016

Warren is a former stockbroker and investment banker with over 35 years experience in domestic and international financial services. In addition, he acts as an adviser in funds management and business strategy to companies operating in the Asia Pacific region. He is the former Executive Chairman of Resimac Limited.

Other listed directorships (last three years):

- Chairman of Somers Limited incorporated in Bermuda (since 2010)
- Non-Executive director of UIL Limited (since 2013)

Special responsibilities:

- Chair of the Risk and Compliance Committee (since February 2017)
- Member of the Remuneration and Nomination Committee (since November 2016)
- Member of the Audit Committee (appointed 24 August 2017)

Company Secretary

Mr Peter Fitzpatrick since October 2016

Peter is a Chartered Accountant who worked for a chartered accounting firm and oil explorer prior to joining RESIMAC Limited in 1987. He is a member of the Governance Institute of Australia and the Financial Services Institute of Australasia.

Directors' Shareholdings

The following table sets out each director's relevant interest in shares and rights of the company or in a related body corporate as at 30 June 2019:

Directors	Fully paid ordinary shares	Number of rights over ordinary shares
Chum Darvall	1,787,078	Nil
Susan Hansen	107,023	Nil
Michael Jefferies	1,714,691	Nil
Warren McLeland	11,996,695	Nil
Duncan Saville	253,913,646	Nil

Remuneration of Key Management Personnel

Information about the remuneration of Key Management Personnel (KMP) is set out in the Remuneration Report section of this Directors' Report. The term 'KMP' refers to those persons having authority and responsibility for planning, directing and controlling the activities of the Company and its controlled entities or indirectly, including any director (whether executive or otherwise of the consolidated entity).

Shares Options or Rights Granted to Directors & Senior Management

There were no shares granted to the senior management during the year.

Directors' Meetings

The following table sets out the number of Directors' meetings (including meetings of committees of Directors) held during the financial year and the number of meetings attended by each director (while they were a director or committee member).

During the year, 11 Board meetings, 4 Audit, 4 Risk and Compliance and 4 Remuneration and Nomination Committee meetings were held.

			Committees					
	Board Meetings		Audit		Risk & Compliance		Remuneration & Nomination	
	(A)	(B)	(A)	(B)	(A)	(B)	(A)	(B)
Chum Darvall	11	11	-	-	4	4	4	4
Susan Hansen	11	10	4	4	4	4	4	3
Michael Jefferies	11	11	4	4	-	-	4	4
Warren McLeland	11	11	4	4	4	4	4	3
Duncan Saville	11	11	-	-	-	-	4	4

(A) Number of meetings eligible to attend.
(B) Number of meetings attended.

Results & Dividends

The information appearing on pages 16 to 21 forms part of the Directors' Report for the financial year ended 30 June 2019 and is to be read in conjunction with the following information:

	FY19 $'000	FY18 $'000
Profit Profit attributable to ordinary equity holders of the parent	**47,185**	25,320
Dividends The following dividends have been paid by the Company or declared by the Directors since the commencement of the financial year ended 30 June 2019:		
(a) out of the profits for the year ended 30 June 2018 and retained earnings on the fully-paid ordinary shares:		
▪ fully-franked final dividend of 0.90 cents (FY17: 0.75 cents) per share paid on 12 October 2018.	**3,594**	2,953
(b) out of the profits for the half-year ended 31 December 2018 and retained earnings on the fully-paid ordinary shares:		
▪ fully-franked interim dividend of 1.00 cents (HY18: 0.90 cents) per share paid on 25 March 2019	**4,001**	3,587
(c) out of the profits for the full year ended 30 June 2019 and retained earnings on the fully-paid ordinary shares:	**6,087**	3,594
▪ fully-franked final dividend of 1.00 cents (FY18: 0.90 cents) per share declared on 27 August 2019		
▪ fully-franked one off special dividend of 0.50 cents (FY18: Nil) per share declared on 27 August 2019.		
The Company's Dividend Reinvestment Plan (DRP) was applied to the interim and final dividend.		

Principal Activities

The Group is a residential mortgage lender and multi-channel distribution business specialising in Prime and Specialist lending. The Group operates in targeted market segments and asset classes in Australia and New Zealand.

As a non-bank financial institution, the Group has developed a high quality lending portfolio, loan servicing capability, and funding platform through a combination of organic growth and targeted acquisitions across Australia and New Zealand.

The Group offers a broad range of residential mortgage lending products, underpinned by a comprehensive risk-based pricing methodology.

The Group's business model provides a diversified base of revenue generated at multiple points across the customer relationship and includes loan origination, lending, and mortgage management.

The Group's core capabilities include:

- **Product manufacturing:** Expertise in residential mortgages gives the Group flexibility in providing a range of products with attractive risk-return profiles in Australia and New Zealand. The Group applies its detailed knowledge of borrowers to develop new products that address unmet demand;
- **Distribution:** Distributing loans in Australia and New Zealand through relationships with accredited brokers and white-label partners, in addition to a direct-to-customer channel;
- **Treasury and funding expertise:** Strong long-term relationships with global funding partners, the Group is an experienced issuer in the global and domestic term securitisation markets;
- **Risk management:** Operating with a holistic enterprise risk management and governance framework utilising the three lines of defence model; and
- **Collections management:** Specialised collections processes based on deep experience, analytical capabilities and a solution-based approach to customer management.

Debt Funding

The Group maintains access to a diversified funding platform supported by established funding relationships and the Board approved funding strategy.

The following funding channels are used to support the Group's lending activities:

- **Corporate debt facility:** Utilised for investment in business growth;
- **Warehouse facilities:** Third-party funders provide limited-recourse financing to special purpose vehicles established by the Group;
- **Term securitisations:** Loans that are initially funded via a warehouse facility can be pooled together and refinanced by being sold to new funding vehicles that issue limited-recourse independently rated asset-backed securities to institutional investors in multiple jurisdictions; and
- **Wholesale funding partners:** Provide white-label arrangements with the Company receiving an upfront commission and on-going management trail for servicing these customers. Loans funded through this channel are referred to as non-principally funded and do not sit on the Group's balance sheet.

Principal Risks

The Group's key risks include, but are not limited to:

- **Funding risk:** The funding platform currently comprises a mix of warehouse facilities, term securitisations and corporate debt. The Group depends on these sources to fund mortgage originations;
- **Capital and liquidity requirements:** The Group is required to maintain sufficient liquidity levels under Australian Financial Services Licence requirements;

  A risk exists that the Group could be required to contribute additional 'first loss' equity capital to support the credit position of senior ranking note holders in the warehouse facilities and term securitisations which could impact the Group's profitability, ability to grow and/or could force it to raise additional capital;
- **Regulatory and licence compliance:** The Group is subject to extensive regulation in each of the jurisdictions in which it conducts its business. The Group holds a number of Australian Credit Licences. Changes in laws or regulations in a market in which the Group operates could impact the business. The Group is licensed and/or registered to operate a number of its services across a range of jurisdictions. Changes to these licensing regimes, the revocation of existing licences, an inability to renew or receive necessary licences or a change in capital requirements could have a material adverse effect on the Group's business, operating and financial performance; and
- **Macroeconomic environment:** A material downturn, a sustained outbreak of higher inflation, shocks to the financial system, a material increase in unemployment, decreases in house prices, higher interest rates, general reduction in demand for credit and/or a reduction in borrowers' ability to service their debt (credit risk).

Business Strategy

The Group is focused on a number of growth strategies to continue to drive revenue and profitability over coming years:

1. Organic Lending Growth

The Group is well-positioned to continue to build upon strong volume growth, driven by:

- Capitalising on the Group's unique position as a non-bank lender with customers favourably viewing the Group as an alternative to the major lenders.
- Opportunity to grow volume in the Specialist and Prime segments of the residential mortgages market;
- Continuing development of all distribution channels and further investment in the Group's brand positioning;
- Equity investments in aligned Financial Services companies including Athena Financial Pty Ltd ("Athena") and Positive Group (acquired on 3 July 2019); and
- Pursuing diversification opportunities in Australia and New Zealand.

2. Growth Through Acquisition

- Management has demonstrated a strong track-record in identifying and executing profit accretive acquisitions in targeted markets that are consistent with the Group's strategy; and
- The Group expects that it will be able to capitalise on opportunities stemming from regulatory change and capital markets volatility, and is focused on executing these opportunities in a disciplined and structured manner through the use of a dedicated internal mergers and acquisitions team.

Review of Operations

The Group generated a net profit after tax (NPAT) of $47,185,000 for the year ended 30 June 2019. To reflect the Group's normalised earnings the NPAT has been adjusted to separate one-off items, which are included in the result for the financial year ended 30 June 2019.

The following table reconciles the unaudited normalised NPAT to the statutory NPAT (in accordance with International Financial Reporting Standards (IFRS)) for the year.

Management believe the disclosure of the normalised NPAT provides additional insight into the underlying performance for the year, by excluding one off, non-recurring revenue items.

Unaudited non-IFRS information	FY19 $'000
Statutory NPAT	47,185
De-recognition of investment in Associate (Finsure)	(5,810)
Gain on disposal of subsidiary (Paywise)	(13,104)
Non-recurring income	(467)
Tax effect of normalised items	3,305
Normalised NPAT	**31,109**

Total revenues and other income of $468,755,000 increased 21% on prior year.

Net interest income increased by 15% to $117,853,000. Operating expenses increased by 1% on prior year.

Loan impairment expense increased by 83% to $2,966,000, however remains low in absolute terms.

Total mortgage settlement flows across the Group's combined distribution channels (i.e. both principally funded and non-principally funded) were $4.1 billion[1], down 7% on the prior year.

- Settlements of principally funded lending of $3.6 billion[1] down 1% on prior year; and
- Settlements of the non-principally funded portfolio were $0.5 billion, down 36% on the prior year reflecting the continued shift in focus to growing the principally funded portfolio.

The highlights of the Group's financial position and the assets under management at 30 June 2019 include:

- Principally funded loans and advances to customers increased 19% on the prior year to $10.2 billion[1]; and
- Non-principally funded portfolio was $3.2 billion, down 7% on the prior year.

Combined these make up the total assets under management portfolio of $13.4 billion[1].

The Group's net assets increased by 21% from 30 June 2018, largely attributable to underlying profit growth.

1 Principally funded settlement and assets under management exclude loans originated by Athena ($0.1 billion) in FY19, included in the consolidated financial statements. Management does not consider the Athena loan portfolio as part of the Group's principally funded portfolio.

Funding Programmes

- The RESIMAC Bastille Series 2018-1NC transaction was settled on 16 August 2018 and is a multi-currency non-conforming issue with a total issuance size of $1 billion equivalent.
- The RESIMAC Premier Series 2018-2 transaction was settled on 26 November 2018 and is a multi-currency Prime issue with a total issuance size of $750 million equivalent.
- The RESIMAC Premier Series 2019-1 transaction was settled on 29 March 2019 and is a domestic prime issue with a total issuance size of $600 million.
- The RESIMAC Triomphe Trust – Warehouse Series No.7 was settled on 10 April 2019 and is a domestic prime and non-conforming warehouse with a total facility size of $1 billion
- The RESIMAC Versailles Series 2019-1 transaction was settled on 29 April 2019 and is a New Zealand prime and non-conforming issue with a total issuance size of NZ$250 million.

Significant changes in state of affairs

Following approval of a special resolution by shareholders at the Annual General Meeting of the Company held 26 November 2018, the Company changed its name from Homeloans Limited to Resimac Group Ltd. The ASX trading code changed from HOM to RMC on 4 December 2018.

Indemnification of Officers & Auditors

During the financial year, the Company paid a premium in respect of a contract insuring the Directors of the Company as named above, the Company Secretary and all executive officers of the Company against a liability incurred as such a Director, Secretary or executive officer to the extent permitted by the *Corporations Act 2001*. The contract of insurance prohibits disclosure of the nature of the liability and the amount of the premium.

The Company has not otherwise, during or since the financial year, except to the extent permitted by law, indemnified or agreed to indemnify an officer or auditor of the Company against a liability incurred.

“The Group's net assets increased by 21% from 30 June 2018, largely attributable to underlying profit growth.

Subsequent Events

Final Dividend Declared

The Board of Resimac Group Ltd declared a fully-franked final dividend of $0.01 per share and a fully-franked special dividend of $0.005 per share. The Record Date is 6 September 2019. The payment date will be 30 September 2019. The dividend has not been provided for in this financial report.

Positive Group Investment

On 3 July 2019, the Company invested $3m for a 15% stake in Positive Group which specialises in asset finance solutions for consumers, and small business. Resimac holds an option to acquire a further 10%.

Non-Audit Services

Details of amounts paid or payable to the auditor for non-audit services provided during the year by the auditor are outlined in Note 26 to the financial report.

The Directors are satisfied that the provision of non-audit services during the year, by the auditor is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*.

The Directors are of the opinion that the services as disclosed in Note 26 to the financial report do not compromise the external auditor's independence, based on advice received from the Audit Committee, for the following reasons:

- All non-audit services have been reviewed and approved to ensure that they do not impact the integrity and objectivity of the auditors; and
- None of the services undermine the general principles as set out in APES *Code of Ethics for Professional Accountants* issued by the Accounting Professional and Ethical Standards Board, including reviewing or auditing the auditor's own work, acting in a management or decision making capacity for the Company, acting as advocate for the Company or jointly sharing economic risks and rewards.

Auditor's Independence Declaration

The auditor's independence declaration is included on page 124 of this financial report.

Rounding Off of Amounts

Unless otherwise indicated, the Company has rounded off amounts in this Directors' Report and the accompanying financial statements to the nearest thousand dollars in accordance with *ASIC Corporations Instrument 2016/191*.

Directors' Report

Remuneration Report 2019
(Audited)

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1. Executive Summary

This Remuneration Report sets out the remuneration framework and outlines the details and outcomes of Key Management Personnel (KMP) for Resimac for the year ended 30 June 2019.

2. Key Management Personnel

The KMP are the people who have the authority and responsibility for planning, directing, implementing and controlling the activities of the Resimac business. The KMP are:

Name	Position	Term as KMP
Current		
Scott McWilliam	Chief Executive Officer (CEO)	Full Term
Jason Azzopardi	Chief Financial Officer (CFO)	Appointed 3 July 2018
Former		
Mary Ploughman	Joint Chief Executive Officer (Joint CEO)	Ceased 26 June 2019[1]
Ian Parkes	Chief Financial Officer (CFO)	Ceased 5 April 2018

The Non-Executive Directors classed as KMP and required to be disclosed as part of this report are:

Name	Position	Term as KMP
Current		
Chum Darvall	Chairman, Independent Non-Executive Director	Full Term
Susan Hansen	Independent Non-Executive Director	Full Term
Michael Jefferies	Independent Non-Executive Director	Full Term
Warren McLeland	Non-Executive Director	Full Term
Duncan Saville	Non-Executive Director	Full Term
Former		
Robert Scott	Independent Non-Executive Director	Ceased 26 November 2018
Robert Salmon	Independent Non-Executive Director	Ceased 13 November 2017

1 Mary Ploughman ceased being Joint CEO on 18 January 2019, however remained a Director of Resimac Limited until 26 June 2019.

3. KMP Remuneration Policy

The total remuneration package of the KMP comprise a fixed component and an at risk component.

The remuneration is based on the:

- role in which they are performing (i.e. accountability, responsibility, qualifications, skill and experience required); and
- market benchmarking.

The KMP remuneration arrangements are as follows:

3.1. Fixed Base Package

The fixed component includes superannuation and is known as Total Fixed Remuneration (TFR). This amount is subject to an annual review by the Remuneration and Nomination Committee.

3.2. Short-Term Incentive (STI)

The STI is assessed at the end of each performance period (i.e. 1 July to 30 June). This assessment is against predetermined Key Performance Indicators (KPIs) set by the Remuneration and Nomination Committee at the beginning of the performance period.

KPIs include:

- Strategic;
- Financial;
- Innovation and technology;
- Operational efficiency and effectiveness;
- People and culture; and
- Risk and compliance components.

The STI awarded for the 30 June 2019 year will be paid in 100% cash. Mr McWilliam's STI award includes a deferred component which will be subject to a look back and once assessed, will be paid in July 2020.

In determining the STI payable to the KMP this year, the Remuneration and Nomination Committee undertook a review of each person's performance against their individual KPIs for the FY19 performance period in July 2019.

3.3. Long-Term Incentive (LTI)

The LTI is an equity arrangement of either options over ordinary shares or performance shares (pursuant to the Resimac Group Employee Share Option and Rights Plan rules) where an allocation is considered each year. The aim of the LTI is:

- Retention of key senior talent
- To align long term company performance with its shareholders; and
- Ensure continual regulatory adherence.

> "The Group applies its detailed knowledge of borrowers to develop new products that address unmet demand.

4. Outcomes

4.1. Overview of Company Performance

The table below summarises details of Resimac's performance for key financial measures over the past five financial years. The comparative years FY15-FY16 are shown for the pre-merger Resimac Group Ltd (previously known as Homeloans Limited) and its controlled subsidiaries. These results do not include Resimac Limited.

	Merged			*Resimac pre-acquisition*	
Financial year ended 30 June	**FY19**	**FY18**	**FY17**	**FY16**	**FY15**
NPAT ($'000)	**47,185**	25,332	15,780	5,253	5,608
Total dividends per share (cents)	**1.90**	1.65	2.75[2]	4.0	4.0
Dividend payout ratio (%)	**16.1**	25.9	62.6	80.5	75.0
Closing share price (cents as at 30 June)	**64.0**	57.0	43.0	44.0	58.0
Basic earnings per share (cents)	**11.75**	6.37	4.39	4.96	5.33
Return on equity (ROE) (%)[3]	**17.3**	17.2	11.2	11.9	13.3
Return on assets (%)[1]	**4.4**	2.8	2.3	1.8	2.0

1 As a result of the requirement under AASB 10 – *Consolidated Financial Statements*, the parent company exercises control over the SPVs and securitisation trusts, and therefore significant assets have been added to the consolidated statement of financial position without any appreciable increase in net profit.

2 In October 2016, the Board of Resimac Group Ltd paid a final dividend of 2.0 cents per share to existing Resimac Group Ltd shareholders prior to the completion of the merger with Resimac Limited.

3 ROE based on normalised NPAT and average shareholders equity per consolidated statement of financial position.

5. Statutory Remuneration

The table set out below provides a summary of the actual remuneration awarded to KMP in respect of the full year ended 30 June 2019.

	Short-Term Benefits			Post-Employment Benefits	Long-Term Benefits		Share-Based Payments[3]	Total		
	Salary ($)	STI Awarded ($)	Non-Monetary Benefits ($)	Superannuation ($)	Leave[2] ($)	Termination Benefits ($)	Option Rights ($)	($)	Percentage Performance Related[4] (%)	Percentage Rights Related (%)
CURRENT KMP										
Scott McWilliam										
FY19	479,754	335,168	-	25,000	37,443	-	22,441	899,806	37.2	2.5
FY18	436,733	192,676	-	25,000	10,911	-	21,667	686,987	31.2	3.1
Jason Azzopardi (appointed as KMP on 3 July 2018)										
FY19[1]	288,630	100,000	-	25,000	4,764	-	-	418,394	23.9	-
FY18	-	-	-	-	-	-	-	-	-	-
FORMER KMP										
Mary Ploughman										
FY19	435,727	110,000	-	27,138	35,495	302,058	22,441	932,859	11.8	2.4
FY18	437,313	192,676	4,167	25,579	2,113	-	21,667	683,515	31.4	3.2
Ian Parkes (ceased as KMP on 5 April 2018)										
FY19	-	-	-	-	-	-	-	-	-	-
FY18	255,774	-	-	21,872	-	213,350	-	490,996	-	-
TOTAL										
FY19	1,204,111	545,168	-	77,138	77,702	302,058	44,882	2,251,059		
FY18	1,129,820	385,352	4,167	72,451	13,024	213,350	43,334	1,861,498		

1 FY19 includes a period of leave without pay.
2 Long-term benefits relate to long service leave accrued during the year.
3 The expensing of the share options granted to KMP on 18 August 2017.
4 The percentage performance related column is the STI divided by the total remuneration, reflecting the actual percentage of remuneration at risk for the year.

6. Long-Term & Short-Term Incentive Plans

6.1. LTI Plan

The CEO was offered a LTI in the 2018 year as per the following terms and conditions:

- Received 900,000 Options pursuant to the Resimac Group Employee Share Option and Rights Plan;
- The grant date was 18 August 2017;
- The exercise price is $0.55 per option;
- These options will vest in equal tranches of 300,000 on each anniversary of the Grant Date (the first tranche of 300,000 vested in August 2018 and is exercisable);
- The exercise period is 3 years for each tranche vesting; and
- The vesting condition is 100% tenure.

The table below sets out details of the movement for the share rights and options granted and vested during the year.

KMP	Held at 1 July 2019	Granted during year	Vested during the year	Unvested at 30 June 2019	Held at 30 June 2019
Current					
Scott McWilliam	900,000	-	300,000	600,000	900,000
Jason Azzopardi	-	-	-	-	-
Former					
Mary Ploughman	900,000	-	300,000	600,000	900,000
Ian Parkes	-	-	-	-	-
TOTAL	1,800,000	-	600,000	1,200,000	1,800,000

6.2. STI Plan

Each KMP has a contractual STI in which they have an opportunity to earn up to a percentage of their TFR.

From 1 July 2018 to 31 January 2019, Mr McWilliam was eligible for a STI up to 50% of his TFR. Effective from 1 February 2019, Mr McWilliam is eligible for a STI up to 75% of his TFR. Mr McWilliam's performance against predetermined KPIs will be assessed by the Remuneration and Nomination Committee at the end of each performance period. Any STI awarded will be paid in cash 66.7% at the end of the performance period, with the remaining 33.3% in cash deferred for 12 months.

Effective from 3 July 2018, Mr Azzopardi is eligible for a STI of 30% of his TFR, subject to Board discretion. Mr Azzopardi's performance against predetermined KPIs will be assessed by the Remuneration and Nomination Committee at the end of each performance period. Any STI awarded will be paid in cash 100% at the end of the performance period.

KPIs and relevant measurements will be set at the commencement of the performance period and will be assessed by the Remuneration and Nomination Committee at the end of each performance period.

7. Non-Executive Director Remuneration

7.1. Overview of Non-Executive Directors' Remuneration Arrangements

7.1.1. Policy Objectives

- **To be market competitive:** aim to set Directors' fees that are competitive with Non-Executive Directors in comparative companies;
- **To ensure complementary skills:** aim to ensure that the mix of Directors at any one time are diverse and are adequate to carry out the objectives of the business; and
- **To safeguard independence:** to exclude any performance related element in order to preserve the independence of the Non-Executive Directors.

7.1.2. Aggregate Fees Approved by Shareholders

At the Annual General Meeting (AGM) of shareholders held on 25 November 2016, the shareholders approved the maximum aggregate fee pool per annum for non-executives of $550,000. This amount is the current pool and the Board is not intending to increase this pool at this year's AGM.

7.1.3. Regular Reviews of Directors' Fees

The Board reviews the level of Directors' fees annually to ensure the fees are in line with market and are suitable for the level of skill and expertise required to carry out the duties of directors in a listed environment and with an Australian Financial Services Licence and several Australian Credit Licences.

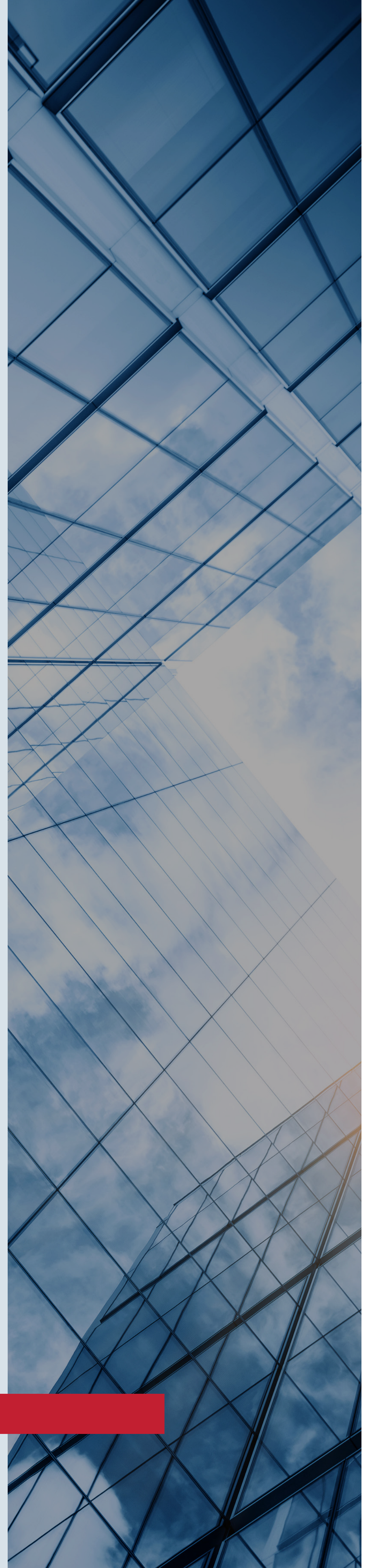
The agreed fee structure is that a fee is paid to reflect the Chairman's responsibilities. Each Director receives a base fee and if a Director chairs a Board committee, an additional fee is applied. Superannuation is payable in addition to the base fee where a Director is paid via the Resimac employee payroll system. No fee is paid for committee membership.

The 2019 fee levels were as follows:

Name	Position	Maximum Fee ($)
Chum Darvall	Chairman and Remuneration & Nomination Chair	120,000
Susan Hansen	Non-Executive Director, Audit Chair and New Zealand Chair	130,000
Michael Jefferies	Non-Executive Director	70,000
Warren McLeland	Non-Executive Director and Risk & Compliance Chair	75,000
Duncan Saville	Non-Executive Director	70,000

7.1.4. Board Skills & Performance Review

The Board undertakes from time to time a review of the skills that each holds and is then summarised in a skills matrix. In addition, the Board carries out an assessment of the performance of the Board as a whole and of each committee. The last review was conducted in March 2018. These assessments are conducted in-house however if any Board member wishes to have an independent review the appropriate consultant will be appointed.



