Credit Corp Group

Credit Corp Group Limited ABN 33 092 697 151

Appendix 4E and consolidated financial statements

For the year ended 30 June 2018

Contents

Appendix 4E Preliminary final report

For the year ended 30 June 2018

1. DETAILS OF THE REPORTING PERIOD AND THE PREVIOUS CORRESPONDING PERIOD

Current period:	1 July 2017 to 30 June 2018
Prior corresponding period:	1 July 2016 to 30 June 2017

2. RESULTS FOR ANNOUNCEMENT TO THE MARKET

	Key information	30 June 2018 $'000	30 June 2017 $'000	Change %
2.1	Revenue	**298,978**	265,947	12%
2.2	Profit from ordinary activities after tax attributable to members	**64,290**	55,158	17%
2.3	Profit attributable to members of the Group	**64,290**	55,158	17%

2.4	Dividends per ordinary share	Amount per security	Franked amount per security
	Interim 2018 ordinary	31.0 cents	100%
	Final 2018 ordinary (declared, not yet provided at 30 June 2018)	36.0 cents	100%

2.5 Record date for determining entitlement to the final dividend:
The record date for the final dividend is 2 October 2018.

2.6 Commentary:
Please refer to the 2018 Media Release and the Consolidated Financial Statements – 30 June 2018 for further explanation of the figures presented at 2.1 – 2.4 above.

3. STATEMENT OF COMPREHENSIVE INCOME

Please refer to the Consolidated Financial Statements – 30 June 2018.

4. STATEMENT OF FINANCIAL POSITION

Please refer to the Consolidated Financial Statements – 30 June 2018.

5. STATEMENT OF CASH FLOWS

Please refer to the Consolidated Financial Statements – 30 June 2018.

6. STATEMENT OF CHANGES IN EQUITY

Please refer to the Consolidated Financial Statements – 30 June 2018.

7. DIVIDEND DETAILS

Ordinary share capital	Cents per share	Total $'000	Date of payment
Year ended 30 June 2018			
Interim 2018 ordinary	**31.0**	**14,787**	**16 Mar 2018**
Final 2017 ordinary	**31.0**	**14,787**	**17 Nov 2017**
Total		**29,574**	
Year ended 30 June 2017			
Interim 2017 ordinary	27.0	12,785	24 Mar 2017
Final 2016 ordinary	27.0	12,687	28 Oct 2016
Total		**25,472**	

All the dividends were fully franked.

There is no provision for the final dividend in respect of the year ended 30 June 2018. Provisions for dividends to be paid by Credit Corp Group Limited and its subsidiaries (collectively, the Group) are recognised in the statement of financial position as a liability and a reduction in retained earnings when the dividend has been declared.

8. DIVIDEND OR DISTRIBUTION REINVESTMENT PLAN DETAILS

The Group did not make a dividend reinvestment plan (DRP) offer in the 2018 financial year.

9. NET TANGIBLE ASSETS (NTA) PER ORDINARY SHARE

Security	30 June 2018 Cents	30 June 2017 Cents
NTA per ordinary share	**598.9**	521.5

10. CONTROL GAINED OR LOST OVER ENTITIES IN THE FINANCIAL YEAR

TFS Newco Pty Ltd was acquired from Thorn Group Limited on 1 November 2017.

11. INVESTMENTS IN ASSOCIATES AND JOINT VENTURES

No investments in associates and joint ventures are held by the Group.

12. OTHER SIGNIFICANT INFORMATION

Please refer to the 2018 Media Release, 2018 Results Presentation and the Consolidated Financial Statements – 30 June 2018.

13. FOREIGN ENTITIES, APPLICABLE ACCOUNTING STANDARDS USED

Not applicable as Credit Corp Group Limited is not a foreign entity.

14. COMMENTARY ON THE RESULTS FOR THE FINANCIAL YEAR

Please refer to the 2018 Media Release, 2018 Results Presentation and the Consolidated Financial Statements – 30 June 2018.

15. STATEMENT AS TO WHETHER THE FINANCIAL STATEMENTS HAVE BEEN AUDITED

The financial statements have been audited. The audit opinion is unqualified.

Credit Corp Group

Consolidated financial statements

For the year ended 30 June 2018

Corporate governance statement

This statement relates to the year under review.

Credit Corp Group Limited (the Company) and its subsidiaries (collectively, the Group) maintain policies and practices to comply closely with the Corporate Governance Principles and Recommendations (3rd Edition) released by the ASX Corporate Governance Council.

CORPORATE GOVERNANCE OVERVIEW

The Board of Directors of the Group is responsible for the corporate governance of the Group. The Board guides and monitors the business and affairs of the Group on behalf of the shareholders by whom they are elected and to whom they are accountable.

The Credit Corp Group Limited Corporate Governance Statement, which has been approved by the Board, is structured with reference to the ASX Corporate Governance Principles and Recommendations with 2014 amendments, and is summarised below.

PRINCIPLE ONE: LAY SOLID FOUNDATIONS FOR MANAGEMENT AND OVERSIGHT

Board responsibilities

The Board's roles and responsibilities are formalised in the Board Charter, which is published on the Group's website. The Board reserves to itself all functions that are likely to have a material impact on the performance and reputation of the Group.

The following functions are reserved to the Board:

> Providing leadership and setting the strategic objectives of the Group;

> Appointing the Chairperson;

> Appointing and when necessary replacing the Chief Executive Officer (CEO);

> Approving the appointment and when necessary the replacement of other senior executives;

> Monitoring senior management's performance, implementation of strategy and allocation of resources;

> Overseeing management's implementation of the Group's strategic objectives and its performance generally;

> Overseeing the integrity of the Group's accounting and corporate reporting systems, including external audit;

> Overseeing the Group's process for making timely and balanced disclosure of all material information concerning the Group that a reasonable person would expect to have a material effect on the price or value of the Group's securities;

> Ensuring the Group has in place an appropriate risk management framework and setting the risk appetite within which the Board expects management to operate;

> Approving the Group's remuneration framework;

> Approving and monitoring the corporate governance of the Group; and

> Approving and monitoring operating budgets, major capital expenditure and financial and other reporting.

Management responsibilities

The Delegation of Authority Policy detailing functions delegated to management is published on the Group's website. All matters not specifically reserved to the Board and necessary for the day-to-day operation of the Group are delegated to management.

The following functions are delegated to management:

> Formulating, recommending and implementing the strategic direction of the Group;

> Translating the approved strategic plan into operating budgets and performance objectives;

> Managing the Group's human, physical and financial resources to achieve the Group's objectives;

> Operating within the delegated authority limits set by the Board;

> Assuming day-to-day responsibility for the Group's conformance with relevant laws and regulations and its compliance framework and all other aspects of the day-to-day running of the Group;

> Performing against established Key Performance Indicators (KPIs) to deliver the objectives of the Group;

> Developing, implementing and managing the Group's risk management and internal compliance and control systems and operating within the risk appetite set by the Board;

> Developing, implementing and updating policies and procedures;

> Advising the Board promptly of any material matters impacting or potentially impacting the Group's operations;

> Providing the Board with accurate, timely and clear information to enable the Board to perform its responsibilities; and

> Keeping abreast of industry and economic trends in the Group's operating environment.

Appointment of new directors

The Board has responsibility for the selection and nomination to shareholders of new or retiring directors. The Group's Appointment of Directors Policy is published on its website and sets out the Group's policy for the selection, appointment and re-election of directors.

Where a candidate is recommended by an independent executive search organisation, the Board will assess that candidate against a range of criteria, including skills, experience, expertise, personal qualities and cultural fit with the Board and the Group. If these criteria are met and the Board appoints the candidate as a director, that director will confirm his or her appointment at the next Annual General Meeting (AGM). All material information in the Group's possession that is relevant to a decision on whether or not to elect or re-elect the director is provided to shareholders.

New directors are provided with a written agreement in the form of a formal letter of appointment setting out the key terms and conditions of employment, including their duties and responsibilities and requirement to disclose interests affecting independence.

Accountability of Company Secretary

The Company Secretary is accountable directly to the Board, through the Chairman, on all matters to do with the proper functioning of the Board.

Diversity report

The Group recognises the important contribution that people of various cultural backgrounds, ethnicity, experience, gender and age make to the Group. Diversity includes all characteristics that make individuals different from each other including characteristics such as religion, race, ethnicity, language, gender, sexual orientation, disability, age or any other area of potential difference.

The Group's diverse workforce is in fact a key to continued growth and improved operating performance. In particular, employees of diverse backgrounds and experience are able to provide exceptional customer service to our equally diverse customer base.

Corporate governance statement

In order to attract and retain a diverse workforce to service our diverse customer base, the Group is committed to providing an environment where employees are treated with fairness and respect, and have equal access to development and promotion opportunities.

The Group has established a Diversity Policy, which outlines the Board's measurable objectives to achieve diversity. A summary of the policy is available on the Group's website.

Measurement of progress against these diversity objectives occurs annually by the Board.

The table below sets out these diversity objectives and the progress made towards achieving them in 2018. The Board will review these objectives in the 2019 year and report on progress being made towards their achievement.

Objectives	Progress in achieving objectives
Provide equal opportunities for candidates, regardless of their cultural, gender, or any other difference.	> The primary goal of the Group's assessment centre is to maximise objectivity in the decision-making process for frontline employees. > The Group continues to assess and recruit all frontline candidates against a set of core competencies.
Retain and encourage a diverse workforce at all levels of the Group.	> The Group continues to reflect significant gender diversity, including within management levels. The percentage of females in the Group is as follows: – Board 20% – Executive management 14% – Senior management 43% – Frontline management 46% – The Group's workforce 54% > Over the year a number of employees worked under flexible work arrangements to balance family and other commitments with their employment. During the reporting period 5 per cent of the Group's workforce utilised a flexible work arrangement.
Provide development opportunities for employees regardless of cultural, gender or any other difference.	> The Group provides nationally-recognised accredited training to all eligible employees. > Leadership training was provided to all employees in management positions during the year. > Documented career pathways were implemented for frontline supervisors to support their progression into management roles.
Promote an inclusive culture where all employees are treated with respect and fairness.	> Each year the Group reiterates its zero tolerance policy towards any discrimination, bullying or victimisation of employees with clear escalation channels through which any concerns can be raised. > Annual online training promotes the Group's expectations and educates employees on their part in creating our culture. > The annual employee engagement survey enables the Group to gather data on issues relating specifically to equality, respect and fairness and to use this data to set measurable goals.
Ensure internal promotion decisions within the Group are merit-based in relation to each role.	> Recruitment procedures were implemented for selection into frontline supervisory roles and management development programs were introduced to maximise objectivity in the decision-making process. > This includes the introduction of a panel of senior management from HR and Operations to take part in the decision-making process.

Board's and Committees' performance reviews

The Board reviews its performance on a regular basis, including Committee performance, in accordance with the Performance Management Policy, which is available on the Group's website. The Board uses surveys for the purpose of its Board and Committee performance reviews. Those reviews are to ensure that individual directors and the Board work effectively in meeting their responsibilities as described in the Board and Committee charters. The Board conducted an internal review in the 2018 financial year.

Executive performance review

The performance of all key executives is reviewed annually against the Group's performance and individual KPIs.

The performance review of the CEO is undertaken by the Chairman of the Board, reviewed by the Remuneration Committee and approved by the Board. The performance reviews of other executives are undertaken by the CEO and approved by the Remuneration Committee. Performance reviews for each executive were conducted in 2018.

Corporate governance statement

PRINCIPLE TWO: STRUCTURE THE BOARD TO ADD VALUE

Nomination Committee

The full Board performs the role of Nomination Committee as, in its opinion, only minimal benefit will accrue to the Group from having a separate committee.

Board composition

The term held by each director in office at the date of this report is as follows:

Name	Term in office	Independent
Mr Donald McLay (Chairman)	10.5 years	Independent
Mr Eric Dodd	9 years	Independent
Ms Leslie Martin	4.5 years	Independent
Mr Robert Shaw	10.5 years	Independent
Mr Richard Thomas	12 years	Independent

The Chairman of the Board is Mr Donald McLay, an independent director. The CEO of the Group, Mr Thomas Beregi, is not a director of the Group.

The Board regularly reviews the independence of each director and requires directors to promptly advise of any change in circumstances that may affect their independence as a director. Any change in circumstances that materially affects their independence as a director will be disclosed promptly. There are procedures in place, agreed by the Board, to enable directors to seek independent professional advice in the carrying out of their duties, at the Group's expense.

During the 2018 financial year, all of the Board members are considered to be independent and free from any business or other relationship that could materially interfere with, or could reasonably be perceived to materially interfere with, the unfettered exercise of their independent judgement.

2018 Board skills

The Board considers that the directors bring professional skills, knowledge and experience as well as personal attributes which enable the Board to operate effectively and meet its responsibilities to the Group and stakeholders. The skills and experience of each director are detailed in the directors' report and also in the following skills matrix.

Board skills matrix		Number of directors with substantial experience
Executive and non-executive experience	Directorship experience	5
	Board Chair experience	5
	Board Sub-committee Chair experience	5
	Senior management experience	5
	Offshore senior management experience	4
Industry experience	Banking	5
	Broader financial services, including insurance and funds management	4
	Capital markets	4
	Other industry experience	5
Strategy	Experience in strategic planning and implementation of strategy	5
	Mergers and acquisitions experience	4
	Capital raising experience	4
	Information technology, strategy and systems implementation	4
Governance	Experience in establishing and monitoring / assessing effectiveness of governance structures	5
	Professional industry qualifications	5
Risk management	Experience in managing areas of major risk to the organisation i.e. financial, environmental, regulatory, workplace health and safety, social and technology	5
	Experience in managing sophisticated risk hedging strategies and products	3
People management and remuneration	Experience in remuneration and the associated legislative / governance framework	5
	Experience in managing people	5
Finance and accounting	Professional industry qualifications	3
	Experience with accounting standards	3
	Experience in reviewing and analysing financial statements	4
	Experience in analysing financial drivers and business models	5
Information technology	Managing institutional IT operations centres	2
	Electronic payments systems	2
	Cloud-based Software-as-a-Service (SaaS)	2
	Regulatory technology (RegTech)	2
	Technology start-ups and business disruption	3

Induction of new directors

New directors undergo an induction program which includes meetings with members of management, the Chairman of the Board and the Chairmen of each relevant committee to gain an insight into the Group's business, values and culture.

PRINCIPLE THREE: ACT ETHICALLY AND RESPONSIBLY

Code of Conduct

The Employee Code of Conduct adopted by the Group is a key element of the Group's corporate governance framework. Its purpose is to guide directors, executives and employees on the minimum standards of conduct expected of them in the performance of their duties, including their dealings with customers, clients, shareholders, employees and other stakeholders.

Compliance with the Employee Code of Conduct is a condition of appointment as a director of, an employee of, or a contractor to, the Group.

The Employee Code of Conduct is published on the Group's website.

PRINCIPLE FOUR: SAFEGUARD INTEGRITY IN CORPORATE REPORTING

Audit and Risk Committee

The Board has formed an Audit and Risk Committee and has delegated responsibility for establishing and maintaining a framework of internal control and ethical standards to this committee as outlined in the Audit and Risk Committee Charter, which is published on the Group's website.

The Audit and Risk Committee operates under its charter to ensure that an effective internal control framework exists within the Group. This includes internal controls to deal with both the effectiveness and efficiency of significant business processes, the safeguarding of assets, the mitigation of business risks, the maintenance of proper accounting records and the reliability of financial and operational information.

The Audit and Risk Committee also provides the Board with additional assurance regarding the reliability of financial information included in the financial reports.

All members of the Audit and Risk Committee are non-executive and independent directors, and during the year were:

> Mr Robert Shaw (Chairman and independent director)

> Mr Richard Thomas

> Mr Donald McLay

The qualifications of the members and their attendance at meetings of the Audit and Risk Committee are disclosed in the directors' report.

Financial statements approval

Prior to the approval of the Group's financial statements for each reporting period, the CEO and the Chief Financial Officer (CFO) give the Board a declaration that, in their opinion:

> The financial records have been properly maintained;

> The financial statements comply with accounting standards and give a true and fair view; and

> That opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.

The Audit and Risk Committee reviews the Group's interim and annual financial reports and makes recommendations to the Board on adopting financial statements.

Annual General Meeting

The AGM gives shareholders the opportunity to hear the CEO and Chairman provide updates on the Group's performance, ask questions and to express a view and vote on the various matters of Group business on the agenda.

Live webcasting of the AGM is also conducted to allow shareholders to view and hear the proceedings of the meeting online.

Shareholders also have the opportunity to ask questions of the Group's external auditors at the meeting. The Group encourages shareholders to attend its AGM.

PRINCIPLE FIVE: MAKE TIMELY AND BALANCED DISCLOSURE

Continuous disclosure

The Group's Continuous Disclosure Policy, which is published on its website, is designed to ensure compliance with disclosure obligations under the ASX Listing Rules and to ensure accountability at senior executive level for that compliance.

This policy also allows the Group to ensure shareholders and the market are fully informed of its strategy, performance and details of any information or events that could have a material impact on the value of the Group's shares.

The CEO and the Company Secretary, in consultation with the Board, are responsible for the review, authorisation and disclosure of information to the ASX and for overseeing and co-ordinating information disclosure to the ASX, shareholders, brokers, analysts, the media and the public.

PRINCIPLE SIX: RESPECT THE RIGHTS OF SHAREHOLDERS

Communication with shareholders

The Group recognises the rights of its shareholders and other interested stakeholders to have access to balanced, understandable and timely information concerning the operations of the Group. The CEO and the Company Secretary are primarily responsible for ensuring communications with shareholders are delivered in accordance with the rights of shareholders and the Group's policy of continuous disclosure.

The Security Holders' Rights and Communication Strategy Policy, available on the Group's website, sets out the communication strategy of the Group and includes:

> Electronic facilities

The Group maintains a website that provides information on its services and its business in general, as well as an investor relations section that contains information for shareholders of the Group. The Group's announcements are made on this website as well as the ASX website. There is a facility on the Group's website for security holders to lodge questions.