7.1.5. Non-Executive Director Remuneration

The fees paid or payable to the Non-Executive Directors in relation to the 2019 financial year are set out below:

	Short-Term Benefits	*Post-Employment Benefits*		
	Fees	**Superannuation**	**Total**	**Proportion performance related**
Current	($)	($)	($)	(%)
Chum Darvall[1]				
FY19	**131,400**	**5,700**	**137,100**	**-**
FY18	104,120	-	104,120	-
Susan Hansen				
FY19	**112,399**	**9,342**	**121,741**	**-**
FY18	105,000	9,975	114,975	-
Michael Jefferies				
FY19	**70,000**	**6,650**	**76,650**	**-**
FY18	72,500	6,888	79,388	-
Warren McLeland				
FY19	**75,000**	**7,125**	**82,125**	**-**
FY18	75,000	7,125	82,125	-
Duncan Saville[2]				
FY19	**70,000**	**-**	**70,000**	**-**
FY18	44,321	-	44,321	-
Former	($)	($)	($)	(%)
Robert Scott[3]				
FY19	**34,494**	**-**	**34,494**	**-**
FY18	81,250	-	81,250	-
Robert Salmon[4]				
FY19	**-**	**-**	**-**	**-**
FY18	25,756	2,447	28,203	-
Total Remuneration				
FY19	**493,293**	**28,817**	**522,110**	**-**
FY18	507,947	26,435	534,382	-

1 Appointed as Chairman on 13 November 2017. Chum Darvall's FY19 fee reflects the $120,000 maximum fee, plus an $11,400 correction for prior period underpayment.
2 Appointed Non-Executive Director on 13 November 2017.
3 Resigned as Independent Non-Executive Director on 26 November 2018.
4 Resigned as Independent Non-Executive Director on 13 November 2017.

8. Other Remuneration Information

8.1. Remuneration Governance

8.1.1. Remuneration Governance & Responsibility

The Resimac Board of Directors has the responsibility for setting and overseeing the Company's remuneration policies, practices and structure. The Board considers recommendations made by the Remuneration and Nomination Committee.

The remuneration framework and matters considered by the Remuneration and Nomination Committee and the Board include:

- Review Board size and composition (mix of skills, qualifications, experience and other competencies);
- Identify and recommend candidates to the Board for nomination as members of the Board or its Committees;
- Develop and implement a process for induction and orientation of new Directors;
- Review and approve Company objectives and appropriate KPIs relevant to the KMP annual short term incentive arrangement, and evaluate KMP performance in light of those KPIs;
- Review and approve the remuneration of KMP, Directors and senior management (including total fixed remuneration, short term incentives and long term incentives);
- Approve executive recruitment practices;
- Succession planning; and
- Diversity and inclusion in the workplace.

8.1.2. Remuneration & Nomination Committee

The Board has established a Remuneration and Nomination Committee. This Committee has a formal charter. This charter is available on the Company's website www.resimac.com.au.

The Remuneration and Nomination Committee members are:

- Chum Darvall – Chair; and
- Susan Hansen, Michael Jefferies, Warren McLeland and Duncan Saville as members.

The Remuneration and Nomination Committee reviews and makes recommendations to the Board on remuneration governance, policies, practices and structure which will apply to the KMP, senior management and the non-executive directors.

The Remuneration and Nomination Committee receives regular reports from Human Resources and meets at least 4 times per year.

8.1.3. Services From Remuneration Consultants

The Remuneration and Nomination Committee may request advice from independent external consultants where appropriate. These consultants will be engaged directly by the Remuneration and Nomination Committee.

The Company did not engage any remuneration consultants during the year.

8.1.4. KMP Share Ownership

The table below sets out the number of shares held directly, indirectly or beneficially by the current and former KMP (including their related parties):

Non-Executive Directors	Held at 1 July 2018	Net change	Held at 30 June 2019
Chum Darvall	1,428,973	358,105	1,787,078
Susan Hansen	103,270	3,753	107,023
Michael Jefferies	669,774	1,044,917	1,714,691
Warren McLeland	11,814,190	182,505	11,996,695
Duncan Saville	248,794,304	5,119,342	253,913,646
	262,810,511	6,708,622	269,519,133
Senior Executives			
Scott McWilliam	1,301,600	(300,000)	1,001,600
Jason Azzopardi	-	25,000	25,000
	1,301,600	(275,000)	1,026,600
Former			
Mary Ploughman[1]	83,716	N/A	N/A
Robert Scott[2]	2,226,629	N/A	N/A
Ian Parkes[3]	197,743	N/A	N/A
Robert Salmon[4]	6,376,334	N/A	N/A
	8,884,422	N/A	N/A
	272,996,533	6,433,622	270,545,733

1 Ceased as KMP on 26 June 2019.
2 Resigned as Independent Non-Executive Director on 26 November 2018.
3 Ceased as KMP on 5 April 2018.
4 Resigned as Independent Non-Executive Director on 13 November 2017.

8.1.5. Share Trading Restrictions

Resimac Securities Trading Policy reflects the *Corporations Act 2001* prohibition on KMP and their closely related parties entering into any arrangement that would have the effect of limiting the KMP's exposure to risk relating to an element of their remuneration that remains subject to restrictions on disposal.

Resimac directors, management team, and certain members of their immediate family and controlled entities are also required to obtain consent and clearance in writing for security trading during trading windows from the Chairman. All other staff must adhere to the Securities Trading Policy and are restricted from trading within the blackout periods.

The policy is available on the Corporate Governance section of the Company's website at www.resimac.com.au. Breaches of the policy are subject to disciplinary action, which may include termination of employment.

8.1.6. Further Information on Remuneration

8.1.6.1. Service Agreements

Each KMP has entered into an employment contract with the Company. These contracts have unlimited duration however may be terminated with relevant notice.

All KMP are entitled to receive payment in lieu of notice of any accrued statutory entitlement (i.e. annual and long service leave) on cessation of their employment.

Set out below are the notice periods for each KMP.

Scott McWilliam
Notice Period / Termination Payment:

- Six months' notice (or payment in lieu)
- May be terminated immediately for serious misconduct

Jason Azzopardi
Notice Period / Termination Payment:

- Three months' notice (or payment in lieu)
- May be terminated immediately for serious misconduct

8.1.7. Related Party Transactions

Loans to KMP and their related parties are secured residential mortgage loans provided in the ordinary course of the Resimac Group Ltd mortgage lending business. All loans have normal commercial terms. No amounts have been written down or recorded as specific provisions as the balances are considered fully collectable.

Details regarding loans outstanding at the reporting date to KMP and their related parties, where the aggregate loan balance exceeded $100,000 at any time during the reporting period, are outlined below.

Details regarding loans outstanding at the reporting date to KMP and their related parties, where the aggregate loan balance exceeded $100,000 at any time during the reporting period, are outlined below.

Name	Balance 1 July 2018	Balance 30 June 2019	Interest payable for the year[1]	Highest balance during the year
Non-Executive Directors	($)	($)	($)	($)
Duncan Saville	5,322,444	5,211,424	247,697	5,342,567
Robert Scott[2]	1,000,000	N/A	41,452	1,003,559
	6,322,444	5,211,424	289,149	6,346,126

1 Interest charged on an arm's-length basis.
2 Ceased as KMP on 26 November 2018.

8.1.7.1. Other Transactions & Balances With KMP

From time to time, directors of the Company or its controlled entities, or their director-related entities, may purchase goods or services from the Group. These purchases are on the same terms and conditions as those entered into by other group employees or customers and are trivial or domestic in nature.

This directors' report, including the remuneration report, is signed in accordance with a resolution of the Directors made pursuant to s.298 (2) of the *Corporations Act 2001*.

On behalf of the Directors of Resimac Group Ltd.

Cholmondeley Darvall
Chairman and Non-Executive Director
Sydney
27 August 2019

Financial Statements

Consolidated Statement of Profit or Loss for the year ended 30 June 2019

	Note	FY19 $'000	FY18 $'000
Interest income	1	445,233	358,337
Interest expense	2	(327,380)	(255,825)
Net interest income		117,853	102,512
Fee and commission income (Revenue from customers under AASB 15)	1	18,982	27,580
Fee and commission expense	2	(31,515)	(33,425)
De-recognition of investment in Associate (Finsure)	23	5,810	-
Gain on disposal of subsidiary	22	13,104	-
Other income	1	4,540	2,140
Employee benefits expense	2	(37,658)	(38,196)
Other expenses	2	(24,208)	(23,056)
Loan impairment expense	2	(2,966)	(1,623)
Profit before tax		63,942	35,932
Income tax expense	3	(16,757)	(10,600)
PROFIT AFTER TAX		47,185	25,332
Attributable to:			
Owners of the parent		47,185	25,320
Non-controlling interest		-	12
		47,185	25,332

Consolidated Statement of Comprehensive Income for the year ended 30 June 2019

	Note	FY19 $'000	FY18 $'000
PROFIT AFTER TAX		47,185	25,332
Other comprehensive income, net of income tax			
Items that will not be reclassified subsequently to profit or loss:			
Reversal of prior year reserve on trust wind up		(39)	(41)
Fair value movement on investment in BNK Banking Corporation Limited ("BNK") through OCI, net of tax		(2,065)	-
Items that may be reclassified subsequently to profit or loss:			
Changes in fair value of cash flow hedges		(3,995)	1,054
Tax effect		1,199	(316)
Currency translation differences		669	(593)
Other comprehensive income, net of tax		(4,231)	104
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		42,954	25,436
Attributable to:			
Owners of the parent		42,954	25,424
Non-controlling interest		-	12
		42,954	25,436

Earnings per share		FY19 cents per share	FY18 cents per share
Basic	19	11.75	6.37
Diluted	19	11.75	6.35

Notes to the consolidated financial statements are included on pages 39 to 122.

Consolidated Statement of Financial Position
as at 30 June 2019

ASSETS	Note	FY19 $'000	FY18 $'000
Cash and cash equivalents	4	224,790	198,905
Trade and other receivables	5	10,699	7,265
Loans and advances	6	10,341,913	8,633,613
Contract assets	1	48,648	57,160
Other financial assets	7	5,120	260
Derivative financial assets	21	56,575	43,596
Other assets	9	3,145	3,428
Plant and equipment	8	2,110	2,625
Goodwill and intangible assets	10	23,457	22,098
		10,716,457	8,968,950
LIABILITIES			
Trade and other payables	11	25,294	43,572
Current tax payable	3	6,690	2,048
Provisions	15	4,050	4,441
Interest-bearing liabilities	12	10,450,621	8,717,111
Other financial liabilities	13	22,901	27,848
Derivative financial liabilities	21	1,565	549
Other liabilities	14	2,907	2,669
Deferred tax liabilities	3	6,305	7,887
Lease incentives		-	100
		10,520,333	8,806,225
NET ASSETS		196,124	162,725
EQUITY			
Share capital	18	180,548	177,340
Reverse acquisition reserve	18	(61,541)	(61,541)
Total issued capital	18	119,007	115,799
Reserves	18	(7,197)	(3,011)
Retained earnings	18	84,314	49,937
Equity attributable to owners of the parent		196,124	162,725
Non-controlling interest		-	-
		196,124	162,725

Notes to the consolidated financial statements are included on pages 39 to 122.

Consolidated Statement of Changes in Equity
for the year ended 30 June 2019

	Share capital $'000	Reverse acquisition reserve[1] $'000	Total issued capital $'000	Reserves[2] $'000	Retained earnings $'000	Attributable to owners of the parent $'000	Non-controlling interest $'000	Total $'000
Balance at 1 July 2017	174,762	(61,541)	113,221	(3,158)	31,136	141,199	9	141,208
Profit for the year	-	-	-	-	25,320	25,320	12	25,332
Other comprehensive income, net of tax	-	-	-	104	-	104	-	104
Total comprehensive income for the year	-	-	-	104	25,320	25,424	12	25,436
De-recognition of non-controlling interest	-	-	-	-	21	21	(21)	-
Issue of shares under the Dividend Reinvestment Plan	2,578	-	2,578	-	-	2,578	-	2,578
Equity dividends	-	-	-	-	(6,540)	(6,540)	-	(6,540)
Share-based payments	-	-	-	43	-	43	-	43
Balance at 30 June 2018	177,340	(61,541)	115,799	(3,011)	49,937	162,725	-	162,725
Balance at 1 July 2018	177,340	(61,541)	115,799	(3,011)	49,937	162,725	-	162,725
Adoption of AASB 9, net of income tax	-	-	-	-	(5,213)	(5,213)	-	(5,213)
Adjusted balance as at 1 July 2018	177,340	(61,541)	115,799	(3,011)	44,724	157,512	-	157,512
Profit for the year	-	-	-	-	47,185	47,185	-	47,185
Other comprehensive income, net of tax	-	-	-	(4,231)	-	(4,231)	-	(4,231)
Total comprehensive income for the year	-	-	-	(4,231)	47,185	42,954	-	42,954
Issue of shares under the Dividend Reinvestment Plan	3,208	-	3,208	-	-	3,208	-	3,208
Equity dividends	-	-	-	-	(7,595)	(7,595)	-	(7,595)
Share-based payments	-	-	-	45	-	45	-	45
Balance at 30 June 2019	180,548	(61,541)	119,007	(7,197)	84,314	196,124	-	196,124

1 As a result of reverse acquisition accounting, an equity account was created as a component of equity. This account called 'Reverse acquisition reserve' is similar in nature to share capital. The Reverse acquisition reserve is not available for distribution.

2 Comprises cash flow hedge, foreign currency translation and share-based payments reserve. Refer to Note 18 for more detail.

Notes to the consolidated financial statements are included on pages 39 to 122.

Consolidated Statement of Cash Flows
for the year ended 30 June 2019

Cash flows from operating activities	Note	FY19 $'000	FY18 $'000
Interest received		452,335	373,471
Interest paid		(318,583)	(242,037)
Receipts from loan fees and other income		51,674	56,803
Payments to suppliers and employees		(150,270)	(134,710)
Payments of net loans to borrowers		(1,713,838)	(1,992,903)
Income tax paid		(9,736)	(5,211)
Net cash used in operating activities	4	**(1,688,418)**	(1,944,587)
Cash flows from investing activities			
Payment for plant, equipment and intangible assets		(2,456)	(2,172)
Loans to related parties		(6)	(8,375)
Payments for new investments		(2,000)	-
Proceeds on disposal of Paywise		12,000	-
Cash on disposal of subsidiary		(9,994)	-
Net cash used in investing activities		**(2,456)**	(10,547)
Cash flows from financing activities			
Proceeds from borrowings		8,748,825	15,739,613
Repayment of borrowings		(7,027,463)	(13,766,779)
Swap payments		(949)	(1,150)
Payment of dividends		(4,387)	(3,961)
Payment of finance lease		(252)	-
Net cash provided by financing activities		**1,715,774**	1,967,723
Net increase in cash and cash equivalents		**24,900**	12,589
Cash and cash equivalents at the beginning of the period (1 July)		198,905	187,109
Effects of exchange rate changes on cash balances held in foreign currencies		985	(793)
Cash and cash equivalents at the end of the period	4	**224,790**	198,905

Notes to the consolidated financial statements are included on pages 39 to 122.

Notes to the Consolidated Financial Statements
About This Report
for the year ended 30 June 2019

About This Report

Resimac Group Ltd ("Resimac" or "the Company") is a for-profit company limited by shares incorporated and domiciled in Australia whose shares are publicly traded on the Australian Securities Exchange. The nature of the operations and principal activities of Resimac and its entities that it controls (referred to as "the Group") are described in the segment information.

The consolidated general purpose financial report of the Group for the year ended 30 June 2019 was authorised for issue in accordance with a resolution of the Directors on 27 August 2019. The Directors have the power to amend and reissue the financial report.

The financial report is a general purpose financial report which:

- has been prepared in accordance with the requirements of the *Corporations Act 2001*, Australian Accounting Standards (AAS) and other authoritative pronouncements of the Australian Accounting Standards Board (AASB) and International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB);
- has been prepared on a historical cost basis, except for investments held by associates and certain financial instruments which have been measured at fair value. The carrying values of recognised assets and liabilities that are the hedged items in fair value hedge relationships, which are otherwise carried at amortised cost, are adjusted to record changes in the fair values attributable to the risks that are being hedged;
- is presented in Australian dollars with all values rounded to the nearest thousand dollars ($'000) unless otherwise stated, in accordance with ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191;
- presents reclassified comparative information where required for consistency with the current year's presentation;
- adopts all new and amended Accounting Standards and Interpretations issued by the AASB that are relevant to the Group and effective for reporting periods beginning on or before 1 July 2018. Refer to Note 30 for further details; and
- equity accounts for associates listed at Note 23.

Key Judgements & Estimates

In the application of the Group's accounting policies, the Directors are required to make judgements, estimates and assumptions about the carrying value of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making judgements. Actual results may differ from these estimates.

Notes to the Consolidated Financial Statements

About this Report (for the year ended 30 June 2019)

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

Note	Relates to
1	Recognition of revenue from contracts with customers
3	Recognition of deferred tax assets and liabilities
1 & 13	Net present value ("NPV") of future trail commission: recognition of future commissions receivable and payable
10	Goodwill impairment
15	Provisions – long service leave
20 & 21	Impairment of financial assets

Basis of Consolidation

The consolidated financial statements comprise the financial statements of the Group. A list of controlled entities (subsidiaries) at year end is contained in Note 22.

The financial statements of subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies. Adjustments are made to bring into line any dissimilar accounting policies that may exist.

Subsidiaries are consolidated from the date on which control is obtained to the date on which control is disposed.

The Group controls an investee if and only if the Group has:

- power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee);
- exposure, or rights, to variable returns from its involvement with the investee; and
- the ability to use its power over the investee to affect its return.

In preparing the consolidated financial statements, all inter-company balances and transactions, income and expenses and profits and losses resulting from intra-Group transactions have been eliminated.

The acquisition of subsidiaries is accounted for using the acquisition method of accounting.

Refer to Note 22 for detail on the consolidation of Special Purpose Vehicles (SPV).

Foreign Currency

As at the reporting date, the assets and liabilities of overseas subsidiaries are translated into Australian dollars at the rate of exchange ruling at the balance sheet date and the income statements are translated at the average exchange rates for the year. The exchange differences arising on the retranslation are taken directly to a separate component of equity.

Transactions in foreign currencies are initially recorded in the functional currency at the exchange rates ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the balance sheet date. Exchange differences arising from the application of these procedures are taken to the income statement, with the exception of differences on foreign currency borrowings that provide a hedge against a net investment in a foreign entity, which are taken directly to equity until the disposal of the net investment and are then recognised in the income statement. Tax charges and credits attributable to exchange differences on those borrowings are also recognised in equity.

Other Accounting Policies

Significant and other accounting policies that summarise the measurement basis used are relevant to an understanding of the financial statements and are provided throughout the notes to the financial statements.

The Notes to the Financial Statements

The notes include information which is required to understand the financial statements and is material and relevant to the operations, financial position and performance of the Group. Information is considered material and relevant if, for example:

- the amount in question is significant because of its size or nature;
- it is important for understanding the results of the Group;
- it helps to explain the impact of significant changes in the Group's business – for example, acquisitions and impairment write-downs; or
- it relates to an aspect of the Group's operations that is important to its future performance.

The notes are organised into the following sections:

Key numbers: provides a breakdown of individual line items in the financial statements that the Directors consider most relevant and summarises the accounting policies, judgements and estimates relevant to understanding these line items;

Capital: provides information about the capital management practices of the Group and shareholder returns for the year;

Risk: discusses the Group's exposure to various financial risks, explains how these affect the Group's financial position and performance and what the Group does to manage these risks;

Group structure: explains aspects of the Group structure and how changes have affected the financial position and performance of the Group;

Unrecognised items: provides information about items that are not recognised in the financial statements but could potentially have an impact on the Group's financial position and performance; and

Other: provides information on items which require disclosure to comply with AAS and other regulatory pronouncements however, are not considered critical in understanding the financial performance or position of the Group.

Notes to the Consolidated Financial Statements

Segment Information
for the year ended 30 June 2019

Segment Information

AASB 8 *Operating Segments* requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the Board and executive management team (the chief operating decision makers (CODM)) in order to allocate resources to the segment and to assess its performance.

The Group has identified three reportable segments based on the nature of the products and services provided, the type of customers for those products and services, the geographies where the business operates and the existence of discrete and separate reporting and management teams. The following summary describes the operations in each of the Group's reportable segments.

The Group's reportable segments under AASB 8 are therefore as follows:

1. Australian Lending Business

Represents the distribution and lending businesses currently captured under the Resimac and State Custodians brands.

The segment contains the bulk of the Australian based income and expense. It incorporates the new business settled through the various distribution channels, the margin net of funding costs of the principally funded loan portfolios and the upfront and trail commission on the non-principally funded loan portfolio.

2. New Zealand Lending Business

Whilst the nature of the customers and products are similar to the Australian Lending segment, given the different jurisdiction and market conditions, management believe it is appropriate to distinguish the result of New Zealand from Australia.

The support for this as a separate segment includes the operation of a separate NZ board and management reporting; it has separate regulatory requirements/oversight; and staff who are solely accountable for the NZ business.

Under AASB 8, this segment cannot be aggregated with the Paywise segment as the aggregation criteria are not met.

3. Paywise Business

On 24 May 2019, the Group sold its 100% equity stake in its wholly owned subsidiary Paywise Pty Limited for total cash consideration of $14 million in a management buyout agreement. The economic effective date of this transaction is 30 April 2019. The income and expenses of Paywise up to 30 April 2019 are included in the FY19 consolidated financial statements.

Paywise is a salary packaging service provider that operates independently to Resimac's core Australian and New Zealand lending business which has been previously disclosed as a separate operating segment on the basis that the CODM allocate resources and assess its performance separately. It provides services to employers and employees to manage salary packaging arrangements. It receives service fees and commission income.

Management have assessed the impact of Paywise business on its group results as not material and therefore does not represent a major line of business or geographic area of operations. Therefore Paywise is not presented as a discontinued operation for the year ended 30 June 2019, notwithstanding that Paywise is disclosed as an operating segment.

Information regarding these segments is presented below. The accounting policies of the reportable segments are the same as the Group's accounting policies.

The following is an analysis of the Group's revenue and results by reportable operating segments:

	Australian Lending		*New Zealand Lending*		*Paywise*[1]		*Consolidated*	
	FY19 $'000	FY18 $'000	**FY19 $'000**	FY18 $'000	**FY19 $'000**	FY18 $'000	**FY19 $'000**	FY18 $'000
Revenue from external customers	**439,646**	363,970	**22,056**	16,018	**7,053**	8,069	**468,755**	388,057
Total segment revenue	**439,646**	363,970	**22,056**	16,018	**7,053**	8,069	**468,755**	388,057
Segment results before tax, depreciation, amortisation, finance costs and impairment	**69,498**	40,124	**2,834**	2,186	**432**	1,109	**72,764**	43,419
Depreciation and amortisation	**(1,090)**	(860)	**(11)**	(24)	**(158)**	(239)	**(1,259)**	(1,123)
Loan impairment	**(3,041)**	(1,644)	**75**	21	**-**	-	**(2,966)**	(1,623)
Finance costs	**(4,334)**	(4,563)	**(263)**	(178)	**-**	-	**(4,597)**	(4,741)
Segment results before income tax	**61,033**	33,057	**2,635**	2,005	**274**	870	**63,942**	35,932
Income tax expense[2]							**(16,757)**	(10,600)
PROFIT AFTER TAX							**47,185**	25,332

1 FY19 includes Paywise segment result for the period from 1 July 2018 to 30 April 2019. FY18 revenue reclassified between Australian lending and Paywise segment to consistently align to how management view and report the business in FY19.

2 Income tax expense is grouped on a consolidated basis, not by reportable operating segment.

Notes to the Consolidated Financial Statements
Segment Information (for the year ended 30 June 2019)

The following is an analysis of the Group's assets and liabilities by reportable operating segment:

	Australian Lending		New Zealand Lending		Paywise[1]		Consolidated	
	FY19 $'000	FY18 $'000	**FY19 $'000**	FY18 $'000	**FY19 $'000**	FY18 $'000	**FY19 $'000**	FY18 $'000
Segment assets	**10,210,822**	8,556,597	**505,635**	397,350	**-**	15,003	**10,716,457**	8,968,950
	10,210,822	8,556,597	**505,635**	397,350	**-**	15,003	**10,716,457**	8,968,950
Segment liabilities	**(10,019,239)**	(8,414,912)	**(488,099)**	(367,271)	**-**	(14,107)	**(10,507,338)**	(8,796,290)
Tax liabilities[3]	**-**	-	**-**	-	**-**	-	**(12,995)**	(9,935)
	(10,019,239)	(8,414,912)	**(488,099)**	(367,271)	**-**	(14,107)	**(10,520,333)**	(8,806,225)
NET ASSETS	**191,583**	141,685	**17,536**	30,079	**-**	896	**196,124**	162,725

3 Tax liabilities are grouped on a consolidated basis instead of by reportable operating segment.

Notes to the Consolidated Financial Statements

Key Numbers
for the year ended 30 June 2019

1. Revenue

The effect of initially applying AASB 15 on the Group's revenue from contracts with customers is described in Note 30.

1.1. Revenue Streams

The Group generates revenue primarily from net interest margin on principally funded loans, annuity trail income on non-principally funded loans and other fee income.

	FY19 $'000	**FY18 $'000**
Revenue from contracts with customers	**18,982**	27,580
Interest income		
Loans and advances	**438,895**	352,259
Bank deposits	**3,152**	2,685
Discount unwind on NPV of trail commission	**3,186**	3,393
	445,233	358,337
Other income	**4,540**	2,140
Total revenue	**468,755**	388,057

Recognition & Measurement

Interest Income - Loans & Advances

Revenue arising from issuing residential loans which are funded by the warehouse facility is initially recognised at the fair value of the consideration received or receivable when it is probable that future economic benefits will flow to the Group and these benefits can be measured reliably.

Loans and advances are initially recognised at fair value. Subsequent to initial recognition, the loans are measured at amortised cost using the effective interest method over the estimated actual (but not contractual) life of the mortgage loan, taking into account all income and expenditure directly attributable to the loan.

Interest income is the key component of this revenue stream and is recognised as it accrues using the effective interest method. The rate at which revenue is recognised is referred to as the effective interest rate and is equivalent to the rate that effectively discounts estimated future cash flows throughout the estimated life to the net carrying value of the loan. Acquisition costs are also spread across the estimated life of the loan.

Notes to the Consolidated Financial Statements

Key Numbers (for the year ended 30 June 2019)

Interest Income - Bank Deposits

This comprises interest income on funds invested. Interest income is recognised as it accrues, using the effective interest method.

Other Incomes

Other income predominately comprises:

- changes in fair value of financial assets through profit or loss; and
- fees earned in the Paywise business which is recognised as the services are provided.

Revenue From Contracts with Customers

Revenue is measured based on the consideration specified in a contract with a customer. The Group recognises revenue when it transfers control over a good or service to a customer.

The following table provides information about the nature and timing of the satisfaction of performance obligation in contracts with customers, including significant payment terms, and the related revenue recognition policies.