> Formal reporting to shareholders

Formal reporting to shareholders is conducted through the interim report for the six months ended 31 December and the annual report for the financial year ended 30 June. The Group also releases market updates summarising the Group's performance during each quarter of the financial year.

> AGMs

The Group invites and encourages shareholders to attend and participate in these meetings and also provides live webcasting of its AGM to allow security holders to view and hear the proceedings of the meeting.

In addition, shareholders may electronically communicate with the share registry, Boardroom Pty Limited (Boardroom). The relevant contact details are disclosed in the Shareholder Information section of the annual report and in the corporate directory with these financial statements.

A direct voting facility is provided through Boardroom's website to allow security holders to vote ahead of the AGM. Details of this facility are included in the Notice of AGM.

Shareholders who do not currently receive electronic communications from Boardroom may update their communication options via a secure online service offered by Boardroom at www.investorserve.com.au.

PRINCIPLE SEVEN: RECOGNISE AND MANAGE RISK

Risk management

The Group has established a Risk Management Policy to identify, assess, monitor and manage material business risks, both financial and non-financial, to minimise their impact on the achievement of organisational goals. Business risks comprise, but are not limited to, economic, technological, operational, legal, political and social risks. These specified risks are managed both through the Group's risk management system and insurance program, which are approved by the Board.

As mentioned in principle four, the Audit and Risk Committee provides oversight on the risk framework and aggregated risk profiles at the Group level. The committee's charter is published on the Group's website. Management has been given responsibility for the establishment, implementation and maintenance of the system of risk management, including measures of its effectiveness. Internal control systems and procedures are monitored and reviewed by the Group's Compliance Manager who reports his findings to the Audit and Risk Committee. The composition of the Audit and Risk Committee is detailed in principle four and the attendance of members at the meetings of the committee is disclosed in the directors' report.

The Group's Risk Management Policy is published on its website and was reviewed by the Audit and Risk Committee with a report provided to the Board during the 2018 financial year.

The Group has an internal audit process within the compliance function. This process tests compliance to the various standards for which the Group is accredited or is required to comply with, as well as internal controls associated with the Group's risk management framework.

The Group considers that, due to the nature of its activities, it has no material exposure to economic, environmental or social sustainability risks.

PRINCIPLE EIGHT: REMUNERATE FAIRLY AND RESPONSIBLY

Remuneration Committee

The Board has formed a Remuneration Committee to assist it in the design, implementation and monitoring of remuneration policies that meet the needs of the Group and enhance corporate and individual performance.

The committee's objective is to provide maximum stakeholder benefit from the retention of a high quality Board and executive team by remunerating the directors and key executives fairly and appropriately with reference to relevant employment market conditions. To assist in achieving this objective, the Remuneration Committee links the nature and amount of directors' and key executives' emoluments to the Group's financial and operational performance. The expected outcomes of the remuneration structure are:

> Retention and motivation of key executives;

> Attraction of high quality personnel to the Group; and

> Performance incentives that allow executives to share in the success of the Group.

The Remuneration Committee Charter, which sets out its role and responsibilities, and the Remuneration Policy are published on the Group's website.

The members of the Remuneration Committee during the year were:

> Mr Eric Dodd (Chairman and independent director)

> Mr Donald McLay

> Ms Leslie Martin

The remuneration for all key management personnel (KMP), the qualifications of the Remuneration Committee members and their attendance at committee meetings are disclosed in the remuneration section of the directors' report.

Securities Trading Policy

The Group's Securities Trading Policy governs when its directors and employees may deal in Credit Corp shares and the process which must be followed in respect of such dealings. The Securities Trading Policy is published on the Group's website.

The Group's directors and employees are not permitted to deal in Credit Corp shares during any Blackout or Closed Periods:

> Two months immediately preceding the preliminary announcement of the Group's annual results until the commencement of the next trading day after the release of the annual results;

> Two months immediately preceding the announcement of the Group's interim results until the commencement of the next trading day after the release of the interim results; and

> Any other periods that the Board determines, in its absolute discretion, to be a Blackout or Closed Period, including due to there being undisclosed price sensitive information.

At any time outside the Blackout or Closed Periods, directors or employees may trade in Credit Corp shares where:

> Directors, excluding the Chairman, and KMP obtain the prior written clearance of the Chairman;

> The Chairman obtains prior written clearance from the Chairman of the Audit and Risk Committee and in the event that person is not available, the Chairman of the Remuneration Committee; and

> Other employees obtain prior written clearance from the Company Secretary.

The Group's employees are only permitted to enter into margin loans secured against Credit Corp shares with the prior written approval of the Chairman. The Group's employees are prohibited from hedging unvested awards in the Group's shares, which would otherwise limit the economic risk of an employee's holdings on unvested securities granted under an employee incentive plan.

NON-CONFORMANCE

All the best practice recommendations of the ASX Corporate Governance Council have been applied for the entire financial year ended 30 June 2018, except for the following:

Recommendation 2.1

The Board assumes the role of a Nomination Committee as it believes minimal benefit will accrue to the Group through a separate committee.

WEBSITE DISCLOSURE

Further information relating to the Group's corporate governance practices and policies has been made publicly available on the Group's website at www.creditcorp.com.au/corporate/investors/corporate-governance.

Directors' report

The directors present their report together with the financial report of the Group for the financial year ended 30 June 2018.

DIRECTORS

The directors of the Group at any time during the whole of the financial year and up to the date of this report are:

Mr Donald McLay	**Chairman, Director (Non-Executive) Age 68**
Qualifications	Bachelor of Commerce, Chartered Accountant, Chartered Secretary and Fellow of the Financial Services Institute of Australasia.
Experience and expertise	Appointed as a Non-Executive Director on 31 March 2008 and has been Chairman since 30 June 2008. Mr McLay has more than 35 years' experience in financial markets, investment banking and broad business services.
Directorship of listed entity	Clime Investment Management Limited from 1 March 2015. Registry Direct Limited from 30 May 2016 (the company was listed on 1 November 2017).
Special responsibilities	Mr McLay is Chairman of the Board and is a member of the Remuneration and Audit and Risk Committees.
Interest in shares and options	1,632,065 ordinary shares of Credit Corp Group Limited.

Mr Eric Dodd	**Director (Non-Executive) Age 66**
Qualifications	Bachelor of Economics, Fellow of the Institute of Chartered Accountants Australia and New Zealand and Australian Institute of Company Directors.
Experience and expertise	Appointed as a Non-Executive Director on 1 July 2009. Mr Dodd has extensive experience in insurance, finance and banking.
Special responsibilities	Mr Dodd is Chairman of the Remuneration Committee.
Interest in shares and options	5,000 ordinary shares of Credit Corp Group Limited.

Ms Leslie Martin	**Director (Non-Executive) Age 63**
Qualifications	Bachelor of Arts, Master of Business Administration and Fellow of the Australian Institute of Company Directors.
Experience and expertise	Appointed as a Non-Executive Director on 20 March 2014. Ms Martin has more than 30 years' experience in commercial banking with senior leadership roles in a variety of businesses, functions and geographies. These roles have engendered special focus on Payments and, more generally, the application of technology to business process re-design and the end-to-end customer experience. Her governance experience includes a variety of industry entities providing shared infrastructure for payments and securities processing.
Special responsibilities	Ms Martin is a member of the Remuneration Committee.
Interest in shares and options	9,123 ordinary shares of Credit Corp Group Limited.

Mr Robert Shaw	**Director (Non-Executive) Age 76**
Qualifications	Bachelor of Industrial Engineering, Master of Business Administration, Master of Professional Accounting and Fellow of the Australian Institute of Company Directors.
Experience and expertise	Appointed as a Non-Executive Director on 31 March 2008. Mr Shaw has extensive knowledge in finance, financial analysis, audit committees and corporate governance.
Directorship of listed entity	Magontec Limited since 4 March 2011.
Special responsibilities	Mr Shaw is Chairman of the Audit and Risk Committee.
Interest in shares and options	4,245 ordinary shares of Credit Corp Group Limited.

Mr Richard Thomas	**Director (Non-Executive) Age 73**
Qualifications	Fellow of the Australian Institute of Company Directors.
Experience and expertise	Appointed as a Non-Executive Director on 22 September 2006. He was Acting Chairman between 11 February 2008 and 30 June 2008. Mr Thomas has more than 40 years' experience in the banking and finance industry in Australia, New Zealand and the United States.
Special responsibilities	Mr Thomas is a member of the Audit and Risk Committee.
Interest in shares and options	12,584 ordinary shares of Credit Corp Group Limited.

The above named directors held office during the whole financial year and since the end of the financial year.

Company secretaries

The following persons held the position of Company Secretary during or since the end of the financial year:

Mr Thomas Beregi	Company Secretary
Qualifications	Bachelor of Economics, Bachelor of Laws (Hons) and Certified Practising Accountant.
Experience and expertise	Mr Beregi joined the Group on 3 September 2007 in the role of Chief Financial Officer. He was subsequently appointed to his current position of Chief Executive Officer on 1 October 2008. Prior to joining the Group, he was the Chief Operating Officer of Jones Lang LaSalle Australia. Mr Beregi was appointed as a Company Secretary on 21 September 2007.

Mr Michael Eadie	Company Secretary
Qualifications	Bachelor of Accounting, Master of Applied Finance, Certified Practising Accountant and Fellow of the Financial Services Institute of Australasia.
Experience and expertise	Mr Eadie joined the Group on 4 May 2009 as Finance Manager and was subsequently appointed Chief Financial Officer on 19 November 2010. He has previously held senior finance roles within major financial services organisations, including Macquarie Bank Limited. Mr Eadie was appointed as a Company Secretary on 17 March 2011.

DIRECTORS' MEETINGS

The number of directors' meetings (including meetings of committees of directors) and number of meetings attended by each of the directors of the Group during the financial year were:

	Directors' meetings		Audit and Risk Committee		Remuneration Committee	
	Number eligible to attend	Number attended	Number eligible to attend	Number attended	Number eligible to attend	Number attended
Mr Donald McLay	11	11	3	3	3	3
Mr Eric Dodd	11	11	—	—	3	3
Ms Leslie Martin	11	11	—	—	3	3
Mr Robert Shaw	11	11	3	3	—	—
Mr Richard Thomas	11	11	3	3	—	—

PRINCIPAL ACTIVITIES

The principal activities of the Group during the course of the financial year were debt purchase and collection as well as consumer lending.

There were no significant changes in the nature of the Group's activities during the financial year.

REVIEW OF OPERATIONS

Overview

The directors of the Group report the following highlights for the 2018 financial year:

> 17 per cent increase in net profit after tax (NPAT) to $64.3 million;

> 30 per cent growth in Australia / New Zealand consumer lending business NPAT;

> Inaugural full year profit from the US debt buying operation; and

> Continued NPAT and collections growth from the Australian / New Zealand debt buying operation.

These results reflect a strong Australian / New Zealand debt buying performance as well as a substantial NPAT of $16.1 million from the organically developed consumer lending business and an inaugural profit of $1.9 million from the US operation.

US debt buying

The US business is already delivering collections and cost-efficiency metrics in line with those achieved by the largest operators in that market and there is a pipeline of further operational improvements. Market conditions remain favourable. In June the Group relocated to a new facility in Salt Lake City, Utah, which will accommodate growth from 230 staff currently to more than 400. The new site will facilitate increased purchasing.

The strategic potential of the organically-developed US debt buying operation is substantial and the Group now has a profitable and competitive business with the capacity to grow rapidly. Excellent existing relationships with debt sale partners will allow purchasing to expand.

Consumer lending

The industry leading 'Wallet Wizard' cash loan product continues to drive growth in the lending business with the book growing by 14 per cent to $183 million, gross of provisions. Wallet Wizard stands out as the most sustainable loan in its segment of the market. Consumers have embraced the Wallet Wizard product, which is a fraction of the cost of alternatives and is even cheaper than a charitably-funded offering provided on a not-for-profit basis by one lender.

Consumer lending originations and book growth accelerated in the second half of 2018, providing strong momentum into 2019. The increase in demand was partly due to stricter credit criteria being applied by mainstream lenders and a retreat from some forms of lending. The Group is benefitting from these changes in the consumer lending market and its auto lending pilot is now producing encouraging results.

Australian / New Zealand debt buying

The Australian / New Zealand debt buying operation grew profits by 6 per cent on collections growth of 4 per cent despite one-third lower Purchased Debt Ledger (PDL) investment in 2018. This outstanding operational performance reflected improved execution across a range of metrics and the emphasis placed on long-term value creation. To grow collections and maintain a record bank of recurring payment arrangements at a time of reduced purchasing demonstrates the power of the Group's unique operational approach.

2019 outlook

Increases in earnings from the US debt buying and consumer lending divisions are expected to drive solid profit growth in 2019, with guidance for profit growth in the range of 4 to 7 per cent.

The Group retains significant debt headroom and will invest across all three divisions as opportunities arise that meet its investment hurdle. The Group provides PDL investment guidance in the range of $150-$170 million with a contracted pipeline of $63 million comprising mostly Australian / New Zealand forward flow agreements. Most US volume will be re-tendered in early 2019.

CHANGES IN STATE OF AFFAIRS

During the financial year there were no significant changes in the state of affairs of the Group other than those referred to in the financial statements or notes thereto.

DIVIDENDS PAID OR RECOMMENDED

Dividends paid or declared to shareholders since the end of the previous financial year were:

Declared and paid during the year 2018	Cents per share	Total amount $'000	Date of payment
Interim 2018 ordinary	31.0	14,787	16 Mar 2018
Final 2017 ordinary	31.0	14,787	17 Nov 2017
Total		**29,574**	

After balance date, the following dividend was proposed by the directors:

Declared after end of year	Cents per share	Total amount $'000	Date of payment
Final 2018 ordinary	36.0	17,172	12 Oct 2018

The financial effect of this dividend has not been brought to account in the consolidated financial statements for the year ended 30 June 2018 and will be recognised in the 2019 financial report.

EVENTS SUBSEQUENT TO REPORTING DATE

In the interval between the end of the financial year and the date of this report there has not been any item, transaction or event of a material and unusual nature that is likely, in the opinion of the directors of the Group, to significantly affect the operations of the Group, the results of those operations or the state of affairs of the Group in future financial years.

ENVIRONMENTAL REGULATIONS

The Group's operations are minimally affected by environmental regulations.

INDEMNIFYING OFFICERS OR AUDITOR

The Group has provided indemnities to the current directors (as named above), the company secretaries (Mr Thomas Beregi and Mr Michael Eadie) and all executives of the Group against liabilities incurred as a director, secretary or executive officer to the extent permitted by the *Corporations Act 2001*. The Group will meet the full amount of any such liabilities, including costs and expenses.

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

These indemnities were in place both during and after the end of the financial year.

Potential liabilities are insured with the premiums paid by the Group. The insurance contract prohibits disclosure of any details of the policy and the premiums paid.

PROCEEDINGS ON BEHALF OF THE GROUP

No person has applied for leave of the Court to bring proceedings on behalf of the Group or intervene in any proceedings to which the Group is a party for the purpose of taking responsibility on behalf of the Group for all or any part of those proceedings.

NON-AUDIT SERVICES

The following non-audit services were provided by the Group's auditor, Hall Chadwick. The directors are satisfied that the provision of non-audit services is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*. The nature and scope of each type of non-audit service provided means that auditor independence was not compromised. All non-audit services are reviewed and approved by the Audit and Risk Committee prior to commencement of the audit to ensure they do not impact the impartiality and objectivity of the auditor.

Details of the amounts paid to Hall Chadwick for non-audit services provided during the year are set out below:

Services other than statutory audit	$
Other services	
> Taxation compliance services	7,200
> Other services	6,000
Total	**13,200**

AUDITOR'S INDEPENDENCE DECLARATION

The auditor's independence declaration for the year ended 30 June 2018 has been received and can be found on page 25 of the financial statements.

ROUNDING OFF

The Group is of a kind referred to in ASIC Legislative Instrument 2016/191, relating to the 'rounding off' of amounts in the directors' report. Amounts in the directors' report have been rounded off in accordance with the instrument to the nearest thousand dollars, unless otherwise indicated.

Directors' report – audited remuneration report

This remuneration report sets out remuneration information for key management personnel (KMP), which includes directors and senior executives, for the year ended 30 June 2018 and is prepared and audited in accordance with section 300A of the *Corporations Act 2001*.

A. THE ROLE OF THE BOARD AND THE REMUNERATION COMMITTEE IN REMUNERATION

The following diagram demonstrates how the Board, Committee and the CEO interact to set the remuneration structure and determine the remuneration outcomes for the Group:

BOARD

The Board is responsible for the structure of remuneration for directors and senior executives. The goal is to maximise the effectiveness of remuneration in the creation of long-term shareholder value.

REMUNERATION COMMITTEE

The Remuneration Committee is responsible for reviewing and developing remuneration policies and practices on behalf of the Board. Executive remuneration levels are reviewed annually by the Remuneration Committee in line with the Remuneration Policy and with reference to market movements. The Remuneration Committee makes recommendations to the Board in respect of:

> Recruitment, retention and termination policies and procedures for senior executives;

> Senior executive remuneration packages, including annual incentive and long-term incentive plans; and

> Director remuneration levels and framework.

The performance review of the CEO is undertaken by the Chairman of the Board, reviewed by the Remuneration Committee and approved by the Board.

CEO

The performance reviews of other executives are undertaken by the CEO and approved by the Remuneration Committee.

B. KEY MANAGEMENT PERSONNEL

The remuneration report sets out the remuneration details for the Group's KMP. The table below outlines the KMP and their movements during the 2018 financial year:

Name	Position	Term as KMP
Non-executive directors		
Mr Donald McLay	Chairman	Full financial year
Mr Eric Dodd	Non-Executive Director	Full financial year
Ms Leslie Martin	Non-Executive Director	Full financial year
Mr Robert Shaw	Non-Executive Director	Full financial year
Mr Richard Thomas	Non-Executive Director	Full financial year
Senior executives		
Mr Thomas Beregi	Chief Executive Officer	Full financial year
Mr Matthew Angell	Chief Operating Officer	Full financial year
Mr Michael Eadie	Chief Financial Officer	Full financial year

C. SENIOR EXECUTIVE REMUNERATION

a) Remuneration policy and link to strategy

The Group's Remuneration Policy is designed to ensure that remuneration outcomes are aligned with the long-term success of the Group.