CLASSIFICATION & MEASUREMENT OF REVENUE

Type of Service	Nature, Timing of Satisfaction of Performance Obligations, Significant Payment Terms, Significant Judgements Used	Revenue Recognition Policy under AASB 118 & AASB 139	Revenue Recognition Policy under AASB 15	Impact of Change in Accounting Policy
Mortgage origination revenue	Commission from originating non-principally funded loans. Revenue is recognised at the point in time the loan is settled. No-ongoing performance conditions are attached to the upfront fee.	Revenue is recognised at the time the loan is settled and receipt of commission.	Revenue is recognised at the point in time the loan is settled. The expected value is estimated based on historic experience. Provisions for clawback of the upfront fee are recognised within a period of time post-settlement and is a variable consideration.	No material impact
Loan management revenue	Trail commission income on non-principally funded loans, based on the individual monthly loan balance outstanding each month.	On initial recognition, trail commission revenue and receivables were recognised at fair value, being the expected future trail commission receivables discounted to their NPV. Subsequent to initial recognition, the trail commission asset is measured at amortised cost.	The present value of the trailing commission receivable is recognised under AASB 15 as a contract asset and measured using the expected value method with variable consideration at a point of time. The contracts with the funders include performance obligations which must be satisfied in order to be paid trail commission (e.g. the loan not being in arrears).	No material impact
Vehicle financing commission	Upfront commission received by Paywise from vehicle finance and insurance providers for the origination of vehicle leases. There are no performance obligations after the finance lease is settled.	Revenue is recognised at the time the services are provided to the customer and the revenue can be reliably measured.	Revenue is recognised at the time the transaction is completed when settled and the performance obligations are met.	No material impact
Net loan fees	Loan fees paid by the borrower such as application, discharge, settlement fees etc. The performance obligation for these fees is met at a point in time (settlement, discharge etc) when the fee is charged to the borrower.	Revenue is recognised upon receipt of fees	Revenue is recognised when the transaction is completed and the performance obligations are met.	No material impact
Salary packaging	Fees derived from salary packaging services. Customers are invoiced monthly. The work required to fulfil these services does not vary month to month.	Revenue is recognised at the time the services are provided to the customer and the revenue can be reliably measured.	Revenue is recognised at the time the transaction is completed and the performance obligations are met.	No material impact

1.2. Disaggregation of Revenue From Contracts with Customers

In the following table, revenue from contracts with customers is disaggregated by primary geographical market, major service lines and timing of revenue recognition. The table also includes a reconciliation of the disaggregated revenue with the Group's reportable segments (See "Segment Information" on page 43).

Notes to the Consolidated Financial Statements

Key Numbers (for the year ended 30 June 2019)

	Australian Lending		New Zealand Lending		Paywise		Consolidated	
	FY19 $'000	FY18 $'000	FY19 $'000	FY18 $'000	FY19 $'000	FY18 $'000	FY19 $'000	FY18 $'000
Primary geographical markets								
Australia	13,130	21,025	-	-	5,557	6,370	18,687	27,395
New Zealand	-	-	295	185	-	-	295	185
	13,130	21,025	295	185	5,557	6,370	18,982	27,580
Major service lines								
Mortgage origination	2,532	7,927	-	-	-	-	2,532	7,927
Loan management	7,150	9,555	-	-	-	-	7,150	9,555
Salary packaging	-	-	-	-	2,679	2,704	2,679	2,704
Vehicle financing commission	-	-	-	-	2,878	3,666	2,878	3,666
Net loan fees	3,448	3,543	295	185	-	-	3,743	3,728
	13,130	21,025	295	185	5,557	6,370	18,982	27,580
Timing of revenue recognition								
Service transferred at a point in time	13,130	21,025	295	185	5,557	6,370	18,982	27,580
Revenue from contracts with customers	13,130	21,025	295	185	5,557	6,370	18,982	27,580
Interest income	422,305	342,125	22,756	16,029	172	183	445,233	358,337
Other income	4,211	820	(995)	(196)	1,324	1,516	4,540	2,140
External revenue as reported in segment information	439,646	363,970	22,056	16,018	7,053	8,069	468,755	388,057

Recognition & Measurement

1.3. Assets Related to Contract with Customers

The Group has recognised the following assets related to contracts with customers.

Contract assets - present value of future trail commissions	FY19 $'000	FY18 $'000
Current	14,940	17,493
Non-current	33,708	39,667
	48,648	57,160

Contract Assets - Present Value of Future Trail Commission Receivable

The contract assets primarily relate to the Group's rights to consideration for trail commission. The Group receives trail commissions from lenders on non-principally funded settled loans over the life of the loan based on the loan book balance outstanding to which the Group is entitled. The contract assets are transferred to receivables when the rights become unconditional.

Initial Recognition

Expected value of future trail commission receivable is recognised on the origination of non-principally funded and other third party loan settlements at inception. This represents the NPV of the expected future trail commission receivable under the origination and management agreement, less ongoing servicing costs not covered by transaction fees.

The initial expected value of trail commission receivable is determined by using the discounted cash flow valuation technique.

Subsequent Measurement

Subsequent to initial recognition, the future trail commission receivable is measured at expected value.

The carrying amounts of the trail commissions receivable are adjusted to reflect actual and revised estimated cash flows by recalculating the carrying amount through computing the present value of estimated future cash flows at the effective interest rates. The resulting adjustment is recognised as income or expense in the statement of comprehensive income.

A remeasurement of the underlying cash flows relating to the trail commission receivable occurs at each reporting date.

Key Estimates & Assumptions

The key estimates and assumptions underlying the remeasurement of the estimated future cash flows include the:

- prepayment rate; and
- discount rate.

	FY19	FY18
Weighted average loan life (years)	3.1	3.1
Discount rate	6%	6%

Weighted average loan life.

The methodology in calculating the weighted average loan life uses the commonly accepted Standard and Poor's definition.

Key Judgements

The recognition of the future trail commission receivable and payable (and resulting revenue/ expense) is an area of management judgment due to the different recognition criteria existing within the accounting standards. Decisions around key inputs potentially have a material impact on the balances.

Management judgment is required with respect to the determination of:

- **Prepayment rate**

Of all the key inputs for NPV modelling, it is prepayment or run-off rates to which the model is most sensitive. In observing prior years' actual run-off performance, there can be variations over time of up to 25% on individual seasoning bands and variations of over 10% for year-on-year overall run-off.

In order to manage both volatility of rates over time and also the uncertainty associated with this modelling, a conservative run-off buffer of 25% is included in the valuation by management.

- **Discount rates**

For the purposes of the valuation technique required by the standard, the discount rate is set each year and remains unchanged for that tranche of loans for the remainder of the loan's life.

The discount rate is currently set at 6%, incorporating risk free rates and estimates of the credit risk associated with the counterparties providing the trail income, and remains unchanged compared with FY18.

Given trail income receivables are due from strongly rated major financial institutions, this credit risk is regarded as appropriate.

Notes to the Consolidated Financial Statements

Key Numbers (for the year ended 30 June 2019)

2. Expenses

Interest	FY19 $'000	FY18 $'000
Bond and warehouse facilities	**308,167**	242,493
Amortisation – bond issue costs	**6,987**	5,295
Discount unwind on NPV of trail commission	**1,525**	1,569
Net swap payments	**975**	1,128
RMBS facility funding[1]	**7,690**	4,237
Corporate facility[1]	**1,670**	1,103
Other[1]	**366**	-
	327,380	255,825
Fee and commission		
Mortgage origination	**1,788**	6,241
Loan management	**19,353**	20,519
Borrowing costs	**5,777**	1,924
Other financing costs	**4,597**	4,741
	31,515	33,425
Employee benefits		
Remuneration, bonuses, superannuation and on-costs	**37,614**	38,153
Share-based payments	**44**	43
	37,658	38,196
Other		
Marketing and IT	**9,019**	8,745
Audit and other professional fees	**3,122**	3,303
Rent and occupancy costs	**4,011**	3,398
Insurance	**1,017**	861
Depreciation and amortisation	**1,259**	1,123
Other	**5,780**	5,626
	24,208	23,056
Loan impairment	**2,966**	1,623
	423,727	352,125

1 FY18 interest expenses on RMBS facility funding and corporate facility have been removed from other interest expense to assist users of the financial statements.

Recognition & Measurement

2.1. Interest

Bond & Warehouse Facilities

Borrowing costs are recognised in profit or loss in the period in which they are incurred.

Borrowing costs include:

- interest on deposits;
- coupon payments on notes issued; and
- other interest paid on non-securitised funding facilities and are recognised under the effective interest rate method. See further detail under Note 1.

Deferred Costs

Transaction costs representing mortgage insurance premiums and upfront commissions paid on principally funded loans incurred by the Group in establishing mortgage loans are capitalised on the statement of financial position of the Group. These costs are amortised to the income statement over the period over which the Group is expected to receive interest income.

The amortisation rate closely aligns with the rate of reduction of the underlying mortgage portfolio. The rate of reduction of the outstanding mortgage portfolio is calculated based on the historical behaviour of the total mortgage balances of the past 10 years.

On a consolidated basis these transaction costs are included as part of the amortised cost of the loans per Note 6.

Amortisation – Bond Issue Costs

Transaction costs incurred by the Group, as manager of the mortgage program, in facilitating the issue of debt securities by the special purpose vehicles are capitalised on the statement of financial position of the parent entity as bond issue costs. These costs are amortised to the income statement over the average expected life of the debt securities using the effective interest method.

On a consolidated basis, these costs are included as part of the amortised cost of the debt securities.

2.2. Fee & Commission

Mortgage Origination

Upfront commission payments for non-principally funded loans to mortgage originators, brokers and commissioned staff. This is recognised upon settlement as the services performed by the originator is principally performed upfront.

Loan Management

For non-principally funded business, trail commission payments to brokers and commissioned staff based on the loan book balance outstanding.

Borrowing Costs

Fees directly related to public RMBS deals.

Other Financing Costs

Other financing costs includes trustee and servicer fees, liquidity fees, rating agency fees, and other financing related fees.

2.3. Employee Benefits

Employee benefits expenses include remuneration, bonuses, superannuation, redundancies and associated on-costs as incurred.

The policy relating to share-based payments is set out in Note 29.

2.4. Other

This mainly comprises bank fees, general administration expenses and unrecoverable GST. These items are expensed when incurred.

2.5. Loan Impairment

Loan impairment expenses relates to the movement in the:

- specific provision;
- collective provision movements for loan impairment; and
- direct loan write-offs recognised during the year.

See Note 6 for detail on impairment of loans and advances.

Notes to the Consolidated Financial Statements

Key Numbers (for the year ended 30 June 2019)

3. Income Tax

3.1. Income tax recognised in profit or loss

Current tax	**FY19 $'000**	**FY18 $'000**
In respect of the current year	**15,368**	10,663
In respect of prior years	**(175)**	(1,121)
Translation loss on foreign currency assets and liabilities	**(14)**	(3)
	15,179	9,539
Deferred tax		
In respect of the current year	**2,368**	126
In respect of prior years	**(790)**	935
	1,578	1,061
Total income tax expense recognised in the current year	**16,757**	10,600

The income tax expense for the year can be reconciled to the accounting profit as follows:

Profit before tax	**63,942**	35,932
Income tax expense calculated at 30% (FY18: 30%)	**19,183**	10,780
Effect of expenses that are not deductible in determining taxable profit	**98**	245
Effect of different tax rates of subsidiaries operating in other jurisdictions	**(8)**	6
Write down of deferred tax assets	**-**	199
Difference in tax and accounting treatment of Paywise disposal	**(1,609)**	-
Other items	**58**	(444)
	17,722	10,786
Adjustments recognised in the current year in relation to the deferred tax of prior years	**(790)**	-
Adjustments recognised in the current year in relation to the current tax of prior years	**(175)**	(186)
Income tax expense recognised in profit or loss	**16,757**	10,600

The tax rate used for FY19 and FY18 reconciliations above is the corporate tax rate of 30% payable by corporate entities in Australia on taxable profits under tax law in that jurisdiction.

3.2. Current tax assets and liabilities

Current tax	**FY19 $'000**	**FY18 $'000**
Current tax payable	**(6,690)**	(2,048)
	(6,690)	(2,048)

3.3. Deferred Tax Balances

The following is the analysis of deferred tax assets (DTA) and deferred tax liabilities (DTL) presented in the consolidated statement of financial position:

	FY19 $'000	**FY18 $'000**
Deferred tax assets	**15,615**	18,993
Deferred tax liabilities	**(21,920)**	(26,880)
	(6,305)	(7,887)

FY19	**Opening balance $'000**	**Current year recognised in profit or loss $'000**	**Previously unrecognised in profit or loss $'000**	**Recognised directly in equity $'000**	**Recoup tax loss against tax liability $'000**	**Disposal of Paywise $'000**	**Closing balance $'000**
DT in relation to:							
Doubtful debts	374	**368**	**1,199**	**2,170**	**-**	**-**	**4,111**
Plant, equipment and software	1,461	**(171)**	**(1,196)**	**-**	**-**	**(12)**	**82**
Deferred mortgage insurance	446	**(88)**	**-**	**-**	**-**	**-**	**358**
Employee entitlements	1,173	**27**	**(3)**	**-**	**-**	**(128)**	**1,069**
Net provision for lease make good	60	**-**	**-**	**-**	**-**	**-**	**60**
Other accrued expenses	2,405	**(28)**	**(166)**	**-**	**-**	**(69)**	**2,142**
Blackhole expenditure	701	**(264)**	**-**	**-**	**-**	**-**	**437**
Discount on loan	-	**3**	**(4)**	**-**	**-**	**-**	**(1)**
Tax losses carried forward	964	**-**	**-**	**-**	**(861)**	**-**	**103**
Trail commission payable	11,356	**(1,598)**	**(2,667)**	**-**	**-**	**-**	**7,091**
Lease liability	28	**64**	**-**	**-**	**-**	**-**	**92**
Derivatives	(5)	**5**	**-**	**-**	**-**	**-**	**-**
Shares	-	**(1,743)**	**899**	**885**	**-**	**-**	**41**
Lease incentives	30	**-**	**-**	**-**	**-**	**-**	**30**
	18,993	**(3,425)**	**(1,938)**	**3,055**	**(861)**	**(209)**	**15,615**
DT in relation to:							
Capitalised incentive commission	11,915	**1,368**	**(2,790)**	**20**	**-**	**-**	**10,513**
Loans and advances	(3,339)	**(880)**	**-**	**-**	**-**	**-**	**(4,219)**
Deferred bond issue cost	2,277	**455**	**-**	**4**	**-**	**-**	**2,736**
Derivatives	(1,176)	**712**	**-**	**(1,199)**	**-**	**-**	**(1,663)**
Unpaid superannuation	-	**(40)**	**-**	**-**	**-**	**-**	**(40)**
Trail commission receivable	17,266	**(2,672)**	**-**	**-**	**-**	**-**	**14,594**
Accrued income and other	(63)	**-**	**62**	**-**	**-**	**-**	**(1)**
	26,880	**(1,057)**	**(2,728)**	**(1,175)**	**-**	**-**	**21,920**
	(7,887)	**(2,368)**	**790**	**4,230**	**(861)**	**(209)**	**(6,305)**

Notes to the Consolidated Financial Statements

Key Numbers (for the year ended 30 June 2019)

FY18	Opening balance $'000	Current year recognised in profit or loss $'000	Recognised directly in equity $'000	Recoup tax loss against tax liability $'000	Additional amounts recognised from business combination $'000	Closing balance $'000
DT in relation to:						
Doubtful debts	318	29	31	(4)	-	374
Plant, equipment and software	950	446	65	-	-	1,461
Deferred mortgage insurance	514	(68)	-	-	-	446
Employee entitlements	1,120	57	(4)	-	-	1,173
Net provision for lease make good	60	-	-	-	-	60
Other accrued expenses	2,590	184	(369)	-	-	2,405
Blackhole expenditure	989	(339)	51	-	-	701
Tax losses carried forward	1,766	-	-	-	(802)	964
Trail commission payable	9,983	2,079	(706)	-	-	11,356
Lease Liability	-	28	-	-	-	28
Derivatives	4	1	(10)	-	-	(5)
Lease incentives	30	-	-	-	-	30
	18,324	2,417	(942)	(4)	(802)	18,993
DT in relation to:						
Capitalised incentive commission	6,446	5,397	84	(12)	-	11,915
Loans and advances	(2,312)	(1,122)	95	-	-	(3,339)
Deferred bond issue cost	1,761	516	-	-	-	2,277
Derivatives	(2,032)	256	284	316	-	(1,176)
Trail commission receivable	19,969	(2,442)	(261)	-	-	17,266
Accrued income and other	208	(62)	(209)	-	-	(63)
	24,040	2,543	(7)	304	-	26,880
	(5,716)	(126)	(935)	(308)	(802)	(7,887)

Recognition & Measurement

Income tax expense represents the sum of the tax currently payable and deferred tax.

3.4. Current Tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from 'profit before tax' as reported in the consolidated statement of profit or loss and other comprehensive income because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

3.5. Deferred Tax

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit.

Deferred tax liabilities (DTLs) are generally recognised for all taxable temporary differences.

Deferred tax assets (DTAs) are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such DTAs and DTLs are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

In addition, DTLs are not recognised if the temporary difference arises from the initial recognition of goodwill.

DTLs are recognised for taxable temporary differences associated with investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

DTAs arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of DTAs is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

DTLs and DTAs are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of DTLs and DTAs reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

3.6. Current and Deferred Tax for the Year

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

3.7. Tax Effect Accounting by Members of the Tax Consolidated Group

Resimac Group Ltd and its wholly-owned Australian controlled entities have implemented the tax consolidation legislation. The head entity Resimac Group Ltd, and the controlled entities in the tax consolidated group continue to account for their own current and deferred tax amounts. The Group has applied the group allocation approach in determining the appropriate amount of current taxes and deferred taxes to allocate to members of the tax consolidated group. The current and deferred tax amounts are measured in a systematic manner that is consistent with the broad principles in AASB 112 *Income Taxes*.

In addition to its own current and deferred tax amounts, the head entity also recognised current tax liabilities (or assets) and the deferred tax assets arising from unused tax losses and unused tax credits assumed from controlled entities in the Resimac tax consolidated group.

Notes to the Consolidated Financial Statements

Key Numbers (for the year ended 30 June 2019)

3.8. Nature of the Tax Funding Agreement

Members of the Group have entered into a tax funding agreement. Under the funding agreement the allocation of tax within the Group is based on a group allocation. The tax funding agreement requires payments to/from the head entity to be recognised via an inter-entity receivable (payable) which is at call.

The allocation of taxes under the tax funding agreement is recognised as an increase or decrease in the subsidiaries' intercompany accounts with the tax consolidated group head company, Resimac Group Ltd. The amounts receivable or payable under the tax funding agreement are due upon receipt of the funding advice from the head entity, which is issued as soon as practical after the end of each financial year.

Key Judgements

The Group's accounting for taxation requires management's judgment in assessing whether deferred tax assets and certain deferred tax liabilities are recognised on the statement of financial position. Deferred tax assets, including those arising from unrecouped tax losses, capital losses and temporary differences, are recognised only where it is considered more likely than not that they will be recovered, which is dependent on the generation of sufficient future taxable profits.

Assumptions about the generation of future taxable profits depend on management's estimates of future cash flows. These depend on estimates of future income, operating costs, capital expenditure, dividends and other capital management transactions.

Judgments and assumptions are also required about the application of income tax legislation. These judgments and assumptions are subject to risk uncertainty, hence there is a possibility that changes in circumstances will alter expectations, which may impact the amount of deferred tax assets and deferred tax liabilities recognised on the statement of financial position and the amount of other tax losses and temporary differences not yet recognised. In such circumstances, some or all of the carrying amounts of recognised deferred tax assets and liabilities may require adjustment, resulting in a corresponding credit or charge to the consolidated statement of profit or loss and other comprehensive income.

4. Cash & Cash Equivalents

	Note	FY19 $'000	FY18 $'000
Cash at bank and on hand		**10,566**	15,181
Cash collections account[1]		**212,723**	182,060
Restricted cash[2]		**1,501**	1,664
	20	**224,790**	198,905
Reconciliation of profit after tax to the net cash flows from operating activities			
Profit after tax		**47,185**	25,332
Non-cash items			
Depreciation and amortisation	2	**1,259**	1,123
Amortisation of bond issue costs	2	**6,987**	5,295
Gain on derecognition of investment in Finsure, net of tax		**(4,067)**	-
Gain on disposal of Paywise		**(13,104)**	-
Loss on financial assets classified available for sale		**-**	443
Fair value movement on interest rate swaps		**(419)**	(463)
Loan impairment movement	2	**2,966**	1,623
Net loss on disposal of non-current assets		**59**	59
Present value of future trail commission income		**8,939**	4,846
Present value of future trail commission expense		**(4,924)**	(480)
Share-based payments expense	2	**44**	43
(Increase)/decrease in assets			
Trade and other receivables		**(3,389)**	464
Loans and advances		**(1,718,453)**	(1,990,625)
Other assets		**(176)**	(54)
Impairment allowance account		**(537)**	1,064
Increase/(decrease) in liabilities			
Trade and other payables		**(7,126)**	5,246
Current tax payable		**4,133**	2,048
Interest-bearing liabilities		**(9,218)**	1,820
Provisions		**20**	(703)
Derivative financial liabilities		**-**	(3,835)
Deferred tax liabilities		**1,403**	2,167
Net cash flows used in operating activities		**(1,688,418)**	(1,944,587)

1 Cash collections account includes monies in the SPVs, securitisation trusts and Paywise (FY18 only) on behalf of members in those Trusts and various clearing accounts. These funds are not available for operational use.

2 Cash held in trust as collateral for the borrowing facilities.

Notes to the Consolidated Financial Statements

Key Numbers (for the year ended 30 June 2019)

Recognition & Measurement

Cash comprises cash on hand and demand deposits. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value and have a maturity of three months or less at the date of acquisition.

Cash at bank earns interest at floating rates based on daily bank deposit rates. Short-term deposits are made for varying periods of between one day and three months, depending on the immediate cash requirements of the Group, and earn interest at the respective short-term deposit rates.

5. Trade & Other Receivables

Current	Note	FY19 $'000	FY18 $'000
Fee and commission receivable		2,493	3,318
Prepayments		2,029	1,741
GST receivable		1,153	1,278
Deferred consideration for sale of Paywise (refer Note 22)		1,000	-
Sundry receivable		3,024	928
	20	9,699	7,265
Non-current			
Deferred consideration for sale of Paywise (refer Note 22)	20	1,000	-

Recognition & Measurement

All receivables are derived from the normal course of business. No maturity dates are specified as they are normally settled within twelve months. There are no long term outstanding receivables as at the reporting date.

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less an allowance for impairment.

AASB 9 requires an expected credit loss model ("ECL") to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition of the trade receivables. AASB 9 provides a simplified approach for measuring the loss allowance at an amount equal to lifetime ECL for trade receivables. Impairment policy of trade and other receivables is included in Note 20.

Fee & Commission Receivable

Upfront and trail commission are on settlement terms of 30 days. This is initially recognised at the fair value of the consideration receivable.

Sundry Receivable

This relates to amounts received within the Residential Mortgage Trusts (RMT) SPVs on the last day of the reporting period and where settlements are not yet completed.

6. Loans & Advances

Gross loans and advances	Note	FY19 $'000	FY18 $'000
Loans and advances		10,337,020	8,619,505
Capitalised incentive costs		35,263	31,393
Capitalised mortgage insurance costs		214	546
Deferred mortgage fee		(14,137)	(11,229)
Loans from related parties		(2)	(8)
		10,358,358	8,640,207
Less: allowance for impairment		(16,445)	(6,594)
	20	10,341,913	8,633,613
Current		2,382,422	1,987,248
Non-current		7,975,936	6,652,959
		10,358,358	8,640,207
Impairment allowances			
Collective allowance		10,869	2,975
Specific allowance		5,576	3,619
		16,445	6,594
Movement in impairment allowances			
Balance at 1 July		6,594	5,530
Adoption of AASB 9		7,422	-
Provided for during the year			
▪ Specific		2,511	848
▪ Collective		455	775
Written off		(537)	(559)
Balance at 30 June		16,445	6,594

Notes to the Consolidated Financial Statements

Key Numbers (for the year ended 30 June 2019)

Recognition & Measurement

All loans and advances are initially recognised at fair value plus directly attributable transaction costs, and subsequently measured at amortised cost using the effective interest method.

Amortised cost is calculated by taking into account any fees paid or received between parties to the contract that are an integral part of the effective interest rate, transactions costs, and all other premiums or discounts on acquisition, over the period to maturity.

Gains and losses are recognised in the statement of comprehensive income when the loans and advances are derecognised or impaired, as well as through the amortisation process.

Loans Past Due but Not Impaired (Stage 2 & 3 Collective)

Payment terms of these loans have not been renegotiated, however no further advances are provided until payment is made. The Group is in direct contact with relevant borrowers to enter into payment arrangements which will bring the account fully up to date within an acceptable period.

For Prime Insured loans expected recoverable amounts are adjusted to reflect lower than 100% Lenders Mortgage Insurance (LMI) recovery where applicable e.g. due to costs associated with maintaining the security value within the terms of the LMI agreement (i.e. other than fair wear and tear). They are also reduced by the amount of higher rate (penalty) interest and fees related to loans in arrears which are not covered by LMI.

Loans with payments outstanding less than one month are generally rectified by the borrower within a short period of time, i.e. within the same month. Loans in this category are less likely to be representative of loans with underlying repayment problems.

Impairment & Provisioning

Impairment policy of loans and advances is included in Note 20.

Security Properties Repossessed

As at 30 June 2019, the Group had exercised their right to liquidate 46 residential properties (FY18: 40) being the security for securitised loans. The Group intends to sell these properties with the proceeds to go towards clearing the outstanding balance of the underlying loans. It is expected that the outstanding balance will be recovered in full (unless a Stage 3 specific provision has been raised against the specific loan).

7. Other Financial Assets

	Note	FY19 $'000	FY18 $'000
Listed shares – BNK Banking Corporation Limited (ASX: BBC)	20	**2,860**	-
Unlisted shares – Athena	20	**2,000**	-
Short-term investment	20	**260**	260
		5,120	260
Current		**260**	260
Non-current		**4,860**	-
		5,120	260

Listed Shares

Investment in BNK represents an investment the Group intends to hold for long term strategic purposes. As permitted by AASB 9, the Group designated this investment at the date of initial application as measured at fair value through other comprehensive income. The accumulated fair value reserve related to this investment will not be reclassified to profit or loss. Dividends from this investment continue to be recognised in profit or loss as other income when the Group's right to receive payment is established. At 30 June 2019, the Group held 4,468,902 shares in BNK at a share price of $0.64. BNK Banking Corporation Limited previously known as Goldfield Money Limited changed its company name on 20 March 2019 (refer to Note 23).

Unlisted Shares

Investments that are not traded in an active market, but classified as fair value through profit or loss (FVTPL) and disclosed at fair value at the end of each reporting period.

Short-Term Investment

Term deposit with fixed or determinable payments and fixed maturity date which the Group has the intent and ability to hold to maturity.

Notes to the Consolidated Financial Statements

Key Numbers (for the year ended 30 June 2019)

8. Plant & Equipment

Carrying amounts of:	**FY19 $'000**	**FY18 $'000**
Plant and equipment	**2,110**	2,625
	2,110	2,625

	Plant and equipment at cost $'000	**Equipment under finance lease at cost $'000**	**Total $'000**
Balance at 1 July 2018	**2,625**	**-**	**2,625**
Additions	**588**	**-**	**588**
Disposals and write-offs	**(56)**	**-**	**(56)**
Disposal of Paywise	**(164)**	**-**	**(164)**
Depreciation expense	**(884)**	**-**	**(884)**
Foreign exchange	**1**	**-**	**1**
Balance at 30 June 2019	**2,110**	**-**	**2,110**
Balance at 1 July 2017	1,346	5	1,351
Additions	2,146	-	2,146
Disposals and write-offs	(62)	-	(62)
Depreciation expense	(803)	(5)	(808)
Foreign exchange	(2)	-	(2)
Balance at 30 June 2018	2,625	-	2,625

Recognition & Measurement

Plant and equipment is stated at cost less accumulated depreciation and impairment losses.

Depreciation & Amortisation

Depreciation is recognised to write off the cost or valuation of assets less their residual values over their useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

The following useful lives are used in the calculation of depreciation:

	Years
Leasehold improvement and office furniture	**5**
Office machines and computer equipment	**3-5**

Derecognition

An item of plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of plant and equipment is determined as the difference between the sale proceeds and the carrying amount of the asset and is recognised in profit or loss.

9. Other Assets

	FY19 $'000	**FY18 $'000**
Reinsurance claim receivable	**2,907**	2,669
Collateral deposit	**-**	683
Other	**238**	76
	3,145	3,428
Current	**238**	759
Non-current	**2,907**	2,669
	3,145	3,428

Recognition & Measurement

Reinsurance Claim Receivable

Prime Insurance Group Ltd was purchased as part of the RHG Mortgage Corporation Limited (RHG) acquisition in 2014. Its sole purpose is to provide insurance service and re-insurance facilities for the RHG mortgage assets and process any shortfall claims received.

The reinsurance claim receivable is available to utilise against the reinsurance claim reserve amount in Note 14.

Collateral Deposit

The Group provided the following financial guarantees during the year:

- Westpac Banking Corporation (WBC) guarantee on Paywise's Melbourne office lease; and
- WBC guarantee to secure Paywise's fleet funded Caltex fuel card product.

On 24 May 2019, the Group disposed of its wholly owned subsidiary Paywise Pty Limited. Refer to "Segment Information' for further information.

Notes to the Consolidated Financial Statements

Key Numbers (for the year ended 30 June 2019)

10. Goodwill & Intangible Assets

Goodwill	FY19 $'000	FY18 $'000
Balance at 1 July	**21,766**	21,766
Balance at 30 June	**21,766**	21,766
Other intangible assets		
Balance at 1 July	**332**	530
Additions	**1,868**	110
Disposals and write offs	**(2)**	-
Disposal of Paywise	**(132)**	-
Amortisation for the year	**(375)**	(308)
Balance at 30 June	**1,691**	332
Total goodwill and other intangible assets	**23,457**	22,098

10.1. Goodwill

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business (less accumulated impairment losses, if any).

Impairment Testing

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units (CGU's or groups of CGU's) that is expected to benefit from the synergies of the combination.

A CGU to which goodwill has been allocated is tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the CGU is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro rata based on the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in profit or loss. An impairment loss recognised for goodwill is not reversed in subsequent periods.

Recoverable Amount of the Asset

The recoverable amount is equal to the greater of:

- fair value less costs to sell; and
- value in use ('VIU').

It is not always necessary to determine both the fair value less cost to sell and its VIU. If either of these amounts exceed the carrying amount of the CGU, there is no impairment of the goodwill and it is not necessary to estimate the other amount.

As a result, the VIU methodology is considered to be most appropriate as there is no readily available market outside specific business sales of an equivalent sized business to the Australian Lending business segment.

The VIU calculation requires management to estimate future cash flows expected to arrive from the CGU and a suitable discount rate in order to calculate present value.

Indicators of Impairment

The minimum indicators of impairment have been considered by management. These include both internal and external sources of information such as:

- significant changes (historical and future) in the market, economic, legal or technological environment which would have an adverse impact on the Group;
- interest rate changes which impact the discount rate used in modelling;
- evidence of a worsening financial position; and
- plans to discontinue operations.

Management have assessed that there are no such indicators which would impair the goodwill balance as at 30 June 2019.

Inputs to Impairment Calculations

Cash Flow Projections

For VIU calculations, cash flow projections are based on corporate plans and business forecasts prepared by management and approved by the Board. Cash flow projections are for four years and a terminal growth rate beyond this has been applied.

Impairment Assessment

In assessing VIU, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the CGU.

Goodwill arising from the business combination in the prior period has been allocated for impairment testing purposes to the Australian Lending Business segment. This segment is considered to be the CGU that is expected to benefit from the synergies of the business combination.

Furthermore, each unit or group of units to which the goodwill is allocated shall:

- represent the lowest level at which the goodwill is monitored for internal management purposes; and
- not exceed the operating segments.

The allocation of goodwill to these CGU's is considered appropriate.

Key Judgements & Assumptions

The key assumptions used for assessing the recoverable amount of the Australian Lending Business CGU are set out below:

	FY19
Growth rate for 4 year forecast period (p.a)	10%
Discount rate (post-tax)	11%
Terminal growth rate	2%

The post-tax discount rate of 11% has been determined by estimating the cost of equity that applies to the Australian lending segment, and the terminal growth rate of 2% reflects management's assumption of growth in profit before tax after four years.

Sensitivity to Change in Assumptions

Management believes that possible changes in the assumptions, such as +/- 1% discount rate and the terminal growth rate, would not cause the recoverable amount of the CGU to be less than its carrying value.

Furthermore, the VIU based on the key judgements and assumptions is broadly in line with the current market capitalisation.

Impairment Charge

Based upon the impairment testing performed, there is no impairment charge for FY19 (FY18: nil).

10.2. Other Intangible Assets

Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortisation and accumulated impairment losses. Amortisation is recognised on a straight-line basis over their estimated useful lives.

The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. Intangible assets with indefinite useful lives that are acquired separately are carried at cost less accumulated impairment losses.

	Useful life
Intellectual property	7 years
Software	3-5 years

Notes to the Consolidated Financial Statements

Key Numbers (for the year ended 30 June 2019)

11. Trade & Other Payables

	Note	FY19 $'000	FY18 $'000
Revenue collected in advance[1]		**462**	8,442
Collections owed to trusts		**8,043**	10,988
Other creditors and accruals		**11,769**	14,660
Fleet management funds[1]		**-**	4,941
Commissions		**5,020**	4,541
	20	**25,294**	43,572
Current		**25,294**	43,572

1 On 24 May 2019, the Group disposed of its wholly owned subsidiary Paywise Pty Limited. Refer to "Segment Information' for further information.

Recognition & Measurement

Trade creditors and other payables, which are generally settled within 30 day terms and are unsecured, are carried at amortised cost and represent liabilities for goods and services provided to the Group prior to the end of the financial year that are unpaid and arise when the Group becomes obliged to make future payments in respect of the purchase of these goods and services.

Revenue Collected in Advance

Funds held by Paywise to administer salary packaging for its client's employees is nil as at 30 June 2019 (FY18: $7.5 million).

Collections Owed to Trusts

Relates to collections received from borrowers that reside in clearing accounts that have not yet been allocated to a trust.

Other Creditors & Accruals

Other creditors and accruals are unsecured payables relating to expenses arising in the ordinary course of business. They are usually paid within 30 days of recognition.

Fleet Management Funds

Represents cash held by Paywise to administer fleet management. This cash is not available for use by Paywise except to settle future costs in relation to these services for customers.

12. Interest Bearing Liabilities

	Note	FY19 $'000	FY18 $'000
Debt securities on issue		**10,232,170**	8,517,820
Corporate debt facility		**30,000**	24,000
Issuance facilities		**186,051**	172,639
Debt securities on issue - related parties		**2,400**	2,400
Lease liability		**-**	252
	20	**10,450,621**	8,717,111
Current		**2,403,643**	2,004,936
Non-current		**8,046,978**	6,712,175
		10,450,621	8,717,111

Recognition & Measurement

All borrowings are initially recognised at fair value of the consideration received less directly attributable transaction costs and subsequently measured at amortised cost using the effective interest method.

Amortised cost is calculated by taking into account any fees paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs, and all other premiums or discounts on acquisition, over the period to maturity.

Gains or losses are recognised in the statement of comprehensive income when the liabilities are derecognised and also as well as through the amortisation process.

For further detail on the amortised cost basis of accounting see Note 1 and 2. Details of the Group's interest-bearing liabilities are set out in Note 20.

12.1. Debt Securities on Issue

Warehouse Facilities

The warehouse facilities provide funding for the initial financing of loans and advances to customers within the warehouse SPV. Refer to Note 22 for the consolidation of the SPVs. The security for advances under these facilities is a combination of fixed and floating charges over all assets of the warehouse SPVs. If the warehouse facility is not renewed or should there be a default under the existing terms and conditions, the warehouse facility funder will not have a right of recourse against the remainder of the Group. Warehouse facilities are secured against the underlying mortgages only.

During the financial year there were no breaches to the warehouse agreements. All warehouse facilities were renewed on or before their maturity date.

Notes to the Consolidated Financial Statements

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Bonds

RMBS are issued to provide duration funding for loans and advances (securitised assets) originated by the Group. The RMBS notes generally have a legal final maturity of 31.5 years from issue, and a weighted average life of up to 6 years.

The RMBS SPV security is a combination of fixed and floating charges over all assets of the RMBS SPV. Credit losses arising from securitised assets will not result in the bondholders having a right of recourse against the Group (as Originator, Manager or Servicer).

During the year ended 30 June 2019, AUD 3.35 billion and NZD 250 million of new Residential Mortgage Backed Securities (RMBS) and Medium Term Notes (MTNS) were issued (FY18: AUD 3.25 billion and NZD 250 million). These RMBS issuance paid down warehouse facilities creating capacity to underwrite new mortgages. During the financial year, there were no breaches to the terms of the RMBS.

Collateral

Certain RMBS and warehouse SPVs are supported by cash collateral reserves.

12.2. Corporate Debt Facility

As at 30 June 2019, the Company had a $40 million corporate facility with National Australia Bank maturing in October 2019. The Group had an undrawn balance of $10.0 million at 30 June 2019 (FY18: $2.0 million). In accordance with the terms of the Group's corporate debt facilities, the Group is required to comply with certain covenants. During the period and as at 30 June 2019, the Group was compliant with these covenants.

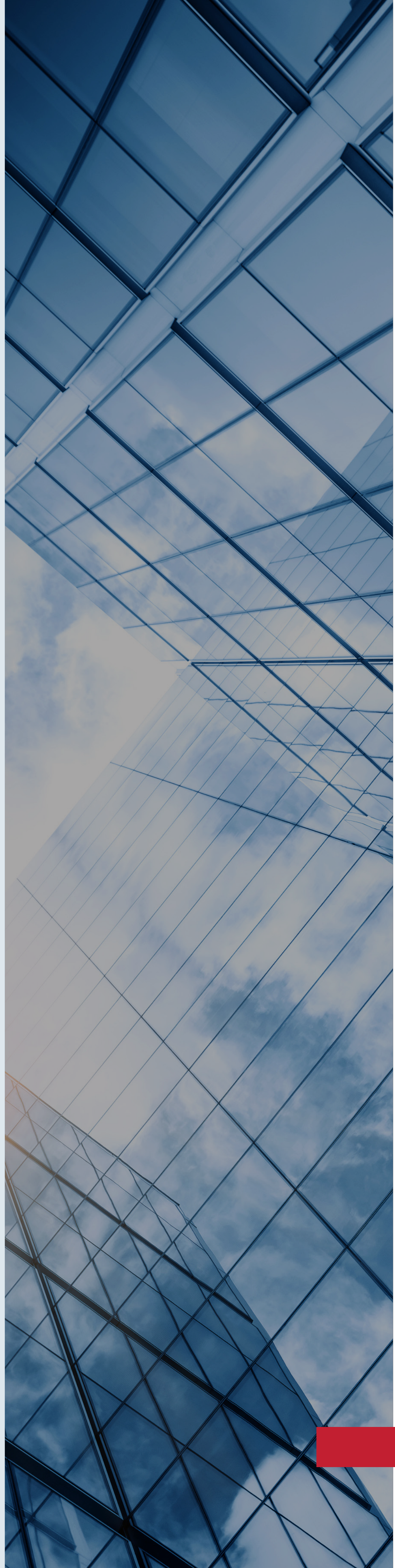
The corporate debt facility is secured by a first-ranking charge over the trust assets of the Group. See Note 21.7 for further detail.

12.3. Issuance Facilities

The Group maintains a series of subsidiary SPVs for the purpose of raising financing for its RMBS-related credit risk retention ("CRR") obligations. CRR is a mandatory requirement for the Group's RMBS issuance activities in the U.S., European, Japanese and U.K. jurisdictions where, in general, the Group is required to hold an economic interest of at least 5% in value of an RMBS issuance. The subsidiary SPVs hold a 5% vertical strip of bonds of an individual RMBS issuance and raises secured financing from banks and credit investors.

12.4. Debt Securities on Issue - Related Parties

In line with its ordinary course of business, the Group issues debt securities to related party investors. A performance guarantee in respect to timely payment of interest and principal on these debt securities is provided. Subordinated notes in one controlled entity (SPV), which were held by a related party as at 30 June 2019 amount to $2,400,000 (FY18: $2,400,000).



13. Other Financial Liabilities

	Note	FY19 $'000	FY18 $'000
Present value of future trail commission payable		**22,901**	27,848
	20	**22,901**	27,848
Current		**7,032**	8,555
Non-current		**15,869**	19,293
		22,901	27,848

Recognition & Measurement

The Group makes trail commission payments to introducers and commission staff based on the loan book balance outstanding.

Initial Recognition

Fair value of future trail commission payable is recognised on the origination of non-principally funded and other third party loan settlements at inception. This represents the NPV of the expected future trail commission payable under the origination and management agreement, less ongoing servicing costs not covered by transaction fees.

Subsequent Payment

Subsequent to initial recognition, the future trail commission payable is measured at amortised cost.

The carrying amounts of the trail commissions payable are adjusted to reflect actual and revised estimated cash flows by recalculating the carrying amount through computing the present value of estimated future cash flows at the effective interest rates. The resulting adjustment is recognised as income or expense in the statement of comprehensive income.

A remeasurement of the underlying cash flows relating to the trail commission payable occurs at each reporting date.

Key Estimates & Assumptions

Refer to Note 1 for the key estimates and judgements underlying the remeasurement of the estimated future cash flows.

Notes to the Consolidated Financial Statements

Key Numbers (for the year ended 30 June 2019)

14. Other Liabilities

	FY19 $'000	FY18 $'000
Reinsurance claim reserve	**2,907**	2,669
	2,907	2,669
Non-Current	**2,907**	2,669

The reinsurance claim reserve offsets with the reinsurance claim receivable amount in Note 9.

15. Provisions

	FY19 $'000	FY18 $'000
Employee benefits	**3,571**	3,923
Make good	**414**	414
Other	**65**	104
	4,050	4,441
Current	**3,305**	3,847
Non-current	**745**	594
	4,050	4,441

	Employee benefits $'000	Make good $'000	Other $'000	Total $'000
Balance at 1 July 2018	**3,923**	**414**	**104**	**4,441**
Additional provisions recognised	**568**	**-**	**-**	**568**
Reductions resulting from remeasurement or settlement without cost	**(920)**	**-**	**(39)**	**(959)**
Balance at 30 June 2019	**3,571**	**414**	**65**	**4,050**

Recognition & Measurement

Provisions are recognised when:

- the Group has a present obligation (legal or constructive) as a result of a past event;
- it is probable that the Group will be required to settle the obligation; and
- a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (when the effect of the time value of money is material).

15.1. Debt securities on Issue - Related Parties

A liability is recognised for benefits accruing to employees in respect of:

- wages and salaries;
- annual leave;
- long service leave; and
- on-costs relating to the above

where costs maybe they are capable of being measured reliably and probable that settlement will be required.

Liabilities recognised in respect of employee benefits expected to be settled within 12 months, are measured at their nominal values using the remuneration rate expected to apply at the time of settlement.

Liabilities recognised in respect of employee benefits which are not expected to settle within 12 months are measured at the present value of the estimated future cash outflows to be made by the Group in respect of services provided by employees up to the reporting date.

The liability for long service leave is recognised in the provision for employee benefits. It is measured as the present value of expected future payments for the services provided by employees up to the reporting date.

Expected future payments are discounted using market yields at the reporting date on high quality corporate bonds with terms to maturity that match, as closely as possible, the estimated future cash outflows.

15.2. Make Good

Where a condition of the Group's lease premises to return the property in its original condition at the end of the lease term. The Group recognises a provision for the make good as the expected cost of the refurbishment at the end of the lease.

Notes to the Consolidated Financial Statements

Capital for the year ended 30 June 2019

16. Capital Management

The Group's Capital Management Objectives

The Group manages its capital to ensure that entities in the Group will be able to continue as going concerns while maximising the return to stakeholders through the optimisation of the debt and equity balance.

The Group operates a warehouse to securitisation funding model for its lending business and as such makes decisions on the amount of capital invested in the notes or warehouses based on alternate sources of funding and the expected return on amounts invested and with regard to the company's cost of capital.

The capital structure of the Group consists of net debt (borrowings as detailed in Note 12 offset by cash and bank balances) and equity of the Group (comprising issued capital, reserves, retained earnings and non-controlling interests as detailed in Note 18).

The Group is not subject to any externally imposed capital requirements.

The Board is responsible for monitoring and approving the capital management framework within which management operates. The purpose of the framework is to prudently manage capital whilst optimising the debt and equity structure.

	Note	FY19 $'000	FY18 $'000
Issued capital	18	119,007	115,799
Reserves	18	(7,197)	(3,011)
Retained earnings	18	84,314	49,937
		196,124	162,725

The Group manages its capital through various means, including:

- adjusting the amount of ordinary dividends paid to shareholders;
- maintaining a dividend reinvestment plan;
- raising or repaying capital; and
- reinvesting profits into book growth.

17. Dividends

Declared and paid during the period (fully-franked at 30 percent)	FY19 $'000	FY18 $'000
Final dividend for FY18: $0.009 (FY17: $0.0075)	3,594	2,953
Interim dividend for HY19: $0.01 (Interim FY18: $0.009)	4,001	3,587
	7,595	6,540
Proposed and unrecognised as a liability (fully-franked at 30 percent)		
Final dividend for FY19: $0.01 (FY18: $0.009)	4,058	3,594
Special dividend for FY19: $0.005 (FY18: Nil)	2,029	-
	6,087	3,594
Franking credit balance		
Franking credits available for future years at 30% adjusted for the payment of income tax and dividends receivable or payable	17,312	13,280
Impact on the franking account of dividends proposed before the financial report was issued but not recognised as a distribution to equity holders during the period.	(2,609)	(1,540)

18. Issued Capital & Reserves

	Note	FY19 $'000	FY18 $'000
Share capital		180,548	177,340
Reverse acquisition reserve[1]		(61,541)	(61,541)
		119,007	115,799

1 As a result of reverse acquisition accounting, an equity account was created as a component of equity. This account called 'Reverse acquisition reserve' is similar in nature to share capital. The Reverse acquisition reserve is not available for distribution.

Issued capital as at 30 June 2019 was amended to $180,548,083 (405,790,153 ordinary shares).

During the period, the Company issued 6,442,421 shares for $3,207,468 in respect of the Resimac Dividend Reinvestment Plan (DRP).

Notes to the Consolidated Financial Statements

Capital (for the year ended 30 June 2019)

18.1. Fully Paid Ordinary Shares

	Note	No. of shares – Thousands	$'000
Balance at 1 July 2017		**393,687**	174,762
Issue of shares under a dividend reinvestment plan		**5,661**	2,578
Balance at 30 June 2018 and 1 July 2018		**399,348**	177,340
Issue of shares under the DRP:			
▪ FY18 Dividend on 12 October 2018		**791**	**462**
▪ HY19 Dividend on 25 March 2019		**5,651**	**2,746**
Balance at 30 June 2019		**405,790**	**180,548**

Fully paid ordinary shares, which have no par value, carry one vote per share and carry a right to dividends.

18.2. Reserves (Net of Income Tax) and Retained Earnings

		Reserves				
	Retained earnings $'000	Cash flow hedge reserve $'000	Foreign currency translation reserve $'000	Fair value reserve $'000	Share-based payment reserve $'000	Non-controlling interest $'000
Balance at 1 July 2017	31,136	(3,738)	580	-	-	9
Profit after tax	25,320	-	-	-	-	12
Changes in fair value of cash flow hedges, net of tax	-	697	-	-	-	-
Currency translation differences	-	-	(593)	-	-	-
Acquisition of non-controlling interest	21	-	-	-	-	(21)
Equity dividends	(6,540)	-	-	-	-	-
Share-based payments	-	-	-	-	43	-
Balance at 30 June 2018	49,937	(3,041)	(13)	-	43	-

		Reserves				
	Retained earnings $'000	Cash flow hedge reserve $'000	Foreign currency translation reserve $'000	Fair value reserve $'000	Share-based payment reserve $'000	Non-controlling interest $'000
Balance at 1 July 2018	**49,937**	**(3,041)**	**(13)**	**-**	**43**	**-**
Adoption of AASB 9, net of income tax	**(5,213)**	**-**	**-**	**-**	**-**	**-**
Adjusted balance as at 1 July 2018	**44,724**	**(3,041)**	**(13)**	**-**	**43**	**-**
Profit after tax	**47,185**	**-**	**-**	**-**	**-**	**-**
Changes in fair value of cash flow hedges, net of tax	**-**	**(2,835)**	**-**	**-**	**-**	**-**
Currency translation differences	**-**	**-**	**669**	**-**	**-**	**-**
Fair value movement on investment through OCI, net of tax	**-**	**-**	**-**	**(2,065)**	**-**	**-**
Equity dividends	**(7,595)**	**-**	**-**	**-**	**-**	**-**
Share-based payments	**-**	**-**	**-**	**-**	**45**	**-**
Balance at 30 June 2019	**84,314**	**(5,876)**	**656**	**(2,065)**	**88**	**-**

18.3. Nature & Purpose of Reserves

Cash flow hedge reserve

The cash flow hedging reserve represents the cumulative effective portion of gains or losses arising on changes in fair value of hedging instruments entered into for cash flow hedges. The cumulative gain or loss arising on changes in fair value of the hedging instruments that are recognised and accumulated under the heading of cash flow hedging reserve will be reclassified to profit or loss only when the hedged transaction affects the profit or loss, or included as a basis adjustment to the non-financial hedged item, consistent with the Group's accounting policy.

Foreign currency translation reserve

Exchange differences relating to the translation of the results and net assets of the Group's New Zealand operations from its functional currency to the Group's presentation currency are recognised directly in other comprehensive income and accumulated in the foreign currency translation reserve.

Share-based payment reserve

The share-based payments reserve is used to recognise the value of equity-settled share-based payments provided to employees, including KMP, as part of their remuneration. Refer to Note 29 for further details of these plans.

18.3. Retained earnings

See Note 17 in respect of payment of dividends.

Notes to the Consolidated Financial Statements

Capital (for the year ended 30 June 2019)

19. Earnings Per Share

	FY19 $'000	FY18 $'000
Profit attributable to ordinary equity holders of the parent ($'000)	**47,185**	25,320
WANOS[1] used in the calculation of basic EPS (shares, thousands)	**401,433**	397,467
Dilutive effect of shares options	**241**	1,563
WANOS[1] used in the calculation of diluted EPS (shares, thousands)[2]	**401,674**	399,030
Earnings per share		
Basic (cents per share)	**11.75**	6.37
Diluted (cents per share)	**11.75**	6.35

1 Weighted average number of shares

2 The variance in the WANOS used in the calculation of the basic EPS and the diluted EPS is attributable to in-substance options

Calculation of Earnings Per Share

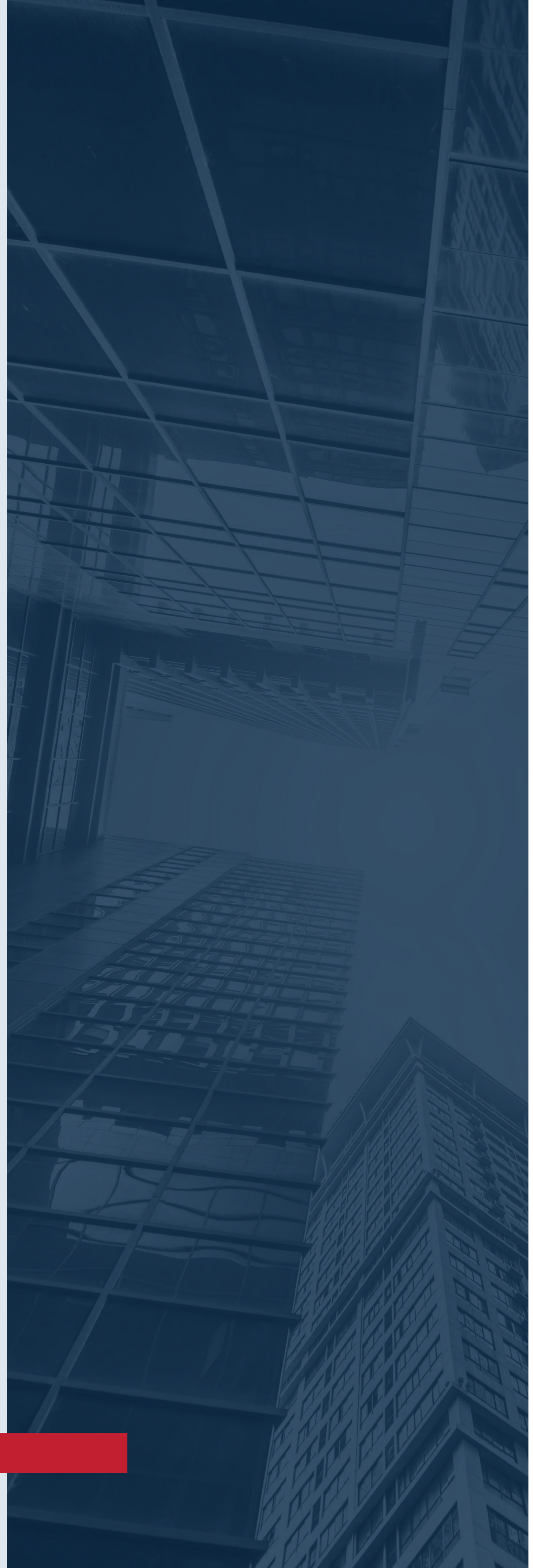
19.1. Basic Earnings Per Share

Basic earnings per share is calculated as net profit attributable to the ordinary equity holders of the parent, adjusted to exclude any costs of servicing equity (other than dividends), divided by the WANOS adjusted for any bonus element.