The overall remuneration structure remains unchanged from the prior year:

> Senior executive fixed remuneration packages in line with those paid for roles with equivalent responsibilities by companies of a similar market capitalisation;

> A Short-Term Incentive (STI) payable only on achievement of annual financial and strategic targets;

> A Long-Term Incentive (LTI) paid in the form of performance rights potentially converting to deferred vesting shares, based on the following:
– 50 per cent dependent on exceeding financial targets over a three-year strategic planning cycle; and
– 50 per cent dependent on market performance relative to the ASX 200 over the same three-year cycle;

> No benefit under the LTI plan is payable if the Group's hurdle return is not achieved each year; and

> There continues to be no termination benefits payable under any contract.

The remuneration structure ensures that if the Group underperforms its earnings and / or return targets, no STI will be payable to executives. Underperformance over the medium-term will also result in no performance rights under the LTI converting to deferred vesting shares.

The Board believes that the Group's remuneration framework is designed to support and align with the business strategy and encourages executives to maximise performance in the best interests of shareholders. The at-risk components of remuneration are tied to measures that reflect the successful execution of the Group's business strategy in both the short- and long-term.

The Group’s strategic drivers are reflected in STI and LTI performance measures so the Group’s performance directly affects the remuneration that executives are paid. Both the potential STI and half of the potential LTI are linked directly to achieving earnings targets. This ensures that remuneration outcomes are substantially linked to earnings growth as the most influential driver of share price performance and shareholder returns. The other half of the LTI is directly linked to shareholder returns, based on market performance relative to the ASX 200. This directly aligns a substantial proportion of remuneration to the actual returns achieved by shareholders. The emphasis in the STI and LTI on medium-term earnings growth mitigates the risk that the shareholder return component of the LTI leads to an excessive focus on the share price by executives.

STRATEGIC DRIVERS	STI PERFORMANCE MEASURES	LTI PERFORMANCE MEASURES	PERFORMANCE OUTCOME	REMUNERATION
Financial performance Create sustainable value for shareholders		**Relative Total Shareholder Return (TSR)** Measures the performance of the Group’s securities over a 3-year period, relative to the ASX 200	**TSR** The 2017[A] cumulative TSR from September 2015 to October 2017 of 110 per cent was in the 94th percentile, above the 75th percentile threshold	**LTI vesting outcome for executive KMP is 100 per cent conversion of performance rights to deferred vesting shares in respect of the NPAT CAGR component with the TSR component to be confirmed[B]**
		NPAT Compound Annual Growth Rate (CAGR) Measures compound annual growth of NPAT	**NPAT CAGR** The Group’s CAGR over the 3-year period from 2016 to 2018 was 19 per cent, larger than the 13 per cent LTI CAGR threshold	
	Budgeted NPAT Reflects the annual earnings growth required to be on track with the LTI 3-year NPAT CAGR hurdle		**In 2018** Actual NPAT was $64.3 million, representing a 17 per cent growth in earnings	**Executive KMP met NPAT target in respect of the 2018 financial year**
Business development and asset management Maintain and enhance value of assets	**Asset management measures** Measures include purchasing volumes, pipeline, collections, net return, lending customer acquisition growth and lending product implementation and deliverables		**In 2018** The Group performed well against the strategic objectives	**Executive KMP met the majority of operational and strategic targets in respect of the 2018 financial year**
Operational performance Improve efficiency and productivity	**Operational performance measures** Measures include labour productivity, new technology deployment under the IT strategic plan and achievement of improvement in other operational metrics			
Financing strategy Provide sustainable and diversified funding sources by implementing effective funding structures	**Financing strategy measures** Involves review and enhancements to capital structure and expansion and diversification of financing facilities			
Customer and client satisfaction Provide customers and clients with an experience that delivers excellent results and a superior compliance outcome	**Customer and client measures** Measures include business and marketing plan implementation, client reporting, customer retention, service delivery and compliance metrics			
Employee engagement Have an engaged and motivated workforce with superior skills and capabilities	**People measures** Measures include employee engagement, key talent retention, succession planning and staff turnover			

A. In respect of 2017 financial year, the LTI was assessed in November 2017, following assessment of the cumulative TSR from September 2015 to October 2017.
B. The TSR performance in respect of the 2018 LTI will be recognised in November 2018 once the cumulative TSR from September 2015 to October 2018 is confirmed.

b) Contract details

All contracts with executives may be terminated by either party with agreed notice periods. Remuneration and other terms of employment are formalised in employment contracts. Details of these contracts are:

Name	Title	Term of agreement	Details
Mr Thomas Beregi	Chief Executive Officer (CEO)	Ongoing, 3 months notice period	Fixed salary package of $700,000, consisting of base salary and superannuation, reviewed annually by the Remuneration Committee.
Mr Matthew Angell	Chief Operating Officer (COO)	Ongoing, 1 month notice period	Fixed salary package of $400,000, consisting of base salary and superannuation, reviewed annually by the Remuneration Committee.
Mr Michael Eadie	Chief Financial Officer (CFO)	Ongoing, 1 month notice period	Fixed salary package of $300,000, consisting of base salary and superannuation, reviewed annually by the Remuneration Committee.

c) Remuneration structure

FIXED REMUNERATION

Base salary + superannuation
Set with reference to listed company benchmarks for equivalent roles determined by market capitalisation as well as breadth of operations

VARIABLE REMUNERATION

STI PLAN

Annual cash payment

Eligibility for payment depends on:
The Group achieving its budgeted NPAT; and
Achievement against individual objectives or Key Performance Indicators (KPIs) (includes strategic KPIs aligned to milestones in the three-year Strategic Plan)

LTI PLAN

Each performance right converts to deferred vesting shares upon the performance hurdles being met; these shares will vest in a further 12 months

The LTI performance hurdles consist of the below measures:

50%
NPAT Compound Annual Growth Rate (CAGR)

50%
Total Shareholder Return (TSR) relative to the ASX 200

i) Fixed remuneration

Fixed remuneration comprises base salary and superannuation. Fixed remuneration for the executive KMP is determined by benchmarking to equivalent roles in companies with similar market capitalisation as well as breadth of operations.

Fixed remuneration outcomes

There were no increases to fixed remuneration for any executive KMP during the 2018 financial year.

ii) STI structure

STI award eligibility is determined by KPIs set before the start of each year. These KPIs are annual operational and financial targets that are established at levels to achieve shorter-term financial and operational objectives aligned with the Group's longer-term strategic goals.

The following table outlines the major features of the 2018 STI plan:

Features	Description
Purpose	To motivate and reward participants for achieving specific measurable financial and non-financial outcomes over the previous financial year which position the Group to achieve its medium- to long-term strategic goals. Achievement of the STI outcomes provides the foundation for achievement of the three-year Strategic Plan objectives of the LTI program.
Funding of STI pool	The STI pool is funded if: > The Group achieves its budgeted Net Profit Before Tax (NPBT) before funding the STI; and > The Group complies with its banking covenants.
Minimum criteria required to be achieved before any payments are made	If the STI pool is funded, the proportion of each individual's targeted STI which is paid depends on: > Satisfactory performance against individual KPIs; and > Satisfactory performance against individual job accountabilities.
Maximum STI that can be earned	The maximum amount varies and the range is between 50 per cent and 100 per cent of the fixed salary package of each KMP. The amount is set at the start of the year by the Remuneration Committee and is approved by the Board.
KPIs	> Individual KPIs are set annually; and > Subject to funding of the STI pool, the maximum STI is eligible to be paid when satisfactory performance against KPIs is achieved.
Role accountabilities	> Individual performance against role accountabilities is also assessed; and > Subject to funding of the STI pool and achievement of KPIs, the maximum STI is eligible to be paid when satisfactory performance against role accountabilities is achieved.
Performance period	1 July 2017 to 30 June 2018
Approval	Post completion of the annual financial statement audit and performance review process in September 2018, the proportion of the targeted STI payable to each executive will be determined by the Remuneration Committee and approved by the Board.
Payment timing	September 2018
Form of payment	Cash
Terminating executives	There is no mandatory STI entitlement where an executive's employment terminates prior to the payment date for the STI.

2018 Performance outcomes

Performance of the Group against the 2018 STI Net Profit After Tax (NPAT) hurdle is summarised as follows:

	2018 $'000	2017 $'000	Change %
NPAT	**$64,290**	$55,158	17%

The STI hurdle of a budgeted NPAT for 2018 of $59.6 million represented an 8 per cent increase on the NPAT achieved in 2017 of $55.2 million. Actual NPAT of $64.3 million represented a year-on-year increase of 17 per cent.

As financial performance exceeded budget and banking covenants were complied with during 2018, the STI in respect of the 2018 year is eligible to be funded.

As there have been some minor failures to achieve operational and strategic KPIs in respect of 2018, it is expected that post the performance review process executive KMP will forfeit a component of their 2018 target opportunity.

The remuneration report discloses the expected maximum STIs payable in respect of 2018. The actual STI payable to each executive will be a maximum of this amount and may reduce subject to the performance review process to occur in the first quarter of 2019. Each executive will be assessed on their individual performance against their KPIs and role accountabilities.

CEO's KPIs

A summary of the CEO's KPIs for 2018 is as follows:

Category	KPIs	Method of assessment	Weighting
Group performance	NPAT	Based upon NPAT as per the Group's audited financial statements for the 2018 financial year versus budget.	30%
Growth	PDL acquisition targets	Purchasing volumes for the 2018 financial year and committed purchases for the 2019 financial year, in accordance with Board-approved return criteria.	20%
	Consumer lending: business size and profitability metrics	Achievement of consumer loan book targets in the 2018 budget, maintenance of loan book loss rate and milestones in the rollout of pilot lending products.	20%
	US operational performance	Purchases from new US clients, ensuring US compliance and achievement of budgeted operational metrics.	20%
Financing / strategy	Progress of other strategic expansion initiatives	Review of adjacent market opportunities within lending and the core debt purchase business.	10%

2017 STI outcomes

The 2017 STI was paid during the 2018 financial year. No 2017 STIs were forfeited. The following table outlines the STI awarded to each executive KMP during the 2018 financial year in respect of 2017:

Name	Target STI opportunity for 2017	STI opportunity % of fixed remuneration	STI earned as % of target	STI forfeited as % of target
Senior executives				
Mr Thomas Beregi	700,000	100%	100%	0%
Mr Matthew Angell	400,000	100%	100%	0%
Mr Michael Eadie	150,000	50%	100%	0%

In regard to the 2018 STI outcomes, refer to 2018 performance outcomes above. Some forfeiture is expected by executive KMP in respect of the 2018 financial year.

iii) LTI structure

The LTI is designed to align the interests of shareholders and executives by motivating and rewarding executives to achieve and exceed 9 per cent compound annual earnings growth and produce strong shareholder returns over the medium- to long-term. The LTI aligns with the most recent three-year strategic planning cycle in respect of the 2016 to 2018 financial years.

The LTI is based on the following performance hurdles:

> Earnings-based hurdle (CAGR of NPAT); and

> Relative TSR against the performance of the ASX 200, excluding materials and energy shares.

Each hurdle operates independently and applies to 50 per cent of the potential LTI allocation. The earnings-based hurdle is subject to clawback conditions in the event of underperformance relative to the minimum 9 per cent NPAT CAGR required for any conversion of the performance rights to occur. Any deferred vesting shares will be clawed back based on their accounting or fair value at the time of the performance rights being issued. The clawback will be to the extent that the adjustment to NPAT is sufficient to result in a CAGR of 9 per cent over the three financial years from 2016 to 2018.

Relative TSR is the other LTI performance hurdle and represents 50 per cent of the potential LTI allocation.

The Board believes this structure provides a balance between alignment of shareholder returns whilst mitigating the risk of excessive focus on share price performance.

The next strategic planning cycle covers the three financial years from 2019 to 2021. The strategic growth targets set by the Board and the structure of the next LTI program to operate over the same three-year period, 2019 to 2021 is described further below.

The detailed features of the LTI are listed below:

Features	Description
Purpose	The Group established the LTI plan to assist in motivating, retaining and rewarding key employees. The LTI plan is designed to align participants' efforts with the interests of shareholders by providing participants with exposure to the Group's shares.
Issue of performance rights	Performance rights were issued to each participant at the start of the LTI plan in November 2015, in proportion to their level of participation in the LTI, as determined by the Remuneration Committee and the Board. The maximum fair value of the LTI pool is $7.5 million over three years ($2.5 million per year). Performance rights are eligible for conversion and vesting based on achievement of performance hurdles. Performance hurdles are assessed cumulatively as described below. Performance rights are allocated and converted into deferred vesting shares in November following an assessment of cumulative performance and are at-risk before vesting after a further 12-month period. This means the earliest that entitlement to any shares by participating executives occurs is in the third year of the LTI program, with shares vesting in 2018, then 2019 and 2020 – in the third year of the performance period, then one and two years after the completion of the performance period.
Allocation	The allocation of performance rights to senior executives, as set by the Remuneration Committee and the Board, for the 2016 to 2018 Strategic Plan period was as follows: > CEO 40 per cent > COO 22 per cent > CFO 11 per cent The remaining 27 per cent of performance rights issued were allocated to seven other executives not considered KMP. Executives who depart from the LTI plan forfeit their share.
Performance conditions	The Group's NPAT needs to exceed the Strategic Plan target in a given year. This is subject to the clawback provision described below: > A minimum return on equity (ROE) of 15 per cent must be achieved; and > Satisfactory performance by an executive against their job accountabilities as assessed in the annual performance review process described in the STI section above.
Vesting	**Relative TSR (50 per cent)** The proportion of performance rights converting to deferred vesting shares is as follows: > 50th percentile — Nil > 50th-75th percentile — Pro-rata nil-100 per cent > 75th percentile — 100 per cent vesting The performance of the TSR is measured on a cumulative basis over the three-year LTI plan. The TSR for each performance period is calculated using the volume weighted average price (VWAP) during the testing period, in order to mitigate the impact of short-term price gyrations on the TSR calculation. The testing period is the 90 days to 31 October of each year of the Strategic Plan. The TSR is compared to the TSR of the peer group for the purposes of determining the Group's ranking. The peer group is comprised of the ASX 200 (excluding materials and energy shares). **NPAT CAGR (50 per cent)** The proportion of awards vesting is as follows: > 9 per cent CAGR — 40 per cent > >9 per cent ≤ 13 per cent CAGR — Pro-rata 40 per cent-100 per cent > >13 per cent CAGR — 100 per cent vesting The NPAT CAGR performance condition is tested annually in September, following the conclusion of each financial year over the three-year Strategic Plan period. The benefit of assessing earnings on a CAGR basis is that it represents sustained earnings growth over a three-year period from 2016 to 2018.

Features	Description
Dividends	An LTI participant has no entitlement to dividends until the performance rights have been converted into deferred vesting shares.
Performance period	The performance period for the NPAT hurdle is a three-year period (from 2016 to 2018) with earnings growth being assessed on a cumulative basis with the minimum CAGR hurdle 9 per cent. Similarly, performance under the TSR is also assessed on a cumulative basis over the same three-year period.
Forfeiture	Forfeiture of an LTI participant's account will occur should they resign, be terminated by the Group for any reason, remain employed but no longer form part of the leadership group or be terminated from the plan for any reason. There is no mandatory LTI entitlement where an executive's employment terminates prior to the vesting date of an LTI benefit.
Alignment	The Group's LTI plan aligns the interests of shareholders and executives by: > 50 per cent of the potential award being based on achieving and exceeding target cumulative earnings growth, with earnings growth being a critical driver of shareholder returns; and > 50 per cent of the potential award using TSR as a performance hurdle, which directly aligns the financial interests of executives and shareholders by linking their reward to the Group's relative share price performance.
Change of control	There is no mandatory entitlement to any benefit under the LTI in the event of a change in control and the Board has absolute discretion in varying any terms of the LTI program in these circumstances.

LTI outcomes

The table below summarises the 2017 performance and outcomes for the 2016-2018 LTI program. The performance in respect of the 2018 LTI will be recognised in November 2018 once the cumulative TSR from September 2015 to October 2018 is confirmed.

KMP	Plan	Performance condition	Performance outcomes	Number of deferred shares granted	% LTI tranche that converted	% LTI tranche that forfeited
Senior executives						
Mr Thomas Beregi	2016-2018 LTI	NPAT CAGR Relative TSR	20% CAGR[A] 94th Percentile	73,133 73,133	100% 100%	— —
Mr Matthew Angell	2016-2018 LTI	NPAT CAGR Relative TSR	20% CAGR[A] 94th Percentile	40,629 40,629	100% 100%	— —
Mr Michael Eadie	2016-2018 LTI	NPAT CAGR Relative TSR	20% CAGR[A] 94th Percentile	19,384 19,384	100% 100%	— —

A. 20% NPAT CAGR is in respect of the two years from 2016 to 2017. The three-year NPAT CAGR from 2016 to 2018 is 19%.

LTI in respect of the 2018 financial year

Year accrued	Performance rights converted during the 2018 financial year[A] 2017	$	Performance rights converting in future years[A] 2018	$	Current allocation (% of pool)[B] $	Minimum value for future years $	Maximum value for future years $
Senior executives							
Mr Thomas Beregi	146,266	1,002,647	148,342	1,002,646	40.1%	—	1,002,646
Mr Matthew Angell	81,258	557,023	82,412	557,023	22.3%	—	557,023
Mr Michael Eadie	38,768	265,749	39,316	265,749	10.6%	—	265,749

A. The deferred vesting shares will vest to participants of the LTI program in November of the subsequent financial years, subject to ongoing tenure as a company executive and continued performance.