19.2. Diluted Earnings Per Share

Diluted earnings per share is calculated by:

- dividing the net profit attributable to ordinary equity holders of the parent; by the
- WANOS outstanding during the year; plus
- the WANOS that would be issued on the conversion of all the dilutive potential ordinary options or rights into ordinary shares.



19.3. Calculation of WANOS

Twelve months to 30 June 2019

The number of Resimac Group shares issued:

- From 1 July 2018 to 11 October 2018 (112,692,648)
  The number of Resimac ordinary shares on issue of 399,347,732 multiplied by the ratio of days outstanding (103/365); plus
- From 12 October 2018 to 24 March 2019 (179,788,553)
  - The number of Resimac shares on issue (399,347,732) at 12 October 2018; plus
  - Shares issued on 12 October 2018 under the DRP (791,425)

  multiplied by the ratio of days outstanding (164/365).
- From 25 March 2019 to 30 June 2019 (108,951,877)
  - The number of Resimac shares on issue (400,139,157) at 25 March 2019; plus
  - Additional shares issued on 25 March 2019 under the DRP (5,650,996)

  multiplied by the ratio of days outstanding (98/365).

Twelve months to 30 June 2018

The number of Resimac shares issued:

- From 1 July 2017 to 4 October 2017 (103,545,095)
  The number of Resimac ordinary shares on issue of 393,687,080 multiplied by the ratio of days outstanding (96/365); plus
- From 5 October 2017 to 8 April 2018 (203,111,233)
  - The number of Resimac shares on issue (393,687,080) at 4 October 2017; plus
  - Shares issued on 5 October 2017 under the DRP (4,891,415)

  multiplied by the ratio of days outstanding (186/365).
- From 9 April 2018 to 30 June 2018 (90,810,580)
  - The number of Resimac shares on issue (398,578,495) at 8 April 2018; plus
  - Shares issued on 9 April 2018 under the DRP (769,237)

  multiplied by the ratio of days outstanding (83/365).

Notes to the Consolidated Financial Statements

Risk
for the year ended 30 June 2019

20. Financial Assets & Financial Liabilities

The Group holds the following financial instruments:

Financial assets	Basis of measurement	Note	FY19 $'000	FY18 $'000
Cash and cash equivalents	Amortised cost	4	224,790	198,905
Trade and other receivables	Amortised cost	5	10,699	7,265
Loans and advances	Amortised cost	6	10,341,913	8,633,613
Short-term investment	Amortised cost	7	260	260
Investment securities – BNK	FVOCI-equity instrument	7	2,860	-
Investment securities – Athena	FVTPL	7	2,000	-
Derivative financial assets	FVTPL	21	56,575	43,596
			10,639,097	8,883,639
Financial liabilities				
Trade and other payables	Amortised cost	11	25,294	43,572
Interest-bearing liabilities	Amortised cost	12	10,450,621	8,717,111
Present value of trail commission payable	Amortised cost	13	22,901	27,848
Derivative financial liabilities	FVTPL	21	1,565	549
			10,500,381	8,789,080

20.1. Fair Values Measurements & Valuation Processes

20.1.1. Fair Value Hierarchy

The different levels have been defined as follows:

- **Level 1:** quoted prices (unadjusted) in active markets for identical assets or liabilities;
- **Level 2:** inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- **Level 3:** inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The following assets and liabilities are measured at fair value by the Group for financial reporting purposes:

Financial assets	Fair value hierarchy	Valuation technique(s) and key input(s)	FY19 $'000	FY18 $'000
Listed shares - BNK Banking Corporation Limited (ASX: BBC)	Level 1	Most recent traded price and other available market information	2,860	-
Unlisted shares - Athena	Level 3	Acquisition value within 12 months of year end and other available information	2,000	-
Interest rate swaps	Level 2	Discounted cash flow Forward interest rates, contract interest rates	2,775	598
Cross currency swaps	Level 2	Discounted cash flow Forward interest rates, contract interest rates	53,800	42,998
Financial liabilities				
Interest rate swaps	Level 2	Discounted cash flow Forward interest rates, contract interest rates	1,565	549

In the year to 30 June 2019 there has been no change in the fair value hierarchy or the valuation techniques applied to any of the balances above.

For further information on the use of derivatives refer to Note 21 Financial risk management.

20.1.2. Fair value of financial assets and liabilities that are not measured at fair value (but fair value disclosures are required)

With the exception of the future trail commission payable that is initially recognised at fair value and subsequently carried at amortised cost, management consider that the carrying amounts of financial assets and liabilities recognised in the consolidated financial statements approximate their fair values.

20.2. Financial assets and liabilities

20.2.1. Recognition and initial measurement

Loans and advances and receivables (including trade and other receivables, bank balances and cash) are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market which are initially recognised when they are originated. All other financial assets and financial liabilities are initially recognised when the Group becomes a party to the contractual provisions of the instrument.

A financial asset (unless it is a trade receivable without a significant financing component) or finance liability is initially measured at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

Notes to the Consolidated Financial Statements

Risk (for the year ended 30 June 2019)

20.2.2. Classification & Subsequent Measurement

20.2.2.1. Financial assets – Policy applicable from 1 July 2018

On initial recognition, a financial asset is classified as measured at:

- amortised cost
- fair value through other comprehensive income (FVOCI) – debt instrument
- fair value through other comprehensive income (FVOCI) – equity instrument
- fair value through profit or loss (FVTPL)

Financial assets are not reclassified subsequent to their initial recognition unless the Group changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A debt investment is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

On initial recognition of an equity investment that is not held for trading, the Group may irrevocably elect to present subsequent changes in the investment's fair value in OCI.

This election is made on an investment-by-investment basis.

All financial assets not classified as measured at amortised cost or FVOCI as described above are measured as FVTPL. This includes all derivative financial assets and investment securities. On initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL if doing so eliminates or subsequently reduces an accounting mismatch that would otherwise arise.

20.2.2.2 Financial assets – Business model assessment: Policy applicable from 1 July 2018

The Group determines the business model at the level that reflects how groups of financial assets are managed. In determining the business model, all relevant evidence that is available at date of assessment is used including:

- how the performance of the financial assets held within that business model are evaluated and reported to the Group's KMP
- the risks that affect the performance of the business model (and the financial assets held within that business model) and, in particular, the way in which those risks are managed; and
- how managers of the business are compensated (for example, whether compensation is based on the fair value of the assets managed or on the contractual cash flows collected).

Financial assets that are held for trading or are managed and whose performance is evaluated on a fair value basis are measured at FVTPL.

20.2.2.3. Financial assets – Assessment whether contractual cash flows are solely payments of principal and interest: Policy applicable from 1 July 2018

For the purpose of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as a profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Group considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amounts of contractual cash flows such that it would not meet this condition. In making this assessment, the Group considers:

- contingent events that would change the amount or timing of cash flows;
- terms that may adjust the contractual coupon rate, including variable-rate features;
- prepayment and extension features; and
- terms that limit the Group's claim to cash flows from specified assets (e.g. non-recourse features).

A prepayment feature is consistent with the solely payments of principal and interest criterion if the prepayment amount substantially represent unpaid amounts of principal and interest on the principal amount outstanding, which may include reasonable additional compensation for early termination of the contract. Additionally, for a financial asset acquired at a discount or premium to its contractual par amount, a feature that permits or requires prepayment at an amount that substantially represents the contractual par amount plus accrued (but unpaid) contractual interest (which may also include reasonable additional compensation for early termination) is treated as consistent with this criterion if the fair value of the prepayment feature is insignificant at initial recognition.

20.2.2.4. Financial Assets – Subsequent measurement and gains and losses: Policy applicable from 1 July 2018

Financial assets at FVTPL	These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognised in profit or loss. However, see Note 21.3 for derivative designated as hedging instruments.
Financial assets at amortised cost	These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment loss. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.
Debt investments at FVOCI	These assets are subsequently measured at fair value. Interest income calculated using the effective interest method. Other net gains and losses are recognised in OCI. On derecognition, gains and losses accumulated in OCI are classified to profit or loss.
Equity investments at FVOCI	These assets are subsequently measured at fair value. Dividends are recognised as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognised in OCI and are never reclassified to profit or loss.

Notes to the Consolidated Financial Statements

Risk (for the year ended 30 June 2019)

20.2.2.5. Financial assets – Policy applicable before 1 July 2018

The Group classified its financial assets into one of the following categories:

- FVTPL
- held-to-maturity investments
- available-for-sale (AFS) financial assets; and
- loans and receivables

Financial Assets – Subsequent measurement and gains and losses: Policy applicable before 1 July 2018

Financial assets at FVTPL	Measured at fair value and changes therein, including any interest or dividend income, were recognised in profit or loss. However, see Note 21.3 for derivative designated as hedging instruments.
Held-to-maturity financial assets	Measured at amortised cost using the effective interest method.
Available-for-sale financial assets	Measured at fair value and changes therein, other than impairment losses, interest income and foreign currency differences on debt instruments, were recognised in OCI and accumulated in the fair value reserve. When these assets were derecognised, the gain or loss accumulated in equity was reclassified to profit or loss.
Loans and receivables	Measured at amortised cost using the effective interest method.

20.2.2.6. Financial liabilities – Classification, subsequent measurement and gains and losses

The Group's classification for financial liabilities have not changed significantly under AASB 9. Financial liabilities are classified as either financial liabilities at FVPTL or other financial liabilities.

Financial liabilities at FVTPL

Financial liabilities are classified as at FVTPL where the liability is either held for trading or it is designated as at fair value through profit or loss.

A financial liability is held for trading if:

- it has been incurred principally for the purpose of repurchasing it in the near term; or
- on initial recognition it is a part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

A financial liability other than a financial liability held for trading may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and AASB 9 permits the entire combined contract to be designated as at FVTPL.

Financial liabilities at FVTPL are stated at fair value with any gains or losses arising on remeasurement recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any interest paid on the financial liability and is included in the 'other gains and losses' line item.

Other financial liabilities

Other financial liabilities (including borrowings and trade and other payables) are subsequently measured at amortised cost using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the net carrying amount on initial recognition.

20.2.3. Derecognition

20.2.3.1. Financial assets

The Group derecognise a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantively all of the risks and rewards of ownership of the financial asset are transferred or in which the Group neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

The Group enters into transactions whereby it transfers assets recognised in its statement of financial position, but retains either all or substantially all of the risks and rewards of the transferred assets. In these cases, the transferred assets are not derecognised.

20.2.3.2. Financial liabilities

The Group derecognises a financial liability when its contractual obligations are discharged or cancelled, or expire. The Group also derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognised at fair value.

On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognised in profit or loss.

20.2.4. Offsetting

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

20.2.5. Impairment of financial assets

20.2.5.1. Impairment policy applicable from 1 July 2018

The Group recognises loss allowances for expected credit loss (ECL) on:

- Financial assets measured at amortised cost
- Contract assets
- Lease receivable

The Group measures loss allowances for a financial instrument at an amount equal to the lifetime ECL for stage 2 or stage 3 assets if the credit risk on that financial instrument has increased significantly since recognition, or if the financial instrument is a purchased or originated credit-impaired financial asset. If the credit risk on a financial instrument has not increased significantly since initial recognition (except for a purchased or originated credit-impaired financial asset), the Group measures the loss allowance for that financial instrument at an amount equal to a 12 month ECL for stage 1 assets. The Group applies a simplified approach for measuring the loss allowance at an amount equal to lifetime ECL for trade receivables, contract assets and lease receivable in certain circumstances.

Notes to the Consolidated Financial Statements

Risk (for the year ended 30 June 2019)

Significant increase in credit risk

An asset moves to stage 2 when its credit risk has increased significantly since initial recognition. When determining whether the credit risk of a financial asset has increased significantly since the initial recognition and when estimating ECLs, the Group considers reasonable and supportable information that is relevant and available without undue cost effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment and including forward-looking information. As part of the forward-looking assessment, the Group has considered factors including macro-economic forecast and outlook, GDP growth, unemployment rates and interest rates.

Credit-impaired financial assets

The movement between stage 2 and 3 will be based on whether financial assets are credit-impaired at the reporting date. A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial assets have occurred. Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the borrower; or
- breach of contract, such us a default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation; or
- past experience of collecting payments; or
- an increase in the number of delayed payments in the portfolio past the average credit period; or
- observable changes in national or local economic conditions that correlate with default on receivables

Definition of default

The Group considers that default has occurred at 90 days past due.

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Group expects to receive). The key inputs used in measuring ECL include:

a) probability of default: the PD is the likelihood of default, applied to each underlying exposure

b) loss given default: the LGD is the magnitude of the expected credit loss in the event of default, taking into consideration the mitigating effect of collateral assets and time value of money

c) exposure at default: the EAD represents the estimated exposure in the event of a default

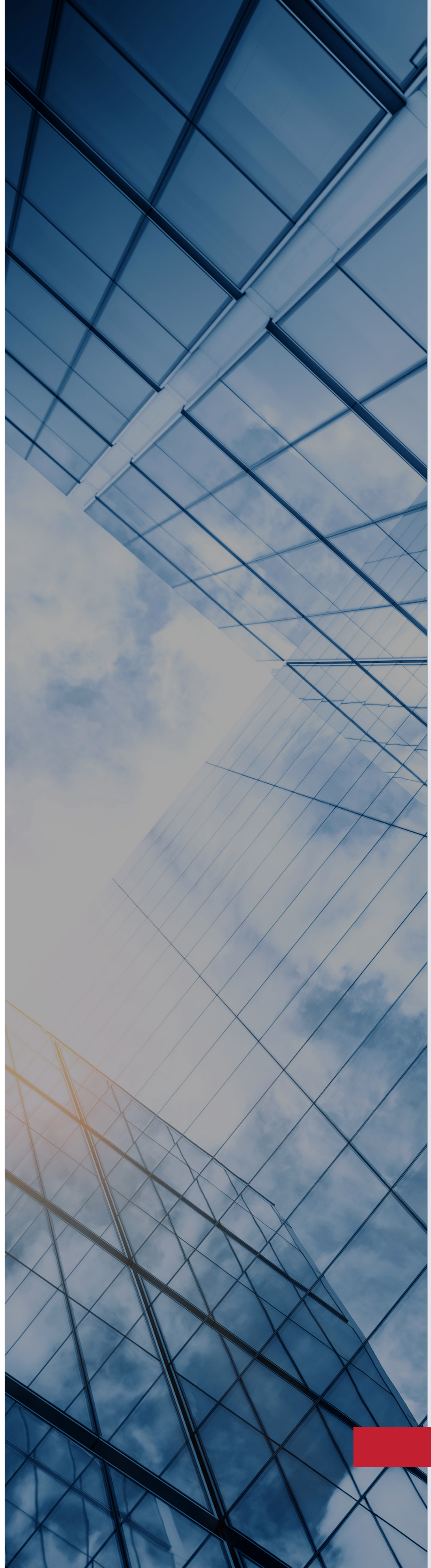
The ECL is determined with reference to the following stages:

Stage 1: 12 month ECL

At initial recognition, and for financial assets for which there has not been a significant increase in credit risk (SICR) or for those financial assets for which there has been an increase in credit risk but for which the credit risk is considered to be low, ECL is determined based on PD over the next 12 months, adjusted for forward looking estimates (FLE).

Stage 2: Lifetime ECL not credit impaired

Where there has been a SICR, the ECL is determined with reference to the financial asset's lifetime PD and the lifetime losses associated with that PD, adjusted for FLE. The Group assesses whether there has been a SICR since initial recognition based on qualitative, quantitative, and reasonable and supportable FLE that includes significant management judgement. Use of more alternative criteria could result in significant changes to the timing and amount of ECL to be recognised. Lifetime ECL is generally determined based on the average maturity of the financial asset.



Stage 3: Lifetime ECL credit impaired

Financial assets are classified as stage 3 where they are determined to be credit impaired, which generally matches the Group's definition of default which includes exposures that are at least 90 days past due, and where the obligor is unlikely to pay without recourse against available collateral.

The ECL for credit impaired financial assets is generally measured as the difference between the discounted contractual and discounted expected cash flows from the individual exposure. For credit impaired exposure that are modelled collectively, ECL is measured as the product of the lifetime PD, LGD, and EAD, adjusted for FLE. Interest income is determined with reference to the financial asset's amortised cost carrying value, being the financial asset's net carrying value after the ECL provision.

20.2.5.2. Impairment policy applicable before 1 July 2018

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

For AFS equity instruments, a significant or prolonged decline in the fair value of the security below its cost is considered to be objective evidence of impairment.

For all other financial assets, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as a default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation; or
- the disappearance of an active market for that financial asset because of financial difficulties.

For a portfolio of receivables, objective evidence of impairment could include:

- the Group's past experience of collecting payments;
- an increase in the number of delayed payments in the portfolio past the average credit period; and
- observable changes in national or local economic conditions that correlate with default on receivables.

Notes to the Consolidated Financial Statements

Risk (for the year ended 30 June 2019)

Financial assets measured at amortised cost

The amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate. The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. In a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

The Group considered evidence of impairment for these assets at both an individual asset and a collective level. For certain categories of financial asset, such as trade receivables, assets are assessed for impairment on a collective basis even if they were assessed not to be impaired individually.

Available-for-sale financial assets

When an AFS financial asset is considered to be impaired, cumulative gains or losses previously recognised in other comprehensive income are reclassified to profit or loss in the period. If the fair value of an impaired available-for-sale debt security subsequently increased and the increase was related objectively to an event occurring after the impairment loss was recognised, then the impairment loss was reversed through profit or loss. Impairment loss recognised in profit or loss for an investment in equity security classified as available-for-sale were not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss is recognised in other comprehensive income and accumulated under the heading of AFS revaluation reserve.

21. Financial Risk Management

21.1. Financial Risk Management Objectives

The Group's Corporate Treasury function:

- provides services to the business;
- co-ordinates access to domestic and international financial markets; and
- monitors and manages the financial risks relating to the operations of the Group through internal monitoring tools which analyse exposures by degree and magnitude of risks.

These risks include:

- market risk (including currency risk and interest rate risk);
- credit risk; and
- liquidity risk.

21.2. Derivative Financial Instruments

The Group seeks to minimise the effects of currency and interest rate risks by using derivative financial instruments to hedge risk exposures.

The use of financial derivatives is governed by the Group's policies approved by the board of directors, which provide written principles on:

- foreign exchange risk;
- interest rate risk;
- credit risk;
- the use of financial derivatives and non-derivative financial instruments; and
- the investment of excess liquidity.

Compliance with policies and exposure limits is reviewed by the Board on a continuous basis. The Group does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.

The table below summarises the Group's exposure to financial risks and how these risks are managed.

Risk	Exposure arising from	Measurement	Management
Market risk - currency	Recognised financial assets and liabilities not denominated in Australian dollars Foreign currency denominated profit or losses	Cash flow forecasting Sensitivity analysis	Cross currency interest rate swaps Cash flow management and matching
Market risk - interest rate	Mismatch in interest rates between assets and liabilities	Sensitivity analysis	Interest rate swaps
Market risk - equity prices	Investments in equity securities	Sensitivity analysis	Equity investments not held for trading
Credit risk	Cash and cash equivalents, trade receivables, derivative financial assets, loans and advances	Credit risk analysis	Diversification, Strong collections/ portfolio management
Liquidity risk	Borrowings, derivative financial liabilities	Rolling cash flow forecasts	Availability of committed credit lines and borrowing facilities, securitisation, structuring terms of obligations

Recognition & Measurement

Derivatives are initially recognised at fair value at the date the derivative contracts are entered into and are subsequently remeasured to their fair value at each reporting period.

The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

Notes to the Consolidated Financial Statements

Risk (for the year ended 30 June 2019)

21.3. Hedge Accounting

The Group designates certain hedging instruments, which includes derivatives in respect of foreign currency risk, as cash flow hedges.

At the inception of the hedge relationship the Group documents the relationship between the hedging instrument and hedged item, along with its risk management objectives and its strategy for undertaking various hedge transactions.

Furthermore, at the inception of the hedge and on an ongoing basis, the Group documents whether the hedging instrument that is used in a hedging relationship is effective in offsetting changes in fair values or cash flows of the hedged item attributable to the hedged risk, which is when the hedging relationships meet all of the following hedge effectiveness requirements:

- there is an economic relationship between the hedged item and the hedging instrument;
- the effect of credit risk does not dominate the value changes that result from that economic relationship; and
- the hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that the Group actually hedges and the quantity of the hedging instrument that the Group actually uses to hedge that quantity of hedged item.

Note 20.1 sets out the details of the fair values of the derivative instruments used for hedging purposes.

21.3.1. Cash Flow Hedges

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in other comprehensive income and accumulated under the heading of cash flow hedging reserve. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss and is included in the other expenses or other income line item.

Amounts previously recognised in other comprehensive income and accumulated in equity are reclassified to profit or loss, in the same line as the recognised hedged item.

Hedge accounting is discontinued when:

- the Group revokes the hedging relationship;
- the hedging instrument expires or is sold, terminated, or exercised; or
- the Group no longer qualifies for hedge accounting.

Any cumulative gain or loss recognised in other comprehensive income and accumulated in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in profit or loss. When a forecast transaction is no longer expected to occur, the gain or loss accumulated in equity is recognised immediately in profit or loss.

21.3.2. Derivative Financial Assets & Liabilities

The carrying values are as follows:

Derivative financial assets	FY19 $'000	FY18 $'000
Cross currency swaps	53,800	42,998
Interest rate swaps	2,775	598
	56,575	43,596
Derivative financial liabilities		
Interest rate swaps	1,565	549
	1,565	549

21.4. Market Risk

Market risk is the risk of an adverse impact on the Group's earnings resulting from changes in market factors, such as interest rates and foreign exchange rates.

21.4.1. Interest Rate Risk

Interest rate risk is the risk that the Group will experience deterioration in its financial position as interest rates change over time.

Interest rate exposure is driven by interest rate mismatches between assets and liabilities (i.e. borrowing at floating interest rates and lending with fixed interest rates).

Interest rate risk may be managed by entering into interest rate swaps subject to the Group's hedging and derivatives policies.

21.4.2. Interest Rate Risk – Sensitivity Analysis

The majority of the Group's liabilities are issued through warehouse facilities and term securitisations in special purpose entities. Under such arrangements, the repayment profile of the bonds is matched to the repayments collected from the loan assets.

The Group has calculated the impact of a potential increase or decrease in borrowing costs in limited recourse entities for the year in the event of a +/- 10bps change in interest rates as shown in the table below:

10bps +/-	FY19 $'000	FY18 $'000
Borrowing costs	10,402	8,682

21.4.3. Interest Rate Swap Contracts

Under interest rate swap contracts, the Group agrees to exchange the difference between fixed and floating rate interest amounts calculated on agreed notional principal amounts. Such contracts enable the Group to mitigate the risk of changing interest rates on the cash flow exposures on the issued variable rate debt. The fair value of interest rate swaps at the end of the reporting period is determined by discounting the future cash flows using the curves at the end of the reporting period and the credit risk inherent in the contract, and is disclosed below.

Fair value liability	FY19 $'000	FY18 $'000
Derivative financial liabilities	1,565	549

The following table details the notional principal amounts outstanding at the end of the reporting period:

Notional principal value	FY19 $'000	FY18 $'000
Less than 1 year	633	19,333
1 to 2 years	33,096	55,417
2 to 5 years	390,498	252,907
	424,227	327,657

The interest rate swaps settle and reset on a monthly basis. The floating rate on the interest rate swaps is the local interbank rate. The Group will settle the difference between the fixed and floating interest rate on a net basis.

All interest rate swap contracts exchanging floating rate interest amounts for fixed rate interest amounts are designated as cash flow hedges. The interest rate swaps and the interest payments on the loan occur simultaneously and the amount accumulated in equity is reclassified to profit or loss over the period that the floating interest rate payments on debt affect profit or loss.

Any impact on funding costs in the special purpose entities as a result of changes to interest rates would be offset by a corresponding +/- impact on interest revenue proportionate to assets held.

Notes to the Consolidated Financial Statements

Risk (for the year ended 30 June 2019)

21.4.4. Corporate Interest – Sensitivity Analysis

The remainder of the Group's loan portfolio and liabilities are held in corporate entities. The impact of a potential +/- 10bps change in interest rates on interest revenue and borrowing costs on balances held by the Group for the year is set out in the table below:

10bps +/-	FY19 $'000	FY18 $'000
Impact on corporate interest revenue		
Interest rate + 10bps	225	199
Interest rate - 10bps	(225)	(199)
Impact on corporate funding costs		
Interest rate + 10bps	(30)	(24)
Interest rate - 10bps	30	24

21.4.5. Equity Price Risk

Equity investments in listed and unlisted shares are held for strategic rather than trading purposes. The Group does not actively trade these investments.

21.4.6. Equity Price Risk – Sensitivity Analysis

If equity prices had been 10% higher / lower:

- Net profit for the year ended 30 June 2019 would increase / decrease by $200,000 as a result of the changes in fair value of the investments in unlisted shares (FY18: nil); and
- Other comprehensive income would increase / decrease by $286,000 as a result of the changes in fair value of investments in listed shares (FY 18: nil).

21.5. Foreign Currency Risk

21.5.1. Accounting Translation

As at reporting date the Group held cash assets denominated in New Zealand dollars (NZD).

Fluctuations in the NZD are not expected to have material impact on the consolidated statement of profit or loss or the consolidated statement of comprehensive income and equity of the Group.

21.5.2. Market Risk – Foreign Exchange on Monetary Items

The Group obtains funding denominated in foreign currencies, consequently, exposures to exchange rate fluctuations arise. These currencies include USD. The Group manages foreign currency risk through the use of currency derivatives.

The carrying amounts of the Group's foreign currency denominated assets and liabilities are as follows:

Assets	FY19 $'000	FY18 $'000
USD liabilities (disclosed in AUD)	53,800	42,998

21.6. Credit Risk Management

The Group's primary credit risk exposures relate to its lending activities in its principally-funded mortgage portfolio. The Group's primary lending activities are concentrated in the Australian and New Zealand residential mortgage market. The underlying credit risk in the Group's lending activities is commensurate with a geographically diverse residential mortgage portfolio.