B. Each participant's allocated percentage portion of the pool. The allocations are fixed and were determined by the Remuneration Committee as part of the approval of the LTI plan.

There was an LTI program in place in respect of the 2013 to 2015 financial years, the details of which were previously disclosed. The final shares issued under this program vested during the 2018 financial year as summarised below.

LTI in respect of the 2015 financial year

	Proportion vested during the 2018 financial year [A]		Proportion vesting in future years [A]		Current allocation (% of pool) [B]	Minimum value for future years	Maximum value for future years
Year accrued	**2015**	**$**	**2015**	**$**	**$**	**$**	**$**
Senior executives							
Mr Thomas Beregi	1/3	331,817	—	—	40.1%	—	—
Mr Matthew Angell	1/3	184,343	—	—	22.3%	—	—
Mr Michael Eadie	1/3	87,944	—	—	10.6%	—	—

A. The final tranche of the 2015 financial year deferred vesting shares were fully vested in the 2018 financial year.

B. Each participant's allocated percentage portion of the pool. The allocations are fixed and were determined by the Remuneration Committee as part of the approval of the LTI plan.

2019-2021 LTI scheme

The next three-year strategic planning cycle covering the 2019 to 2021 financial years has commenced. As part of this plan the Board has set NPAT growth targets for the three-year period with the baseline three-year earnings growth target being 8 per cent.

The approved LTI scheme for 2019-2021 will have the same structure as the above scheme, which operated from 2016 to 2018, with 50 per cent of the potential benefit subject to a cumulative TSR hurdle and 50 per cent to an achievement of NPAT CAGR. The TSR hurdle will remain the same as in the 2016 to 2018 scheme and the earnings hurdle will reflect the following range:

> 8 per cent CAGR	40 per cent vesting
> >8 per cent ≤ 11 per cent CAGR	Pro-rata 40 per cent-100 per cent
> >11 per cent CAGR	100 per cent vesting

The LTI earnings hurdle range of a minimum 8 to 11 per cent is regarded by the Board as a challenging objective over the three-year strategic planning cycle.

In setting the earnings growth hurdle for the 2019 to 2021 LTI scheme, the Board took into account that the incremental earnings growth in nominal terms demanded by the NPAT hurdle is far higher than that of the 2016 to 2018 scheme. The 2018 Group NPAT of $64.3 million is almost 70 per cent higher than the 2015 financial year NPAT of $38.4 million, which was the baseline for assessing the NPAT CAGR under the 2016 to 2018 scheme.

Achieving the minimum hurdle of 8 per cent during the 2019 to 2021 LTI scheme will see NPAT grow by a total of $33 million, and by $46 million if the maximum hurdle of 11 per cent is achieved. By way of contrast, under the 2016 to 2018 scheme, NPAT growth at the minimum hurdle of 9 per cent was $22 million. Achieving the minimum hurdle will therefore see additional NPAT of more than $10 million over three years relative to the hurdle set for the preceding period.

The 8 per cent minimum LTI NPAT growth hurdle also sits beyond the top of the 2019 guidance range announced as part of the 2018 year end reporting of NPAT growth of 4 to 7 per cent.

d) Performance against key metrics

The Board believes the Group's remuneration structure, in particular the STI and LTI, has continued to ensure a significant proportion of remuneration is only payable as a result of the achievement of sustained earnings growth.

Details of the Group's performance, share price and dividends over the past five years are summarised in the table below:

	2018	2017	2016	2015	2014
Earnings					
Total revenue ($'000)	**298,978**	265,947	226,742	191,049	173,998
NPAT ($'000)	**64,290**	55,158	45,921	38,411	34,765
Change in NPAT (%) [A]	**17%**	20%	20%	10%	16%
5-year NPAT CAGR (%)	**15%**				
Shareholder value					
Share price at the end of the year ($)	**18.07**	17.71	12.01	12.17	8.70
Change in share price ($)	**0.36**	5.70	(0.16)	3.47	(0.70)
Total dividends paid / declared per share (cents)	**67**	58	50	44	40
ROE (%)	**24%**	24%	23%	23%	23%

A. Change in NPAT (%) refers to the movement in underlying NPAT.

D. DIRECTOR REMUNERATION

a) Remuneration policy

The Group's Director Remuneration Policy is designed to provide fair remuneration that is appropriate to the directors' responsibilities, performance, knowledge and skills and that aligns with the business strategy to ensure the long-term success of the Group. Fees for directors are fixed and are not linked to the performance of the Group. This is to ensure the independence of the directors.

Remuneration levels of comparable companies are reviewed annually for benchmarking purposes and allowance is made for various factors, including demands on time, the level of commitment required and any special responsibilities. An annual aggregate cap of $0.9 million was approved by the shareholders at the 2012 AGM.

b) Contract details

The remuneration structure is set out below:	2018 $	2017 $
Chairman	**220,000**	220,000
Director and Committee Chairman	**120,000**	120,000
Director and Committee member	**110,000**	110,000
Director	**95,000**	95,000

The above remuneration does not include the 9.5 per cent (2017: 9.5 per cent) statutory superannuation entitlement.

E. REMUNERATION TABLES AND DATA

The remuneration for each KMP of the Group during the year was:

		Short-term benefits				Post-employment benefits	Long-term benefits		
		Salary and fees	Short-term incentive A	Non-monetary benefits	Total	Super-annuation	Long-term incentive B	Total	Proportion of remuneration performance-related
		$	$	$	$	$	$	$	%
Directors									
Mr Donald McLay	**2018**	**220,000**	**—**	**17,857**	**237,857**	**20,900**	**—**	**258,757**	**—**
Non-Executive Director Chairman of Board and member of Remuneration and Audit and Risk Committees	2017	220,000	—	17,943	237,943	20,900	—	258,843	—
Mr Eric Dodd	**2018**	**120,000**	**—**	**—**	**120,000**	**11,400**	**—**	**131,400**	**—**
Non-Executive Director Chairman of Remuneration Committee	2017	120,000	—	—	120,000	11,400	—	131,400	—
Ms Leslie Martin	**2018**	**110,000**	**—**	**—**	**110,000**	**10,450**	**—**	**120,450**	**—**
Non-Executive Director Member of Remuneration Committee	2017	110,000	—	—	110,000	10,450	—	120,450	—
Mr Robert Shaw	**2018**	**120,000**	**—**	**—**	**120,000**	**11,400**	**—**	**131,400**	**—**
Non-Executive Director Chairman of Audit and Risk Committee	2017	120,000	—	—	120,000	11,400	—	131,400	—
Mr Richard Thomas	**2018**	**110,000**	**—**	**—**	**110,000**	**10,450**	**—**	**120,450**	**—**
Non-Executive Director Member of Audit and Risk Committee	2017	110,000	—	—	110,000	10,450	—	120,450	—
Senior executives									
Mr Thomas Beregi	**2018**	**678,500**	**665,000**	**17,857**	**1,361,357**	**21,500**	**1,002,646**	**2,385,503**	**70**
Chief Executive Officer Company Secretary	2017	668,500	700,000	17,943	1,386,443	29,087	1,002,647	2,418,177	70
Mr Matthew Angell	**2018**	**375,000**	**380,000**	**17,857**	**772,857**	**25,000**	**557,023**	**1,354,880**	**69**
Chief Operating Officer	2017	370,000	400,000	17,943	787,943	30,000	557,023	1,374,966	70
Mr Michael Eadie	**2018**	**278,342**	**142,500**	**17,857**	**438,699**	**21,658**	**265,749**	**726,106**	**56**
Chief Financial Officer Company Secretary	2017	273,973	150,000	17,943	441,916	26,027	265,749	733,692	57
Total remuneration	**2018**	**2,011,842**	**1,187,500**	**71,428**	**3,270,770**	**132,758**	**1,825,418**	**5,228,946**	**58**
	2017	1,992,473	1,250,000	71,772	3,314,245	149,714	1,825,419	5,289,378	58

A. The STI has been included in the above table on an accruals basis and has been recorded above at an assumed 95 per cent of the maximum potential payment. As noted above, a minority of operational and strategic KPIs has not been met and it is expected a proportion of the maximum STI will be forfeited. Individual performance reviews to be conducted after the finalisation of the 2018 audited consolidated financial statements will determine the final entitlement.

B. The LTI has been included in the above table on an accruals basis. It is payable in the form of performance rights, convertible into deferred vesting shares upon achievement of the earnings-based and / or relative TSR performance hurdles.