The board of directors are responsible for determining the Group's overall appetite for credit risk and monitoring the quality and performance of the mortgage portfolio. The credit risk management operational framework and policy is governed and managed by the Credit Committee.

The Group does not have any direct counterparty credit exposure arising from its asset financing and securitisation activities. Counterparty risk is governed, and mitigated where required, by ratings agency criteria within the bankruptcy-remote funding SPVs and trusts including exposures to banks, lender's mortgage insurance providers and derivative counterparties.

21.6.1. Credit Risk in Lending

The Group has established lending policies and procedures to manage the credit risk inherent in lending. The dominant lending focus has been in the housing market where standard lending practice is that the borrowing facilities for each client is mortgaged secured against residential property and in addition via LMI on certain loans. In addition, loan balances are monitored with the result that the Group's exposure to bad debts is monitored and managed.

The Group's broker division trades with recognised, credit-worthy lending institutions in Australia.

The Group's approach to credit management utilises a credit risk framework to ensure that the following principals are adhered to:

- independence from risk originators;
- recognition of the different risks in the various Group businesses;
- credit exposures are systematically controlled and monitored;
- credit exposures are regularly reviewed in accordance with current up-to-date credit procedures; and
- credit exposures include such exposures arising from derivative transactions.

Each of the divisions is responsible for managing credit risks that arise in their own areas with oversight from a centralised credit risk management team. It is the policy of the Group to monitor the policies of all divisions to ensure that the risk of the Group is monitored.

21.6.2 Exposure to credit risk

Loans and advances and trade receivables consist of a large number of customers, spread across diverse demographic and geographical areas. Ongoing credit evaluation is performed on the financial condition of loans and advances and accounts receivable.

There is no significant concentration of risk to any single counterparty.

The credit risk on liquid funds and derivative financial instruments is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies.

Notes to the Consolidated Financial Statements

Risk (for the year ended 30 June 2019)

21.6.3. Maximum Exposure to Credit Risk

The carrying amount of the Group's financial assets represents the maximum credit exposure. The Group's exposure to credit risk at the reporting date was:

	Note	FY19 $'000	FY18 $'000
Cash and cash equivalents	4	**224,790**	198,905
Trade and other receivables	5	**10,699**	7,265
Short-term investment	7	**260**	260
Derivative financial assets	21	**56,575**	43,596
		292,324	250,026
Loans and advances at amortised cost – balances subject to credit risk	6	**10,337,020**	8,619,505
		10,629,344	8,869,531

As at 30 June 2019, 100% of the Group's cash and cash equivalents are held with banks or financial institutions with a credit rating of AA- or better (FY18: 100%).

21.6.3.1. Residential Mortgage Borrowers

The Group minimises credit risk by obtaining security over residential mortgage property for each loan.

In monitoring the credit risk, mortgage securitisation customers are grouped according to their credit characteristics using credit risk classification systems. This includes the use of the Loan to Value Ratio (LVR) to assess its exposure to credit risk from loans originated through the securitisation programme.

For non-principally funded loans, some agreements with lenders contain provisions requiring the Group to pay instalments due from borrowers until securities are enforced or an insurance claim has been paid and to purchase the mortgage from the lender if the Group is in default. The Group's risk in this area is mitigated by insurance policies and a rigorous credit assessment process.

21.6.4. Financial guarantees

The Group is exposed to credit risk in relation to financial guarantees given to banks provided by the Group. The Group's maximum exposure in this respect is the maximum amount the Group could have to pay if the guarantee is called on. The Group does not have any financial guarantees as at 30 June 2019 (FY18: $682,607) which has been disclosed in Note 9.

21.6.5. Credit Risk Management

The following table summarises the movement in expected credit loss for loans and advances for the reporting period:

Maximum exposure to credit risk	Stage 1 - Collective $'000	Stage 2 - Collective $'000	Stage 3 - Collective $'000	Stage 3 - Impaired $'000	Total $'000
Balance as at 30 June 2019					
Loans and advances					
▪ Mortgage lending	10,237,618	50,406	24,334	23,170	10,335,528
▪ Commercial lending	676	-	-	816	1,492
Total	**10,238,294**	**50,406**	**24,334**	**23,986**	**10,337,020**
Balance as at 1 July 2018					
Loans and advances					
▪ Mortgage lending	8,532,845	45,718	26,695	12,603	8,617,861
▪ Commercial lending	831	-	-	813	1,644
Total	**8,533,676**	**45,718**	**26,695**	**13,416**	**8,619,505**
Expected credit loss					
Balance as at 30 June 2019					
Loans and advances					
▪ Mortgage lending	7,016	1,750	2,103	5,122	15,991
▪ Commercial lending	-	-	-	454	454
Total	**7,016**	**1,750**	**2,103**	**5,576**	**16,445**
Balance as at 1 July 2018					
Loans and advances					
▪ Mortgage lending	7,195	1,343	1,857	3,050	13,445
▪ Commercial lending	2	-	-	569	571
Total	**7,197**	**1,343**	**1,857**	**3,619**	**14,016**

The majority of the Group's exposure to loans and advances is limited, as they are legally owned by special purpose vehicles (trusts) with no recourse to the Group. Losses on mortgage loans in these entities are therefore limited to the Group's investment in notes in these trusts and the cash collateral retained in the trust. The Trust's structures are designed such that losses are covered by excess spread generated from the assets within the trust before the investment notes are impaired.

Notes to the Consolidated Financial Statements

Risk (for the year ended 30 June 2019)

21.6.6. Credit Risk Concentrations

An analysis of the Group's credit risk concentrations on loans and advances is provided in the following table. The amounts in the table represent gross carrying amounts:

Loans and advances at amortised cost	FY19 $'000	FY18 $'000
Concentration by region		
Queensland	**1,669,597**	1,420,071
New South Wales	**3,995,742**	3,460,733
Victoria	**2,854,342**	2,239,659
South Australia	**455,629**	337,944
Western Australia	**775,892**	704,333
Tasmania	**74,682**	64,072
Northern Territory	**40,030**	37,184
New Zealand	**471,106**	355,509
Total	**10,337,020**	8,619,505

21.6.7. Analysis of Loans & Advances by Past Due Status

Under the Group's monitoring procedures, a significant increase in credit risk is identified before the exposure has defaulted and at the latest when exposure becomes 30 days past due. The table below provides an analysis of the gross carrying amount of loans and advances by past due status that are over 30 days past due.

Loans and advances at amortised cost[1]	FY19 $'000	FY18 $'000
Concentration by region		
0 days and less than 30 days	**10,242,482**	8,538,202
30 days and less than 60 days	**39,805**	32,052
60 days and less than 90 days	**11,995**	13,753
90 days and less than 180 days	**14,151**	15,430
180 days and less than 270 days	**6,538**	6,662
270 days and less than 365 days	**3,983**	2,970
365 days and over	**18,066**	10,436
Total	**10,337,020**	8,619,505

1 Includes loans that are collectively and specifically provided for

Collateral Held

The value of the collateral held as security for loans in stage 2 and stage 3 collective at 30 June 2019 is $102.4 million (The value of collateral held as security for loans past due but not impaired at 30 Jun 2018: $94.9 million).

The value of the collateral held as security for loans in stage 3 specific loans at 30 June 2019 is $19.8 million (The value of collateral held as security for impaired loans at 30 Jun 2018: $13.1 million).

Loans are secured by the Group by having the property titles registered as a financial interest that provide the Group first priority over any proceeds becoming available from the sale of the property. For Prime insured loans, LMI policies exist to cover 100% of the principal amount at default plus interest.

21.7. Liquidity Risk Management

Ultimate responsibility for liquidity risk management rests with the board of directors, which has established an appropriate liquidity risk management framework for the management of the Group's short, medium and long-term funding and liquidity management requirements.

The Group's funding platform currently comprises a mix of:

- warehouse facilities;
- term securitisation;
- a secured corporate debt facility; and
- cash.

The majority of the Group's liabilities represent bonds issued by special purpose trusts through warehouse facilities and term securitisation transactions. Under such arrangements, bondholder recourse is limited to the assets of the relevant special purpose trust to which the liability relates and the repayment profile of the bonds is matched to the repayments collected from the loan assets. Given the limited recourse nature of these borrowings, $10.23 billion at 30 June 2019 (FY18: $8.52 billion), they have not all been included in the table below.

The Group manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities, by continuously monitoring forecast and actual cash flows, and by matching the maturity profiles of financial assets and liabilities.

Note 21.7 below sets out details of additional undrawn facilities that the Group has at its disposal to further reduce liquidity risk.

21.7.1. Liquidity Risk Tables

The following table shows the Group's remaining expected maturity for its non-derivative financial liabilities with agreed repayment periods. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay and hence will not necessarily reconcile with the amounts disclosed in the statement of financial position.

The tables include both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from interest rate curves at the end of the reporting period. The contractual maturity is based on the earliest date on which the Group may be required to pay.

Notes to the Consolidated Financial Statements

Risk (for the year ended 30 June 2019)

Financial liabilities	<6 months or on demand $'000	6-12 months $'000	1-3 years $'000	3-5 years $'000	>5 years $'000	Total cash flows $'000	Carrying amount $'000
FY19							
Non-derivatives							
Trade and other payables	**25,294**	**-**	**-**	**-**	**-**	**25,294**	**25,294**
Interest-bearing liabilities							
▪ Corporate debt facility	**86**	**30,000**	**-**	**-**	**-**	**30,086**	**30,000**
▪ Issuance facilities	**-**	**-**	**-**	**186,051**	**-**	**186,051**	**186,051**
▪ Loans from related parties	**-**	**2,400**	**-**	**-**	**-**	**2,400**	**2,400**
Present value of future trail commissions payable	**3,806**	**3,043**	**8,277**	**3,951**	**3,824**	**22,901**	**22,901**
	29,186	**35,443**	**8,277**	**190,002**	**3,824**	**266,732**	**266,646**
Derivatives	**1,565**	**-**	**-**	**-**	**-**	**1,565**	**1,565**
	30,751	**35,443**	**8,277**	**190,002**	**3,824**	**268,297**	**268,211**
FY18[1]							
Non-derivatives							
Trade and other payables	43,572	-	-	-	-	43,572	43,572
Interest-bearing liabilities							
▪ Corporate debt facility	68	24,000	-	-	-	24,068	24,000
▪ Issuance facilities	-	-	-	172,639	-	172,639	172,639
▪ Loans from related parties	-	2,400	-	-	-	2,400	2,400
Lease liability	-	252	-	-	-	252	252
Present value of future trail commissions payable	4,574	3,998	11,194	5,911	6,693	32,370	27,848
	48,214	30,650	11,194	178,550	6,693	275,301	270,711
Derivatives	549	-	-	-	-	549	549
	48,763	30,650	11,194	178,550	6,693	275,850	271,260

1 Consistent with FY19, the above FY18 table does not contain cashflows relating to debt securities on issue in SPVs and amount owing in warehouse facilities as they are limited recourse and there is no corporate guarantee on these cashflows.

21.7.2. Financing Facilities

Secured corporate debt facility which may be extended by mutual agreement	FY19 $'000	FY18 $'000
▪ Amount used	**30,000**	24,000
▪ Amount unused	**10,000**	2,000
	40,000	26,000

21.8. Other Risk

21.8.1. Run-off risk – Present value of future trail commissions receivable and payable

21.8.1.1 Exposure to run-off risk

The Group will incur financial (loss)/gain if a loan from a customer or counterparties is prepaid, redrawn or discharged earlier or later than expected. A change in the pattern of the run-off rate will have an impact on the future trail commissions receivable and payable.

21.8.1.2 Sensitivity analysis

Management engaged the use of actuaries for the purposes of reviewing the run-off rate of the loans under management. Management does not expect the run-off rate to change in excess of 10% positive or 10% negative of the rates revealed from the actuarial analysis.

The change estimate is calculated based on historical movements of the run-off rate.

The effect from changes in run-off rates, with all other variables held constant, is as follows:

Impact on profit and equity	FY19 $'000	FY18 $'000
Run-off rate + 10%	**(2,541)**	**(2,640)**
Run-off rate - 10%	**2,764**	**3,039**

Notes to the Consolidated Financial Statements

Group Structure
for the year ended 30 June 2019

22. Subsidiaries

Details of the Group's subsidiaries at the end of the reporting period are as follows.

Proportion of ownership interest held and voting power held by the Group

Name of subsidiary	Principal activity	Place of incorporation and operation	FY19 %	FY18 %
Controlled Companies				
Access Network Management Pty Ltd	Mortgage manager	Australia	100	100
Auspack Financial Services Pty Ltd	Mortgage broker	Australia	100	100
Barnes Mortgage Management Pty Ltd	Mortgage originator and manager	Australia	100	100
Clarence Street Finance Pty Ltd	Holder of commission agreements	Australia	100	100
Clarence Street Funding No.1 Pty Ltd	Special purpose vehicle	Australia	99.9	99.9
Clarence Street Funding No.2 Pty Ltd	Participation unit holder	Australia	100	100
Clarence Street Funding No.3 Pty Ltd	Special purpose vehicle	Australia	100	100
Clarence Street Funding No.4 Pty Ltd	Special purpose vehicle	Australia	100	100
Clarence Street Funding No.6 Pty Ltd	Special purpose vehicle	Australia	100	100
Clarence Street Funding No.7 Pty Ltd	Special purpose vehicle	Australia	100	100
FAI First Mortgage Pty Ltd	Trust manager	Australia	100	100
Homeloans Pty Ltd[1]	Mortgage lender	Australia	100	100
Housing Financial Services Pty Ltd	Mortgage originator	Australia	100	100
Independent Mortgage Corporation Pty Ltd	Mortgage broker	Australia	100	100
Just Drive Pty Ltd[2]	Fleet provider	Australia	-	100
Parnell Road Funding No.1 Limited[3]	Special purpose vehicle	New Zealand	100	-
Parnell Road Funding No.2 Limited[3]	Special purpose vehicle	New Zealand	100	-
Paywise Pty Ltd[2]	Salary packaging provider	Australia	-	100
Prime Insurance Group Limited	LMI captive insurer	Bermuda	100	100
RESIMAC Capital Markets Pty Ltd	Trust manager	Australia	100	100

1 State Custodians Pty Ltd changed its company name to Homeloans Pty Ltd on 28 November 2018
2 Sold 24 May 2019
3 Incorporated 12 April 2019.

Proportion of ownership interest held and voting power held by the Group

Name of subsidiary (continued)	Principal activity	Place of incorporation and operation	FY19 %	FY18 %
Controlled Companies				
RESIMAC Financial Services Limited	NZ Holding company	New Zealand	100	100
RESIMAC Financial Securities Limited	NZ Trust manager and servicer	New Zealand	100	100
RESIMAC Home Loans Ltd	NZ Lender of record	New Zealand	100	100
RESIMAC Limited	Non-bank lender	Australia	100	100
RESIMAC NZ Home Loans Ltd	NZ Holding company	New Zealand	100	100
Resimac Premier Warehouse Trust No.1 Pty LTD[4]	Unit Holder	Australia	-	-
RHG Mortgage Corporation Ltd[4]	Lender of record	Australia	-	-
RHG Mortgage Securities Pty Ltd (RMS)[4]	Mortgage trustee	Australia	-	-
The Servicing Company Pty Ltd	Trust servicer	Australia	100	100
0508 Home Loans Ltd	Dormant	New Zealand	100	100
0800 Home Loans Ltd	Dormant	New Zealand	100	100
Access Home Loans Pty Ltd	Dormant	Australia	100	100
Clarence St Funding No.5 Pty Ltd	Dormant	Australia	100	100
Fiduciary Services Pty Ltd	Dormant	Australia	100	100
HLL Pty Ltd	Dormant	Australia	100	100
Loan Packaging Australia Pty Ltd	Dormant	Australia	100	100
National Mutual Pty Ltd	Dormant	Australia	100	100
RESIMAC Financial Securitisation Ltd	Dormant	New Zealand	100	100
RESIMAC Financial Services Pty Ltd	Dormant	Australia	100	100
RESIMAC Leasing Pty Ltd	Dormant	Australia	100	100
RESIMAC (UK) Ltd	Dormant	United Kingdom	100	100
Controlled Trusts				
Avoca Master Trust	Issuer of RMBS	Australia	100	100
NZF Mortgages Warehouse A Trust	Warehouse mortgages	New Zealand	100	100
RESIMAC Bastille Master Trust	Issuer of RMBS	Australia	100	100
RESIMAC Triomphe Master Trust	Issuer of RMBS	Australia	100	100
RESIMAC Versailles Master Trust	Issuer of RMBS	New Zealand	100	100
RESIMAC Victoire Trust	Warehouse mortgages	New Zealand	100	100
RHG Mortgage Securities Trust	Issuer of RMBS	Australia	100	100
RMT Warehouse Trust No.2	Warehouse mortgages	Australia	100	100
RMT Securitisation Trust No.7	Issuer of RMBS	Australia	100	100
RESIMAC NIM Master Trust	Dormant	Australia	100	100

4 Ownership interest is 0% but Board control.

Notes to the Consolidated Financial Statements

Group Structure (for the year ended 30 June 2019)

Details of the sale of Paywise Pty Ltd[1]

Consideration received or receivable:	$'000
Cash	12,000
Deferred payment[2]	2,000
Total disposal consideration	14,000
Less: carrying amount of net assets sold	(896)
Gain on sale before income tax	13,104
Income tax expense	(2,323)
Gain on sale after income tax	**10,781**

The carrying assets and liabilities of Paywise business as at the date of sale were:

Cash and cash equivalent	9,994
Trade and other receivables	899
Other assets	1,609
Plant and equipment	164
Intangible assets	132
Deferred tax assets	210
Trade and other payables	(11,252)
Current tax payable	(448)
Provisions	(412)
Net assets	**896**

Special purpose entities – securitised trusts and funding warehouses

Special purpose entities are those entities over which the group has no ownership interest but in effect the substance of the relationship is such that the Group controls the entity so as to obtain the majority of the benefits from its operation.

The Group has established special purpose entities to support the specific funding needs of the Group's securitisation programme with the aim to:

- conduct securitisation activities funded by short term warehouse facilities provided by reputable lenders; and
- hold securitised assets and issue Residential Mortgage Backed Securities.

The special purpose entities meet the criteria of being controlled entities under AASB 10 – *Consolidated Financial Statements*.

1 On 24 May 2019, the Group sold its 100% equity stake in its wholly owned subsidiary Paywise Pty Limited for total cash consideration of $14 million in a management buyout agreement to Howjack Holdings Pty Ltd. Mr Michael Jefferies, an Independent Non-Executive Director of Resimac Group Ltd, holds a 24% shareholding in Howjack Holdings Pty Ltd. Mr Jefferies was excluded from all board discussions pertaining to the sale of Paywise.

2 Two deferred payments of $1,000,000 will be settled in cash on 30 April 2020 and 30 April 2021 respectively.

The elements indicating control include, but are not limited to, the below:

- the Group has existing rights that gives it the ability to direct relevant activities that significantly affect the special purpose entities' returns;
- the Group is exposed, and has rights, to variable returns from its involvement with the special purpose entities;
- the Group has all the residual interest in the special purpose entities;
- fees received by the Group from the special purpose entities vary on the performance, or non-performance of the securitised assets; and
- the Group has the ability to direct decision making accompanied by the objective of obtaining benefits from the special purpose entities' activities.

The Group continues to retain control over the financial assets, for which some but not substantially all the risks and rewards have been transferred to the warehouse facilities providers and the bondholders. The securitised assets and the corresponding liabilities are recorded in the statement of financial position and the interest earned and paid recognised in the consolidated statement of profit or loss.

23. Associates

	FY19 $'000	FY18 $'000
Investments in associates	-	-
	-	-
Gain on de-recognition of investment in associate	5,810	-
Total comprehensive income	**5,810**	**-**

Recognition & Measurement

23.1. Investment in associates

The Group's investments in its associates, being entities in which the Group has significant influence and are neither subsidiaries nor jointly controlled assets, are accounted for using the equity method. Under this method, the investment in associates is carried in the consolidated statement of financial position at cost plus post-acquisition changes in the Group's share of the associates' net assets. Goodwill relating to associates is included in the carrying amount of the investment and is not amortised. After application of the equity method, the Group determines whether it is necessary to recognise any additional impairment loss with respect to the Group's investment. The Group's income statement reflects the Group's share of the associate's result.

Where there has been a change recognised directly in the associate's equity, the Group recognises its share of any changes and discloses this in the consolidated statement of comprehensive income.

Where the reporting dates of the associates and the Group vary, management accounts of the associate for the period to the Group's balance sheet date are used for equity accounting. The associates' accounting policies are consistent with those used by the Group for like transactions and events in similar circumstances.

Notes to the Consolidated Financial Statements

Group Structure (for the year ended 30 June 2019)

23.2. Interests in Associates

Details of the Group's joint venture and associates at the end of the reporting period is as follows:

Name	Principal activity	Reporting date	Place of incorporation	FY19 %	FY18 %
Associate					
Finsure Holding Pty Ltd	Mortgage brokerage	30 June	Australia	-	**16.2**

As at 30 June 2018, the Group recognised its 16.2% interest in the Finsure Group as an investment in associate with a carrying amount of $nil.

On 17 September 2018, Finsure Holding Pty Limited merged with Goldfields Money Limited (ASX:GMY). The merger resulted in the Company's 16.24% interest in Finsure Holding Pty Limited being converted to 5.05% share in GMY, which is not an associate of the Group. At this time, the investment ceased to be accounted for using the equity method and a gain on de-recognition of the investment in associate of $5,810,000 was recognised, equal to the value of the shares held in GMY on the day of the Finsure/Goldfields merger.

On 20 March 2019, Goldfields Money Limited changed its company name to BNK Banking Corporation Limited (ASX:BBC), trading under the name of BNK Bank.

Notes to the Consolidated Financial Statements

Unrecognised Items for the year ended 30 June 2019

24. Commitments & Contingencies

	FY19 $'000	FY18 $'000
Group as lessee		
Operating and finance lease commitments		
Within one year	**2,155**	2,711
Greater than one year but not more than five years	**6,991**	7,939
Greater than five years	**1,134**	3,154
	10,280	13,804
Group as lessor		
Within one year	**622**	455
Greater than one year but not more than five years	**725**	508
	1,347	963

Recognition & Measurement

24.1. Lease Payments

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at inception date, whether fulfilment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset, even if that right is not explicitly specified in an arrangement.

Payments made under operating leases are recognised in the profit or loss on a straight line basis over the term of the lease. Lease incentives received are recognised as an integral part of the total lease expense, over the term of the lease.

Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

24.2. Capital Commitments

The directors were not aware of any capital commitments as at the end of the financial year or arising since balance date.

24.3. Contingent liabilities

Lease Guarantees

The Group has provided guarantees in respect of the leases over its premises of $931,921 (FY18: $1,965,223). The directors were not aware of any other contingent liabilities as at the end of the financial year or arising since balance date.

Notes to the Consolidated Financial Statements
Unrecognised Items (for the year ended 30 June 2019)

25. Subsequent Events

25.1. Final Dividend Declared

The Board of Resimac Group Ltd declared a fully-franked final dividend of $0.01 per share and a fully-franked one off special dividend of $0.005 per share. The Record Date is 6 September 2019. The payment date will be 30 September 2019. The dividend has not been provided for in this financial report.

Other than the above, there have been no circumstances arising since 30 June 2019 that have significantly affected or may significantly affect:

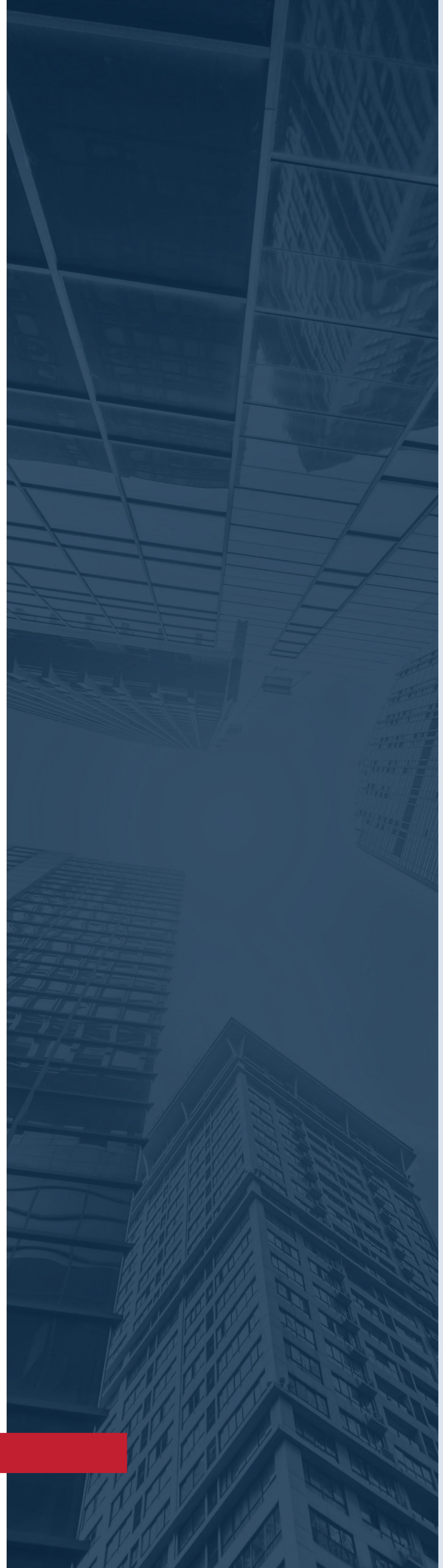
a) The operations

b) The results of those operations, or

c) The state of affairs of Group in future financial years.

25.2. Positive Group Investment

On 3 July 2019, the Company invested $3m for a 15% stake in Positive Group which specialises in asset finance solutions for consumers, and small business. Resimac holds an option to acquire a further 10%.



Notes to the Consolidated Financial Statements

Other
for the year ended 30 June 2019

26. Auditor's Remuneration

	FY19 $	FY18 $
Fees of the auditors of the company for:		
Deloitte Touche Tohmatsu		
Audit or review of the financial statements	1,003,079	798,128
	1,003,079	798,128
Non-assurance related services		
Tax compliance	-	133,827
Other advisory services	30,000	110,000
RMBS issuance services	227,000	259,000
	257,000	502,827
Total remuneration of Deloitte Touche Tohmatsu	1,260,079	1,300,955
KPMG Australia		
Non-assurance related services		
Tax compliance	265,200	-
Total remuneration of KPMG Australia	265,200	-

26.1. Non-Audit Services

The auditor of the Group is Deloitte Touche Tohmatsu (Deloitte). It is the Group's policy to employ Deloitte on assignments additional to its statutory audit duties, in compliance with the Group's independence policies, where Deloitte's expertise and experience with the Group are important.

The total non-audit services fees of $257,000 represents 20.4% of the total fees paid or payable to Deloitte and related practices for the year ended 30 June 2019.

Notes to the Consolidated Financial Statements

Other (for the year ended 30 June 2019)

27. Related Party Transactions

Balances and transactions between the Company and its subsidiaries, which are related parties of the Company, have been eliminated on consolidation and are not disclosed in this note. Details of transactions between the Group and other related parties are disclosed below.

Trading Transactions

During the year, Group entities entered into the following trading transactions with related parties that are not members of the Group:

	Revenue received		*Expenses paid*	
	FY19 $'000	**FY18 $'000**	**FY19 $'000**	**FY18 $'000**
Associates of Resimac Group Ltd[1]	**-**	-	**(2,836)**	(12,404)
Amounts incurred to Director's related entities[2]	**-**	-	**(267)**	(376)
	-	-	**(3,103)**	(12,780)

1 Broker commission and sponsorship fees paid to Finsure Group, who ceased as an associate of the Group effective 17 September 2018.

2 Interest paid on debt securities on issue to Bermuda Commercial Bank Limited. This interest rate is charged at market related terms.

Sales to related parties occur at arm's length on commercial terms in the ordinary course of business in accordance with the terms and conditions outlined in the relevant commercial agreements with each party.

The following balances were outstanding at the end of the reporting period:

	Amounts owed by related parties		*Amounts owed to related parties*	
	FY19 $'000	**FY18 $'000**	**FY19 $'000**	**FY18 $'000**
Other related parties of Resimac Group Ltd[1]	**5,381**	6,427	**-**	-
Amounts owing to Director's related entities[2]	**-**	-	**2,400**	2,400
	5,381	6,427	**2,400**	2,400

1 Includes residential mortgages to KMP or related parties lent in ordinary course of business at arm's lengths.

2 Debt securities on issue to Bermuda Commercial Bank Limited. Terms on this instrument are market related.

Amounts owed by related parties are secured and will be settled in cash. No guarantees have been given or received. No expense has been recognised in the current or prior years for bad or doubtful debts in respect of the amount owed by related parties.

Amounts owed to related parties are debt securities on issue, where the Group provides a related party performance guarantee in respect of timely payment of interest and principal.

Disposal of fully owned subsidiary Paywise

On 24 May 2019, the Group sold its 100% equity stake in its wholly owned subsidiary Paywise Pty Limited for total cash consideration of $14 million in a management buyout agreement to Howjack Holdings Pty Ltd. Mr Michael Jefferies, an Independent Non-Executive Director of Resimac Group Ltd, holds a 24% shareholding in Howjack Holdings Pty Ltd. Mr Jefferies was excluded from all board discussions pertaining to the sale of Paywise.

27.1. Compensation of KMP

The remuneration disclosures of directors and other members of KMP during the year are provided in sections one to nine of the remuneration report on pages 22 to 33 of this financial report designated as audited and forming part of the directors' report.

The remuneration disclosures is for Resimac KMP only as presented in the Remuneration report.

KMP compensation	**FY19 $'000**	**FY18 $'000**
Short-term benefits	**1,749,279**	**1,519,339**
Post-employment benefits	**77,138**	**72,451**
Long-term benefits	**77,702**	**13,024**
Termination benefits	**302,058**	**213,350**
Share-based payments	**44,882**	**43,334**
	2,251,059	**1,861,498**

The remuneration of directors and KMP is determined by the Remuneration and Nomination Committee having regard to the performance of individuals and market trends.

Notes to the Consolidated Financial Statements

Other (for the year ended 30 June 2019)

28. Parent Disclosures

The parent company of the Group, as at and throughout the financial year ended 30 June 2019, was Resimac Group Ltd.

Presented below is supplementary information about the parent entity.

Statement of Financial Position	FY19 $'000	FY18 $'000
Assets		
Current	**28,175**	25,410
Non-current	**188,475**	183,240
	216,650	208,650
Liabilities		
Current	**13,841**	26,545
Non-current	**47,462**	29,213
	61,303	55,758
Net Assets	**155,347**	152,892
Equity		
Issued capital	**180,545**	177,338
Reserves	**88**	539
Accumulated losses	**(25,286)**	(24,985)
	155,347	152,892
Attributable to members of the parent		
Profit after tax	**6,797**	532
Total comprehensive income for the period	**6,797**	532

28.1. Guarantees, Contingent Liabilities & Contingent Assets

At 30 June 2019, there are no financial guarantees, contingent assets or contingent liabilities (FY18: nil).

28.2. Accounting Policies

The accounting policies of the parent entity, which have been applied in determining the financial information shown above, are the same as those applied in the consolidated financial statements except as set out above. The significant accounting policies relating to the Group are used throughout this financial report.

29. Share-Based Payments

29.1. Employee Share Option Plan of the Company

The Company has a share option scheme (pursuant to the Resimac Group Employee Share Option and Rights Plan) for senior employees of the Company. In accordance with the terms of the Plan, as approved by shareholders at the 2017 Annual General Meeting, senior employees may be granted options to purchase ordinary shares.

Each employee share option converts into one ordinary share of the Company on exercise. No amounts are paid or payable by the recipient on receipt of the option. The options carry neither rights to dividends nor voting rights. Options may be exercised at any time from the date of vesting to the date of their expiry.

The following share-based payment arrangements were in existence during the current year:

	LTI Tenure
Grant date	**18 August 2017**
Options granted (number)	**1,800,000**
Expiry date	
▪ Tranche 1	**30 June 2021**
▪ Tranche 2	**30 June 2022**
▪ Tranche 3	**30 June 2023**
Exercise price	**$0.55**
Fair value at grant date	
▪ Tranche 1	**$0.07**
▪ Tranche 2	**$0.08**
▪ Tranche 3	**$0.09**

The sole vesting condition of the options is that the employees remain employed with the Company to the respective vesting date associated with each tranche.

All options vest within 12 months, 24 months and 36 months of respective grant date associated with each tranche. The options expire within thirty six months (36) of their vesting, or one month after the resignation of the senior employee, whichever is the earlier.

Notes to the Consolidated Financial Statements

Other (for the year ended 30 June 2019)

29.2. Fair Value of Options

The primary valuation approach we have considered for the valuations is the Black-Scholes method, which entails the determination of the value of the options using comparable market equivalent information. In determining the fair value of each of the share options, a number of statistical and probability based calculations have been considered.

The following table lists the inputs to the model used:

	2019 LTI		
Inputs into the model	**Tranche 1**	**Tranche 2**	**Tranche 3**
Grant date share price ($)	$0.47	$0.47	$0.47
Exercise price	$0.55	$0.55	$0.55
Term	3.9 years	4.9 years	5.9 years
Annual volatility	30-35%	30-35%	30-35%
Risk-free interest rate	2.00%	2.15%	2.26%
Dividend yield	3.23%	3.23%	3.23%
Call option value	$0.06-$0.08	$0.07-$0.09	$0.08-$0.10
Issued options	600,000	600,000	600,000

29.3. Movements in Share Options During the Year

The following reconciles the share options outstanding at the beginning and the end of the year:

	Number of options #	Weighted average fair value $
Balance at 1 July 2018	1,800,000	0.08
Vested during the year	(600,000)	0.07
Balance at 30 June 2019	1,200,000	0.09

29.4. Share Options Exercised During the Year

There were no shares exercised during the year.

29.5. Detail of Share Options Held

The following table details the share options held at 30 June 2019:

Type of plan	Number of options #	Grant date	Vesting date	Expiry date	Exercise price $	Call option value $	Share price at grant date $
Tenure							
McWilliam, Scott	300,000	18 August 2017	1 July 2018	30 June 2021	0.55	0.07	0.47
McWilliam, Scott	300,000	18 August 2017	1 July 2019	30 June 2022	0.55	0.08	0.47
McWilliam, Scott	300,000	18 August 2017	1 July 2020	30 June 2023	0.55	0.09	0.47
	900,000						
Ploughman, Mary	300,000	18 August 2017	1 July 2018	17 July 2020	0.55	0.07	0.47
Ploughman, Mary	300,000	18 August 2017	1 July 2019	17 July 2020	0.55	0.08	0.47
Ploughman, Mary	300,000	18 August 2017	Expired	Expired	0.55	0.09	0.47
	900,000						
Total options held	**1,800,000**						

On 17 July 2019, the tranche 3 shares for Mary Ploughman expired due to her cessation of employment on 17 July 2019. The expiry dates of her tranche 1 and 2 have been revised to 17 July 2020 as the Board exercised Special Circumstances.

30. Other Accounting Policies

30.1. Application of New & Revised Accounting Standards

a) New and amended standards adopted by the Group

The Group has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (the AASB) that are relevant to its operations and effective for an accounting period that begins on or after 1 July 2018.

New and revised Standards and amendments thereof and Interpretations effective for the current year that are relevant to the Group include:

- AASB 9 *Financial Instruments* and related amending Standards
- AASB 15 *Revenue from Contracts with Customers* and related amending Standards

Notes to the Consolidated Financial Statements

Other (for the year ended 30 June 2019)

(i) AASB 9 *Financial Instruments*

In the current year, the Group has applied AASB 9 *Financial Instruments* (as amended) and the related consequential amendments to other Accounting Standards that are effective for an annual reporting period that begins on or after 1 July 2018. The Group has taken the exemption to not restate comparative information for prior periods with respect to classification and measurement (including impairment) requirements. Differences in the carrying amounts of financial assets and financial liabilities resulting from the adoption of AASB 9 are recognised in retained earnings and reserves as at 1 July 2018.

Additionally, the Group adopted consequential amendments to AASB 7 *Financial Instruments: Disclosures* that were applied to the disclosures about the financial year ended 30 June 2019 and to the comparative period.

AASB 9 introduced new requirement for:

- The classification and measurement of financial assets and liabilities
- Impairment of financial assets, and
- General hedge accounting.

Details of these new requirements as well as their impact on the Group's consolidated financial statements are described below.

Classification and Measurement of Financial Assets

AASB 9 replaces the classification and measurement model in AASB 139 with a new model that categories financial assets based on:

1) the business model within which the assets are managed; and

2) the contractual terms of the financial asset give rise on specified dates to cash flows that meet the SPPI requirements.

AASB 9 contains three principal classification categories for financial assets: measured at amortised cost, FVOCI and FVTPL. AASB 9 eliminates the previous AASB 139 categories of held to maturity, loans and receivables and available for sale.

Classification and Measurement of Financial Liabilities

AASB 9 largely retains the existing requirements in AASB 139 for the classification and measurement of financial liabilities. One major change introduced by AASB 9 in the classification and measurement of financial liabilities relates to accounting for changes in the fair value of a financial liability designated as at FVTPL attributable to changes in the credit risk of the issuer.

Specifically, AASB 9 requires that the changes in the fair value of the financial liability that is attributable to the changes in the credit risk of that liability be presented in other comprehensive income unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to financial liability's credit risk are not subsequently reclassified to profit or loss, but are instead transferred to retained earnings when the financial liability is derecognised. Previously, under AASB 139, the entire amount of the change in the fair value of the financial liability designated as at FVTPL was presented in profit or loss.

The Group has reviewed and assessed existing financial assets as at 1 July 2018 based on the facts and circumstances that existed at that date and concluded that the initial application does not have a significant effect on the Group's financial assets as regards their classification and measurement:

- Financial assets classified as held-to-maturity and loans and receivables under AASB 139 that were measured at amortised cost continue to be measured at amortised cost under AASB 9 as they are held within a business model whose objective is to collect the contractual cash flows and they have contractual cash flows that are solely payments of principal and interest on the principal amount outstanding
- Present value of trail commission receivable was classified as loans and receivables under AASB 139 has been accounted for as contract assets under AASB 15 until such time that the right to consideration is considered to be unconditional.
- Present value of trail commission payable is not affected by the adoption of AASB 15. This will continue to be measured at amortised cost under AASB 9.

The table below shows the classification of each class of financial asset and liability under AASB 139 and AASB 9 as at 1 July 2018.

				Carrying Amount $'000	
AT 1 JULY 2018	**Note**	**Original Classification under AASB 139**	**New Classification under AASB 9**	**Original Carrying Amount under AASB 139**	**New Carrying Amount under AASB 9**
Financial Assets					
Cash and cash equivalents		Loans and receivables	Amortised cost	198,905	198,905
Loans and advances	(a)	Loans and receivables	Amortised cost	8,633,613	8,633,613
Present value of trail commission receivable	(b)	Loans and receivables	Contract asset (expected value method) under AASB 15	57,160	57,160
Trade and other receivables	(c)	Loans and receivables	Amortised cost	7,265	7,265
Short-term investment	(d)	Held to maturity	Amortised cost	260	260
Derivative financial assets	(e)	Fair value - hedging instrument	Fair value - hedging instrument	43,596	43,596
Total financial assets				**8,940,799**	**8,940,799**
Financial Liabilities					
Interest-bearing liabilities	(f)	Other financial liabilities	Other financial liabilities	8,717,111	8,717,111
Present value of trail commission payable	(g)	Other financial liabilities	Other financial liabilities	27,848	27,848
Trade and other payables	(h)	Other financial liabilities	Amortised cost	43,572	43,572
Derivative financial liabilities	(i)	Fair value - hedging instrument	Fair value - hedging instrument	549	549
Total financial liabilities				**8,789,080**	**8,789,080**

Notes to the Consolidated Financial Statements

Other (for the year ended 30 June 2019)

a. Loans and advances are held under a business model to collect the contractual cash flows, which consist solely payments of principal and interest, and as such will continue to be measured at amortised cost under AASB 9
b. Refer to separate AASB 15 disclosure on page 116 onwards
c. Trade receivables that were classified as loans and receivables under AASB 139 are held under a business model to collect the contractual cash flows and as such will continue to be measured at amortised cost under AASB 9. Management do not believe that AASB 9 adoption will impact on the trade receivables balance
d. Term deposit measured at amortised cost with fixed or determinable payments and fixed maturity date, which the Group has the positive intent and ability to hold to maturity. This deposit is held under a business model to collect the contractual cash flows and as such will continue to be measured at amortised cost under AASB 9
e. Derivatives are initially measured at fair value. Subsequent to initial recognition, changes in fair value associated with the effective portion of a cash flow hedge are recognised through other comprehensive income
f. Interest bearing borrowings will continue to be measured at amortised cost under AASB 9
g. Trail commission payables will not be impacted by AASB 9 and will remain a financial liability measured at amortised cost
h. Trade payables that were classified as financial liabilities under AASB 139 continue to be measured at amortised cost. Management do not believe that AASB 9 adoption will impact on the trade payables balance
i. Derivatives are initially measured at fair value. Subsequent to initial recognition, changes in fair value associated with the effective portion of a cash flow hedge are recognised through other comprehensive income. Management do not believe that AASB 9 adoption will impact on this balance.

Impairment of Financial Assets

In relation to the impairment of financial assets, AASB 9 requires an expected credit loss model as opposed to an incurred credit loss model under AASB 139. The expected credit loss model requires the Group to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition of the financial assets. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised. The impairment requirements apply to financial assets measured at amortised cost and FVTOCI, and amounts receivable from contracts with customers as defined in AASB 15.

In particular, AASB 9 requires the Group to measure the loss allowance for a financial instrument at an amount equal to the lifetime expected credit loss (ECL) if the credit risk on that financial instrument has increased significantly since initial recognition, or if the financial instrument is a purchased or originated credit-impaired financial asset. However, if the credit risk on a financial instrument has not increased significantly since initial recognition (except for a purchased or originated credit-impaired financial asset), the Group is required to measure the loss allowance for that financial instrument at an amount equal to 12-month ECL. AASB 9 also requires a simplified approach for measuring that loss allowance at an amount equal to lifetime ECL for trade receivables, contract assets and lease receivables in circumstances.

The Group has reviewed and assessed the Group's existing financial assets for impairment in accordance with the requirement of AASB 9 to determine the credit risk of the respective item at the date they were initially recognised, and compared that to the credit risk as at 1 July 2018.

The result of the assessment and expected additional impairment allowance are as follows:

Financial Assets that are Subject to Impairment Provisions of AASB 9	Credit Risk Attributes	$'000
Loss allowance at 30 June 2018 under AASB 139		6,594
Cash and cash equivalents	(a)	-
Restricted cash	(a)	-
Loans and advances	(b)	7,422
Present value of trail commission receivable	(c)	-
Trade and other receivables	(d)	-
Short-term investment	(a)	-
Loss allowance at 1 July 2018 under AASB 9		**14,016**

a. All bank balances and short-term investments are assessed to have low credit risk as at reporting date as they are held with reputable banking institutions. The 12 month ECL has been assessed as immaterial and no provision has been recognised
b. The Group has applied the three stage model based on the change in credit risk since initial recognition to determine the loss allowances of loans and advances under AASB 9. The new standard uses "forward-looking" information to recognise credit losses leading to an entity's requirement to estimate "expected losses" considering a broader range of information, including:
   - past events (such as experience of historical losses);
   - current conditions; and
   - reasonable and supportable forecasts that affect the expected collectability of the future cash flows.
c. The trail commission receivable is recognised as a contract asset under AASB 15. As the counterparties are reputable financial institutions, the simplified method has been applied with insignificant expected credit losses
d. The Group applies the simplified approach and recognises lifetime ECL for these assets. Due to the short term nature and credit risk of the counterparties, the ECL has been assessed as immaterial and no provision has been recognised.

As permitted by AASB 9, the Group has not restated its comparative financial statements and has recorded a transition adjustment to its opening retained earnings as at 1 July 2018 with the following impact:

	Effect on Retained Earnings $'000
Opening balance: AASB 139 - 1 July 2018	**49,937**
Decrease in P&L from increase in collective provision before tax	(7,422)
Impact before tax effect	**(7,422)**
Tax effect of the above	2,209
Total impact	(5,213)
Opening balance: AASB 9 - 1 July 2018	**44,724**

Additional information about how the Group measures the allowance for impairment is described in Note 20.

Notes to the Consolidated Financial Statements

Other (for the year ended 30 June 2019)

Hedging

The new general hedge accounting requirements retain the three types of hedge accounting. However, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify for hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the effectiveness test has been overhauled and replaced with the principle of an 'economic relationship'. Retrospective assessment of hedge effectiveness is also no longer required. Enhanced disclosure requirements about the Group's risk management activities have been introduced.

AASB 9 requires hedging gains and losses to be recognised as an adjustment to the initial carrying amount of non-financial hedged items (basis adjustment). In addition, transfers from the hedging reserve to the initial carrying amount of the hedged item are not reclassification adjustments under AASB 101 *Presentation of Financial Statements* and hence they do not affect other comprehensive income. Hedging gains and losses subject to basis adjustments are categorised as amounts that will not be subsequently reclassified to profit or loss in other comprehensive income. This is consistent with the Group's practice prior to the adoption of AASB 9.

In accordance with AASB 9's transition provisions for hedge accounting, the Group has applied the AASB 9 hedge accounting requirements prospectively from the date of initial application on 1 July 2018. The Group's qualifying hedging relationships in place as at 1 July 2018 also qualified for hedge accounting in accordance with AASB 9 and were therefore regarded as continuing hedging relationships. No rebalancing of any of the hedging relationships was necessary on 1 July 2018. As the critical terms of the hedging instruments match those of their corresponding hedged items, all hedging relationships continue to be effective under AASB 9's effectiveness assessment requirements. The Group has also not designated any hedging relationships under AASB 9 that would not have met the qualifying hedge accounting criteria under AASB 139. Hence there will be no impact on hedge accounting upon the application and adoption of AASB 9 on 1 July 2018.

(ii) AASB 15 *Revenue from contracts with customers*

In the current year, the Group has applied AASB 15 *Revenue from Contracts with Customers* (as amended) which is effective for an annual period that begins on or after 1 July 2018. AASB 15 introduces a 5-step approach to revenue recognition and more prescriptive guidance to deal with specific scenarios.

AASB 15 replaces all the previous guidance on revenue recognition from contracts with customers. It requires the identification of performance obligations within a customer contract and a transaction price allocated to these obligations. Revenue is recognised upon satisfying these performance obligations. The key judgements in applying AASB 15 include the timing and amount of receivable consideration to be recognised in relation to commission from white label providers.

The Group recognises future trail commission payable for consideration received in respect of unsatisfied performance obligations and reports these amounts as other liabilities in the statement of financial position. Similarly, if the Group satisfies a performance obligation before it receives the consideration, the Group recognises either a contract asset or a receivable in its statement of financial position, depending on whether something other than the passage of time is required before the consideration is due.

The Group has assessed the revenue streams existing at transition. Based on this assessment, the primary impacts from the adoption of AASB 15 are:

- Trail commissions: trail commission receivable will be classified as a "contract asset". The Group will continue to recognise the NPV of expected future trail commission revenue in line with the highly probable test in AASB 15. These presentation changes will not have a material impact on the Group's net profit and retained earnings.

The Group has adopted AASB 15 using the cumulative effective method (without practical expedients), with the effect of initially applying this standard at the date of initial application (i.e. 1 July 2018). Accordingly, comparative periods have not been restated.

The Group's detailed revenue accounting policies are outlined in Note 1. The application of AASB 15 has not had a significant impact on the financial statements of the Group. The following table summarise the impacts of adoption AASB 15 on the Group's statement of financial position at the date of initial application (1 July 2018):

	AASB 118 & AASB 139 carrying amount 30 June 2018 $'000	AASB 15 Reclassification $'000	AASB 15 Remeasurements $'000	AASB 15 carrying amount 1 July 2018 ($'000)
Assets				
Contract assets [a]	-	57,160	-	57,160
Other financial assets[a]	57,420	(57,160)	-	260
Equity				
Retained earnings	49,937	-	-	49,937

(a) The Group have changed the presentation of contract assets in relation to trail commission receivable in the statement of financial position to reflect the requirements of AASB 15. This has no impact on the statement of comprehensive income.

b) New and revised accounting standards and interpretations on issue but not yet effective

Certain new accounting standards and interpretations have been published that are not effective for the 30 June 2019 reporting period and have not been early adopted by the Group.

Standard/amendment	Effective for annual reporting periods beginning on or after
AASB 16 *Leases*	1 January 2019
AASB 2017-6 *Amendments to Australian Accounting Standards – Prepayment Features with Negative Compensation*	1 January 2019
AASB 2018-1 *Amendments to Australian Accounting Standards – Annual Improvements 2015 – 2017 Cycle*	1 January 2019
AASB 2018-3 *Amendments to Australian Accounting Standards – Reduced Disclosure Requirement*	1 January 2019
AASB 2018-6 *Amendments to Australian Accounting Standards – Definition of a Business*	1 January 2020
AASB 2018-7 *Amendments to Australian Accounting Standards – Definition of Material*	1 January 2020
AASB 2019-1 *Amendments to Australian Accounting Standards – References to the Conceptual Framework*	1 January 2020
Interpretation 23 *Uncertainty over Income Tax Treatments*	1 January 2019

Notes to the Consolidated Financial Statements

Other (for the year ended 30 June 2019)

The Group's assessment of the impact of these new standards and interpretations is set out below.

AASB 16 *Leases*

General Impact of Application

AASB 16 provides a comprehensive model for the identification of lease arrangements and their treatment in the financial statements for both lessors and lessees. AASB 16 will supersede the current lease guidance including AASB 117 *Leases* and the related Interpretations when it becomes effective for accounting periods beginning on or after 1 January 2019. The date of initial application of AASB 16 for the Group will be 1 July 2019.

The Group intends to apply the simplified transition approach and will not restate comparative amounts for the year prior to first adoption.

In contrast to lessee accounting, AASB 16 substantially carries forward the lessor accounting requirements in AASB 117.

Impact of the New Definition of a Lease

The Group will make use of the practical expedient available on transition to AASB 16 not to reassess whether a contract is or contains a lease. Accordingly, the definition of a lease in accordance with AASB 117 and Interpretation 4 will continue to apply to those leases entered or modified before 1 July 2019.

The change in definition of a lease mainly relates to the concept of control. AASB 16 distinguishes between lease and service contracts on the basis of whether the use of an identified asset is controlled by the customer. Control is considered to exist if the customer has:

- The right to obtain substantially all of the economic benefits from the use of an identified asset, and
- The right to direct the use of that asset

The Group will apply the definition of a lease and related guidance set out in AASB 16 to all lease contracts entered into or modified on or after 1 July 2019 (whether it is a lessor or a lessee in the lease contract). In preparation for the first-time application of AASB 16, the Group has carried out the assessment which has shown that the new definition in AASB 16 will not change significantly the scope of contracts that meet the definition of a lease for the Group.

Impact on Lessee Accounting

AASB 16 will change how the Group accounts for leases previously classified as operating leases under AASB 117, which were off-balance sheet.

On initial application of AASB 16, for all leases (except as noted below), the Group will:

- Recognise right-of-use assets and lease liabilities in the consolidated statement of financial position, initially measured at the present value of the future lease payments;
- Recognise depreciation of right-of-use assets and interest on lease liabilities in the consolidated statement of profit or loss;
- Separate the total amount of cash paid into a principal portion (presented within financing activities) and interest (presented within operating activities) in the consolidated cash flow statement.

Lease incentives (e.g. rent-free period) will be recognised as part of the measurement of the right-of-use assets and lease liabilities whereas under AASB 117 they resulted in the recognition of a lease liability incentive, amortised as a reduction of rental expenses on a straight-line basis.

For short-term leases (lease term of 12 months or less) and leases of low-value assets, the Group will opt to recognise a lease expense on a straight-line basis as permitted by AASB 16.

Under AASB 16, right-of-use assets will be tested for impairment in accordance with AASB 136 *Impairment of Assets*. This will replace the previous requirement to recognise a provision for onerous lease contracts.

The Group has assessed the existing leases in accordance with the requirements of AASB 16 and a preliminary assessment indicates the Group will recognise a right-of-use asset of AUD$8.4m and a corresponding lease liability of AUD$8.8m in respect of all these leases. The impact on profit or loss is to decrease other expense by AUD$2.1m, to increase depreciation by AUD$1.8m and to increase interest expense by AUD$0.5m.

Under AASB 117, all lease payments on operating leases are presented as part of cash flows from operating activities. The impact of the changes under AASB 16 would be to reduce the cash generated by operating activities by AUD$1.4m and to increase net cash in financing activities by the same amount.

AASB 2017-6 *Amendments to Australian Accounting Standards - Prepayment Features with Negative Compensation*

The amendments to AASB 9 clarify that for the purpose of assessing whether a prepayment feature meets the SPPI condition, the party exercising the option may pay or receive reasonable compensation for the prepayment irrespective of the reason for prepayment. In other words, prepayment features with negative compensation do not automatically fail SPPI.

The amendment applies to annual periods beginning on or after 1 July 2019, with earlier application permitted. There are specific transition provisions depending on when the amendments are first applied, relative to the initial application of AASB 9.

The application of Amendment to AASB 9 will become mandatory for the Group's financial statements for the year ending 30 June 2020. The impact of the new standard on the Group's financial statements has not yet been determined.

AASB 2018-1 *Amendments to Australian Accounting standards – Annual Improvements 2015 – 2017 Cycle*

The Annual Improvements include amendments to following accounting standards that are applicable to the Group:

AASB 112 *Income Taxes*

The amendment clarify that an entity should recognise the income tax consequences of dividends in profit or loss, other comprehensive income or equity according to where the entity originally recognised the transactions that generated the distributable profits.

AASB 123 *Borrowing Costs*

The amendment clarify that if any specific borrowing remains outstanding after the related asset is ready for its intended use or sale, that borrowing becomes part of the funds that an entity borrows generally when calculating the capitalisation rate on general borrowing.

All the amendments are effective for annual reporting periods beginning on or after 1 July 2019 and generally require prospective application. Earlier application is permitted.

The Group does not anticipate that the application of the amendments in the future will have an impact on the Group's consolidated financial statements.

Notes to the Consolidated Financial Statements

Other (for the year ended 30 June 2019)

AASB 2018-3 *Amendments to Australian Accounting Standards – Reduced Disclosure Requirements*

Amends AASB 16 *Leases* and AASB 1058 *Income for Not-for-Profit Entities* to establish Reduced Disclosure Requirements for entities preparing general purpose statements under Australian Accounting Standards – Reduced Disclosure Requirements. The amendments applied for annual periods beginning on or after 1 January 2019.

As the Group's financial statements are 'Tier 1' general purpose financial statements, the Group does not anticipate that the application of the amendments in the future will have an impact on the Group's consolidated financial statements.

AASB 2018-6 *Amendments to Australian Accounting Standards – Definition of a Business*

Amends AASB 3 *Business Combinations* to clarify the definition of a business, with the objective of assisting entities to determine whether a transaction should be accounted for as a business combination or as an asset acquisition.

The amendments:

- Clarify that to be considered a business, an acquired set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs
- Remove the assessment of whether market participants are capable of replacing any missing inputs or processes and continuing to produce outputs
- Add guidance and illustrative examples to help entities assess whether a substantive process has been acquired
- Narrow the definitions of a business and outputs by focusing on goods and services provided to customers and by removing the reference to an ability to reduce costs
- Add an optional concentration test that permits a simplified assessment of whether an acquired set of activities and assets is not a business

This Standard applies to annual reporting periods on or after 1 January 2020. The Group does not anticipate that the application of this Standard will have a material impact on the Group's consolidated financial statements, but may have an impact on the assessment and accounting for future acquisitions.

AASB 2018-7 *Amendments to Australian Accounting Standards – Definition of Material*

Make amendments intended to address concerns that the wording in the definition of 'material' was different in the *Conceptual Framework for Financial Reporting*, AASB 101 *Presentation of Financial Statements* and AASB 108 *Accounting Policies, Changes in Accounting Estimates and Errors*.

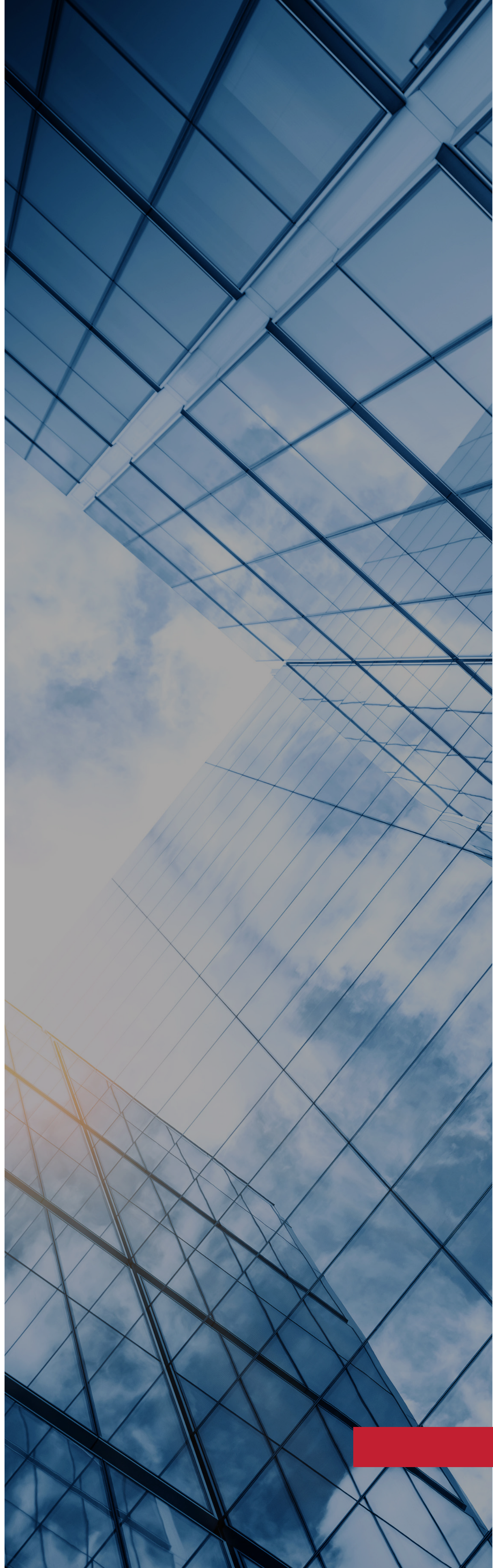
The amendments address these concerns by:

- Replacing the term 'could influence' with 'could reasonably be expected to influence'
- Including the concept of 'obscuring information' alongside the concepts of 'omitting' and 'misstating' information in the definition of material
- Clarifying that the users to which the definition refers are the primary users of general purpose financial statements referred to in the Conceptual Framework
- Aligning the definition of material across Australian Accounting Standards and other publications.

This Standard applies to annual reporting periods beginning on or after 1 January 2020. The Group does not anticipate that the application of this Standard will have a material impact on the Group's consolidated financial statements.

AASB 2019-1 *Amendment to Australian Accounting Standards – References to the Conceptual Framework*

Makes amendments to various Accounting Standards to reflect the issue of the revised *Conceptual Framework for Financial Reporting*. This Standard updates references to, or quotations from, previous versions of the Framework contained in many Accounting Standards.



This amending Standard applies to for-profit sector entities that have public accountability and are required by legislation to comply with Australian Accounting Standards and other for-profit entities that elect to apply the *Conceptual Framework*, for annual reporting periods beginning on or after 1 January 2020. The Group does not anticipate that the application of this Standard will have a material impact on the Group's consolidated financial statements.

Interpretation 23 *Uncertainty over Income Tax Treatments*

Interpretation 23 sets out how to determine the accounting tax position when there is uncertainty over income tax treatments. The Interpretation requires an entity to:

- Determine whether uncertain tax positions are assessed separately or as a group; and
- Assess whether it is probable that a tax authority will accept an uncertain tax treatment used, or proposed to be used, by an entity in its income tax filings:
  - If yes, the entity should determine its accounting tax position consistently with the tax treatment used or planned to be used in its income tax filings.
  - If no, the entity should reflect the effect of uncertainty in determining its accounting tax position

The Interpretation is effective for annual periods beginning on or after 1 July 2019. Entities can apply the Interpretation with either full retrospective application or modified retrospective application without restatement of comparatives retrospectively or prospectively.

The Group does not anticipate that the application of the amendments in the future will have an impact on the Group's consolidated financial statements.

Notes to the Consolidated Financial Statements

Other (for the year ended 30 June 2019)

30.2. Goods & Services Tax (GST)

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

- where the GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the costs of acquisition of the asset or as part of the expense item as applicable; and
- receivables and payables which are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

Cash flows are included in the statement of cash flows on a gross basis and 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.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

30.3. Reclassified FY18 comparative information

To align the policies of the consolidated group, the classification of a number of items in the consolidated statement of profit or loss and other comprehensive income, consolidated statement of financial position and consolidated statement of cash flows; as presented in the FY18 comparative period group accounts, has been amended.

These changes include:

30.3.1. Consolidated Statement of Profit or Loss and Other Comprehensive Income

Borrowing fees (FY18), ($1,923,675)

Previously disclosed under other expense, has now been included within the following lines.

- Fee and commission expense, ($1,923,675)

As a result of the implementation of the new general ledger system in the current year there were other certain re-allocation of accounts (apart from the one described above) and the mapping thereof which resulted in FY 18 comparative figures being reclassified. Management deems the re-allocations more appropriate and notes that these changes were immaterial.

Directors' Declaration

Resimac Group Ltd and its Controlled Entities

The directors declare that:

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

b. in the directors' opinion, the attached financial statements are in compliance with Australian Accounting Standards as stated in the financial statements;

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 consolidated entity and the company; and

d. the directors have been given the declarations required by s295.A of the *Corporations Act 2001*.

Signed in accordance with a resolution of the directors pursuant to s295(5) of the *Corporations Act 2001*.

On behalf of the Directors

Cholmondeley Darvall
Chairman and Non-Executive Director
Sydney
27 August 2019

Independent Auditor's Declaration

Resimac Group Ltd and its Controlled Entities

Deloitte.

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The Board of Directors
Resimac Group Limited
Level 9
45 Clarence Street
SYDNEY NSW 2000

27 August 2019

Dear Board Members

Auditor's Independence Declaration to Resimac Group Limited

In accordance with section 307C of the Corporations Act 2001, I am pleased to provide the following declaration of independence to the directors of Resimac Group Limited and its controlled entities.

As lead audit partner for the audit of the financial report of Resimac Group Limited for the year ended 30 June 2019, I declare that to the best of my knowledge and belief, there have been no contraventions of:

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

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

Yours faithfully

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

Delarey Nell
Partner
Chartered Accountants

Independent Auditor's Report

Resimac Group Ltd and its Controlled Entities

Deloitte.

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Independent Auditor's Report to the Members of Resimac Group Limited

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Resimac Group Limited (the "Entity") and its subsidiaries (the "Group") which comprises the consolidated statement of financial position as at 30 June 2019, the consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information, and the directors' declaration.

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

(i) giving a true and fair view of the Group's financial position as at 30 June 2019 and of their financial performance for the year then ended; and

(ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Group in accordance with the 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* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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

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

Key Audit Matters

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

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Key Audit Matter	How the scope of our audit responded to the Key Audit Matter
Goodwill Impairment Assessment As at 30 June 2019, the group has a goodwill balance of $21.8 million as disclosed in note 10. The Group is required to test goodwill annually. This assessment requires the exercise of significant judgement about forecasting future revenues and expenses, including discount rates applied to cash flows. Key judgements and estimates are used in preparing a discounted cash flow model ('value in use') which is used to assess the recoverability of goodwill including: • Identification of Cash Generating Units; ("CGU's") • Future cash flows for the CGU's; • Discount Rates; and • Terminal value & growth rates.	Our procedures included, but were not limited to: • Evaluating the appropriateness of management's identification of the Group's CGUs; • Evaluating management's controls over the impairment assessment process for the identification of indicators of impairment; • Assessing the reasonableness of cash flow projections and growth rates against external economic and financial data and the Group's own historical performance; • Engaging our valuation specialists to assess the key assumptions and methodology used by management in the impairment model, in particular the weighted average cost of capital and the terminal growth rate; • Evaluating the value in use estimates determined by the Group against its market capitalisation; and • Testing the mathematical accuracy of the impairment model. We also assessed the appropriateness of the disclosures in note 10 in the financial statements.

Future trailing commissions
 	
As at 30 June 2019, the net present value of future trailing commission's receivable (contract asset) and payable by the Group is $48.648 million and $22.9 million respectively as disclosed in Note 1 and 13.
 	
The determination of the net present value of trailing commissions required management to exercise judgement with regard to the selection of the discount rate, run off rates and percentage of commissions paid to brokers applied to the model.
	Our procedures included, but were not limited to:
	
	• Evaluating the key controls relevant to the approval and determination of the net present value of future trail commissions;
	• Challenging the reasonableness of management's assumptions applied, including discount rate and the run-off;
	• In determining the value of future trail commissions we assessed the assumptions by:
	  - Benchmarking assumptions against market peers and external market data, and
	  - Assessing management's assumptions against industry and economic indicators
	• Engaging our internal experts to independently develop a model, using the inputs and assumptions applied by management, to recalculate the valuation of trail commission receivable and payable. This was compared to management's valuation, in order to test the integrity and mathematical accuracy of management's model;
	• Confirming that the results from the different models are booked and presented correctly at the Group and company level;
	• Assessing the accuracy and completeness of disclosures of the NPV results, significant areas of judgement, sensitivity of material assumption and other required disclosures in the annual report; and

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	• Assessing the application of AASB 9 Financial Assets (AASB 9) and AASB 15 Revenue from Contracts with Customers (AASB 15) by management to the trailing commission asset, including impact on transition to the new standards, classification as a contract asset under AASB 15, and the application of the impairment provisions of AASB 9 to the amounts recognised. We also assessed the appropriateness of the notes 1 and 13 of the financial statements
Loan loss provisioning under AASB 9 Financial Instruments As at 30 June 2019 the Group has recognised provisions amounting to $10.9m for impairment losses on loans and advances held at amortised cost in accordance with the Expected Credit Loss (ECL) model as disclosed in Note 6 to the financial statements. The Group measures loss allowances for a financial instrument at an amount equal to the lifetime ECL for stage 2 or stage 3 assets if the credit risk on that financial instrument has increased significantly since recognition, or if the financial instrument is a purchased or originated credit-impaired financial asst. If the credit risk on a financial instrument has not increased significantly since initial recognition (except for a purchased or originated credit-impaired financial asset), the Group measures the loss allowance for that financial instrument at an amount equal to a 12 month ECL for stage 1 assets. This credit loss provision represents an area of significant judgment and estimation for the Group given the level of assumptions applied in the modelling including, historic loss rates and recoverability.	Our procedures in conjunction with our specialists included, but were not limited to: **Assessing model adequacy:** We assessed adequacy of management's internally developed model in determining the impairment loss provision. Our procedures included: • Assessing whether the model adequately addresses the requirements of AASB 9; • Assessing, on a sample basis, individual exposures to determine if they are classified into appropriate default stages and aging buckets for the purpose of determining impairment loss provision; • Engaging our internal experts to independently develop a model, using inputs and assumptions applied by management, to assess the reasonableness of assumptions driving probabilities of default (PD), Loss Given Default (LGD) and Exposure at Default (EAD); and • Assessing adequacy of management overlays to the modelled collective provision by recalculating the coverage provided by the collective impairment provision (including overlays) to loan book, taking into account recent history and performance. We also assessed the appropriateness of the disclosures within notes 6 and 21 of the financial statements.

Other Information

The directors are responsible for the other information. The other information comprises the information included in the Group's annual report for the year ended 30 June 2019, but does not include the financial report and our auditor's report thereon.

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

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial

Independent Auditor's Report

report or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information; we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Financial Report

The directors of the Entity are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the ability of the Group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Report

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

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the Group's audit. We remain solely responsible for our audit opinion.

Independent Auditor's Report

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial report of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 12 to 22 of the Directors' Report for the year ended 30 June 2019.

In our opinion, the Remuneration Report of the Resimac Group Limited, for the year ended 30 June 2019, complies with section 300A of the *Corporations Act 2001*.

Responsibilities

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

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

Delarey Nell
Partner
Chartered Accountants
Sydney, 27 August 2019

Corporate Social Responsibility

Resimac Group ensures our Corporate Social Responsibility activities support our organisational values and they are focused on 3 key areas: our People, our Environment, and contributing to the communities we operate in.

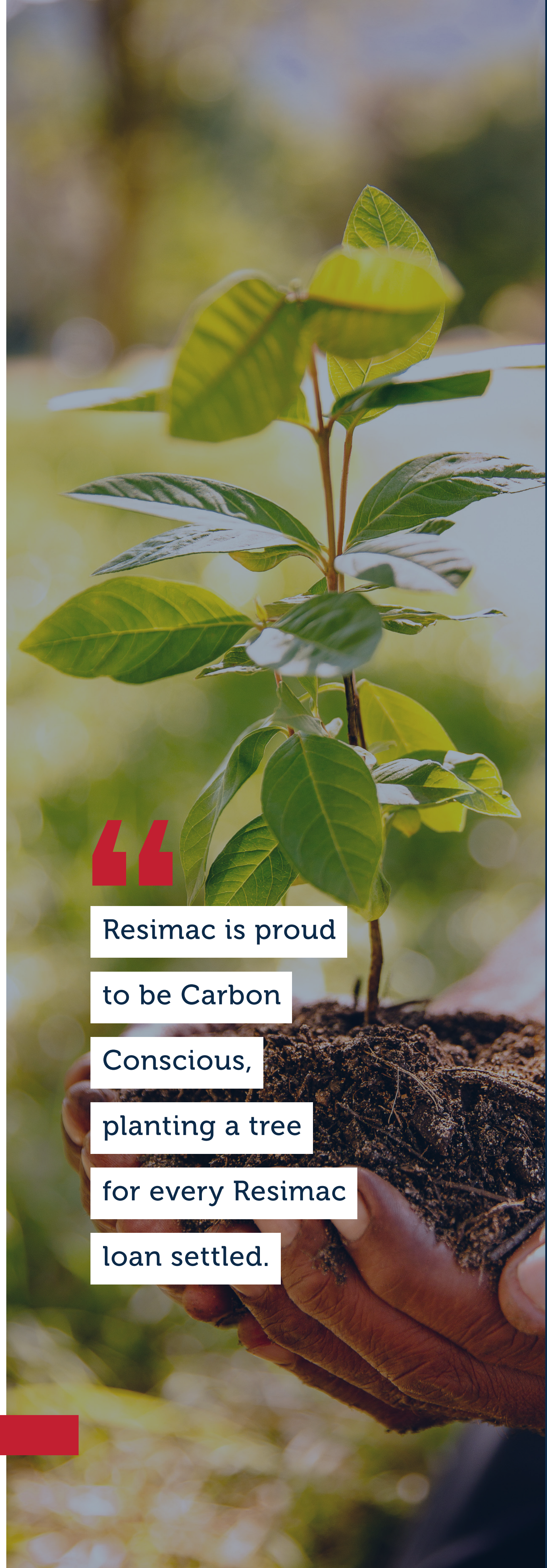
Our People

At Resimac we recognise that an engaged team supports a successful business. We encourage work/life balance and also offer a number of other benefits such as: study support, a flexible day, "wellness" hours, and paid Community Day allowing employees to assist in the community with a charity of their choice.

Our Environment

We believe the efficient use of resources makes good business sense and are committed to supporting the environment. We do this by:

- Reducing the number of printers, recycling and continually reducing the need for paper
- Participating in earth hour and installing sensor lights in the office
- Planting a tree for every loan settled with us



Our Society

The Station is a not-for-profit drop-in centre established in 1979, located in the heart of the Sydney CBD. Its mission is to provide a range of services to adults having difficulty obtaining and sustaining accommodation.

Services offered include breakfast, lunch, showers, laundry facilities, drug and alcohol counselling, mental health counselling and housing assistance.

A number of our employees volunteer to assist with serving of lunches weekly, by rotation. In addition, our employees coordinate a highly-successful annual drive to collect contributions of personal and hygiene products to assist those who utilise the services at The Station.

thestationltd.org

Food Ladder is the world's first not-for-profit organisation to use hydroponics and environmentally sustainable technologies to create food and economic security for communities otherwise reliant on aid and affected by poverty. They use custom designed systems to grow commercial quantities of nutrient-rich product around the world; from rural towns in India and Uganda to the most remote parts of the Northern Territory in Australia.

Resimac Group has been proudly involved with Food Ladder since 2018, offering both financial support and assistance promoting awareness for the organisation with both our customers and business partners.

foodladder.org

With over 70 staff in Manila, it is important to the Resimac business to support local charities and communities. Our staff in Manila work with us to determine where money should be spent. The programs we have invested in over the past few years include:

Operation Smile - a foundation that helps those born with a cleft palate. This charity sets up screening and surgical procedures to correct the cleft. Early treatment allows children assistance with their speech and spares them from bullying and rejection. Our support allowed for 2 missions and 189 patients to be screened and treated this year.

Christmas Baskets - Aetas are one of the indigenous tribes in the Philippines living in mountainous areas in the north. In 1991, the eruption of Mt . Pinatubo forced the Aetas to evacuate their ancestral lands and move to resettlement areas in nearby provinces. In April this year they were once again displaced as their area was hit by an earthquake. The farms, their main livelihood, were covered by landslides and they continue to struggle with limited supplies of food and medicines. Resimac and its staff are preparing Christmas baskets which contain rice, canned goods and groceries so they have something to share with their families.

Gentle Hands & St Rita - Orphanages which address child and youth welfare. Our staff volunteer their time on a weekend to visit the orphanages, purchase food on behalf of Resimac, prepare lunches, provide educational materials, toiletries and organise activities with the children.

Shareholder Information

Additional information required by the ASX and not disclosed elsewhere in this report is set out below. The information is current as at 24 September 2019.

a) Number of Holders of Equity Securities

Ordinary Share Capital: **405,790,153** paid ordinary shares are held by 851 individual shareholders.

b) Voting Rights

All issued ordinary shares carry one vote for each member present at the meeting on a show of hands and on a poll each member is entitled to one vote for every ordinary share held.

c) Distribution of Members & their Holdings

The number of equity securities by size of holding is set out below:

Range	Total Holders	Units	% Units
1 to 1,000	113	58,650	0.01
1,001 to 5,000	269	718,638	0.18
5,001 to 10,000	114	883,877	0.22
10,001 to 100,000	236	8,451,921	2.08
100,001 and over	119	395,677,067	97.51
Total	**851**	**405,790,153**	**100.00**

Unmarketable Parcel	Minimum Parcel Size	Holders	Units
Minimum $500.00 parcel at $0.9000 per unit	556	52	3,941

d) Substantial Shareholders

The names of the substantial shareholders of the company and the number of equity securities in which they have a relevant interest as disclosed in substantial shareholding notices given to the company are set out below:

Size of Holdings	No. of Shares	%
Somers Limited, ICM Limited, UIL Limited, Permanent Investments Limited, Somers Isles Private Trustee Company Limited, and each other entity controlled by Duncan Saville	246,757,304	61.91

e) Twenty Largest Shareholders

The 20 largest shareholders of ordinary shares on the company's register at 24 September 2019 were:

Size of Holdings	No. of Shares	%
J P Morgan Nominees Australia Pty Limited	172,272,537	42.45
HSBC Custody Nominees (Australia) Limited	98,747,567	24.33
National Nominees Limited	15,454,889	3.81
Motrose Pty Ltd	15,277,905	3.76
Redbrook Nominees Pty Ltd	14,115,084	3.48
Warren John Mcleland	11,798,282	2.91
Aust Executor Trustees Ltd (GFFD)	8,105,202	2.00
Hartley Phillips Securities Pty Ltd (Hartley Phillips Inv Tst A/C)	4,946,964	1.22
Moat Investments Pty Ltd (Moat Investment A/C)	4,048,624	1.00
Tico Pty Ltd	3,623,944	0.89
Westpac Banking Corporation	2,493,130	0.61
Peterlyn Pty Ltd	2,381,799	0.59
JH Nominees Australia Pty Ltd (Harry Family Super Fund A/C)	1,780,000	0.44
Michael Jefferies + Julie Jefferies (The Jefferies Super Fund A/C)	1,527,400	0.38
Acres Holdings Pty Ltd	1,496,881	0.37
Torryburn Pty Ltd (Torryburn Super Fund A/C)	1,236,819	0.30
BNP Paribas Nominees Pty Ltd (IB AU NOMS Retailclient DRP)	1,216,378	0.30
RSJSDS Pty Ltd (Salmon Family S/F A/C)	1,185,000	0.29
High Pass Holdings Pty Ltd (High Pass HLDGS P/L Sup A/C)	1,171,695	0.29
Bond Street Custodians Limited (CPCPL - V73544 A/C)	1,157,016	0.29
Total	**364,037,116**	**89.71**

Corporate Information

Registered Office & Corporate Office

Level 9, 45 Clarence Street
Sydney NSW 2000

p +61 2 9248 0300
f +61 2 9248 2304

e info@resimac.com.au
w resimac.com.au
Customer enquiries: 13 38 39

Non-Executive Directors

Chum Darvall, Chairman
Susan Hansen
Michael Jefferies
Warren McLeland
Duncan Saville

Company Secretary

Peter Fitzpatrick

Share Registry

Computershare Investor Services Pty Limited

Address

Level 3, 60 Carrington Street
Sydney NSW 2000

p +61 2 8234 5000
f +61 2 8234 5050

e web.queries@computershare.com.au
w investorcentre.com.au

To view the 2019 annual report, shareholder and company information, new announcements, background information on Resimac Group businesses and historical information, visit the Resimac website at resimac.com.au

Investor Information

Managing Your Shareholding

The company's share registry is managed by Computershare Investor Services Pty Limited (Computershare).

The Investor Centre website is the fastest, easiest and most convenient way to view and manage your shareholding. Investor Centre enables a shareholder to:

- ✔ view the company share price;
- ✔ change your banking details;
- ✔ change your address (for non-CHESS sponsored holdings);
- ✔ update your dividend instructions;
- ✔ update your Tax File Number (TFN), Australian Business Number (ABN) or exemption;
- ✔ select your email and communication preferences; and
- ✔ view your transaction history.

When communicating with Computershare or accessing your holding online you will need your Securityholder Reference Number (SRN) or Holder Identification Number (HIN) as shown on your Issuer Sponsored / CHESS statements.

You can also contact Computershare by:

Address

Level 3, 60 Carrington Street
Sydney NSW 2000

p +61 2 8234 5000
f +61 2 8234 5050

e web.queries@computershare.com.au
w investorcentre.com.au

Tax File Numbers

While it is not compulsory to provide a Tax File Number ('TFN'), if shareholders have not provided a TFN and Resimac pays an unranked or partly franked dividend, the company will be required to deduct tax from the unfranked portion of the dividend at the top marginal rate plus the Medicare Levy.

Information on Resimac Group

Resimac Group Website

Up-to-date information on the company can be obtained from the Company's website:
resimac.com.au

Securities Exchange Listing

The company's shares are listed on the ASX and the Home Exchange is Sydney. Ordinary shares are traded under the code, RMC.

Share prices can be accessed from major Australian newspapers, the Resimac Group website or at:
asx.com.au

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resimac