The relative proportions of the elements of remuneration of each KMP that are linked to performance:

	Fixed remuneration		Remuneration linked to performance	
	2018	**2017**	**2018**	**2017**
Directors				
Mr Donald McLay	**100%**	100%	**—**	—
Mr Eric Dodd	**100%**	100%	**—**	—
Ms Leslie Martin	**100%**	100%	**—**	—
Mr Robert Shaw	**100%**	100%	**—**	—
Mr Richard Thomas	**100%**	100%	**—**	—
Senior executives				
Mr Thomas Beregi	**30%**	30%	**70%**	70%
Mr Matthew Angell	**31%**	30%	**69%**	70%
Mr Michael Eadie	**44%**	43%	**56%**	57%

F. KMP EQUITY HOLDINGS

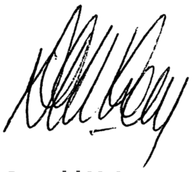
a) Fully paid ordinary shares of Credit Corp Group Limited

The movements during 2018 in the number of ordinary shares in Credit Corp Group Limited held directly, indirectly or beneficially by each KMP, including their related parties are:

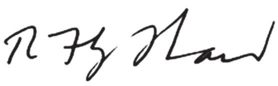
	Opening balance at 1 July 2017	Changes during the year[A]	Closing balance at 30 June 2018
	Number	Number	Number
Directors			
Mr Donald McLay	1,646,320	(14,255)	1,632,065
Mr Eric Dodd	5,000	—	5,000
Ms Leslie Martin	5,123	4,000	9,123
Mr Robert Shaw	4,245	—	4,245
Mr Richard Thomas	12,584	—	12,584
	1,673,272	**(10,255)**	**1,663,017**
Senior executives			
Mr Thomas Beregi	76,898	(38,500)	38,398
Mr Matthew Angell	—	—	—
Mr Michael Eadie	—	—	—
	76,898	**(38,500)**	**38,398**
Total	**1,750,170**	**(48,755)**	**1,701,415**

A. Other changes include shares granted via participation in the LTI plan and shares purchased or sold directly on the ASX.

Signed in accordance with a resolution of the Board of Directors.



Donald McLay
Chairman



Robert Shaw
Director

Date: 31 July 2018

Auditor's independence declaration

HALL CHADWICK (NSW)
Chartered Accountants and Business Advisers

SYDNEY
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2 Park Street
Sydney NSW 2000
Australia

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CREDIT CORP GROUP LIMITED ABN 33 092 697 151
AND CONTROLLED ENTITIES

AUDITOR'S INDEPENDENCE DECLARATION
UNDER SECTION 307C OF THE CORPORATIONS ACT 2001
TO THE DIRECTORS OF CREDIT CORP GROUP LIMITED

I declare that, to the best of my knowledge and belief, during the year ended 30 June 2018 there have been no contraventions of:

(i) the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the audit; and

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

Hall Chadwick

Hall Chadwick
Level 40, 2 Park Street
Sydney NSW 2000

SKumar

SANDEEP KUMAR
Partner
Dated: 31 July 2018

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Consolidated statement of profit or loss and other comprehensive income

For the year ended 30 June 2018

	Note	2018 $'000	2017 $'000
Revenue	4	**298,978**	265,947
Finance costs		**(9,348)**	(6,969)
Employee benefits expense		**(111,887)**	(101,876)
Depreciation and amortisation expense		**(2,108)**	(2,352)
Office facility expenses		**(15,943)**	(15,267)
Collection expenses		**(19,344)**	(16,372)
Consumer loans loss provision expense		**(31,947)**	(29,455)
Marketing expenses		**(11,236)**	(9,401)
Other expenses		**(5,155)**	(5,309)
Profit before income tax expense		**92,010**	78,946
Income tax expense	5	**(27,720)**	(23,788)
Profit for the year		**64,290**	55,158
Other comprehensive income for the year, net of income tax		**—**	—
Total comprehensive income for the year		**64,290**	55,158
Earnings per share for profit attributable to owners of the Company			
Basic earnings per share (cents per share)	6	**135.1**	116.8
Diluted earnings per share (cents per share)	6	**133.7**	114.7

The above financial statements should be read in conjunction with the accompanying notes.

Consolidated statement of financial position

As at 30 June 2018

	Note	2018 $'000	2017 $'000
Current assets			
Cash and cash equivalents	8	**16,016**	6,106
Trade and other receivables	9	**3,246**	2,526
Consumer loans	10	**98,449**	87,418
Purchased debt ledgers	11	**160,688**	117,512
Other assets	12	**2,797**	3,293
Total current assets		**281,196**	216,855
Non-current assets			
Consumer loans	10	**50,408**	43,421
Purchased debt ledgers	11	**203,386**	220,850
Property, plant and equipment	13	**4,559**	5,186
Deferred tax assets	5	**26,372**	24,355
Intangible assets	14	**800**	800
Total non-current assets		**285,525**	294,612
Total assets		**566,721**	511,467
Current liabilities			
Trade and other payables	15	**37,159**	38,861
Provisions	16	**11,700**	10,990
Total current liabilities		**48,859**	49,851
Non-current liabilities			
Borrowings	17	**227,888**	209,613
Provisions	16	**3,471**	4,254
Total non-current liabilities		**231,359**	213,867
Total liabilities		**280,218**	263,718
Net assets		**286,503**	247,749
Equity			
Issued capital	19	**55,561**	55,561
Reserves	20	**10,191**	6,153
Retained earnings		**220,751**	186,035
Total equity		**286,503**	247,749

The above financial statements should be read in conjunction with the accompanying notes.

Consolidated statement of changes in equity

As at 30 June 2018

	Note	Issued capital $'000	Reserves $'000	Retained earnings $'000	Total equity $'000
Balance at 1 July 2017		**55,561**	**6,153**	**186,035**	**247,749**
Total comprehensive income for the year					
Profit for the year		**—**	**—**	**64,290**	**64,290**
Transactions with owners in their capacity as owners					
Performance rights issued net of transaction costs and tax	20	**—**	**4,038**	**—**	**4,038**
Dividends paid or provided for	7	**—**	**—**	**(29,574)**	**(29,574)**
Transactions with owners in their capacity as owners		**—**	**4,038**	**(29,574)**	**(25,536)**
Balance at 30 June 2018		**55,561**	**10,191**	**220,751**	**286,503**
Balance at 1 July 2016		55,561	2,188	156,349	214,098
Total comprehensive income for the year					
Profit for the year		—	—	55,158	55,158
Transactions with owners in their capacity as owners					
Performance rights issued net of transaction costs	20	—	3,965	—	3,965
Dividends paid or provided for	7	—	—	(25,472)	(25,472)
Transactions with owners in their capacity as owners		—	3,965	(25,472)	(21,507)
Balance at 30 June 2017		55,561	6,153	186,035	247,749

The above financial statements should be read in conjunction with the accompanying notes.

Consolidated statement of cash flows

As at 30 June 2018

	Note	2018 $'000	2017 $'000
Cash flows from operating activities			
Receipts from customers and debtors		**473,951**	430,471
Payments to suppliers and employees		**(160,006)**	(149,443)
Interest received on bank deposits		**138**	69
Interest paid		**(9,348)**	(6,969)
Income tax paid		**(32,338)**	(10,730)
Cash flows from operating activities before changes in operating assets		**272,397**	263,398
Changes in operating assets arising from cash flow movements			
Net funding of consumer loans		**(52,405)**	(46,184)
Acquisition of purchased debt ledgers		**(196,058)**	(254,418)
Changes in operating assets arising from cash flow movements		**(248,463)**	(300,602)
Net cash inflow / (outflow) from operating activities	18	**23,934**	(37,204)
Cash flows from investing activities			
Acquisition of plant and equipment		**(1,481)**	(1,261)
Net cash outflow from investing activities		**(1,481)**	(1,261)
Cash flows from financing activities			
Proceeds from borrowings		**166,319**	114,328
Repayment of borrowings		**(149,288)**	(46,827)
Dividends paid		**(29,574)**	(25,472)
Net cash (outflow) / inflow from financing activities		**(12,543)**	42,029
Net increase in cash and cash equivalents		**9,910**	3,564
Cash and cash equivalents at 1 July		**6,106**	2,542
Cash and cash equivalents at 30 June	8	**16,016**	6,106

The above financial statements should be read in conjunction with the accompanying notes.

Notes to the consolidated financial statements

Note 1: Corporate information

The consolidated financial statements of Credit Corp Group Limited (the Company) and its subsidiaries (collectively, the Group) for the year ended 30 June 2018 were authorised for issue in accordance with a resolution of the directors on 31 July 2018.

Credit Corp Group Limited is a for-profit company limited by shares incorporated in Australia whose shares are publicly traded on the Australian Securities Exchange. The address of its registered office and principal place of business is Level 15, 201 Kent Street, Sydney NSW 2000, Australia.

The Group is primarily involved in operations within debt ledger purchasing, which includes mercantile collections and consumer lending. Further information on the nature of the operations and principal activities of the Group is provided in the directors' report. Information on the Group's structure is provided in Note 23: Subsidiaries. Information on other related party relationships of the Group is provided in Note 29: Related party transactions.

The parent entity, Credit Corp Group Limited, has not prepared separate financial statements as permitted by the *Corporations Act 2001*. The financial information for the parent entity is disclosed in Note 33: Parent entity information.

Note 2: Basis of preparation

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 and Interpretations issued by the Australian Accounting Standards Board.

A) COMPLIANCE WITH INTERNATIONAL FINANCIAL REPORTING STANDARDS

The consolidated financial statements also comply with International Financial Reporting Standards (IFRS), as issued by the International Accounting Standards Board (IASB).

B) HISTORICAL COST CONVENTION

The consolidated financial statements have been prepared on an accruals basis using historical cost conventions, except for the cost of employee remuneration in the form of equity-settled transactions, which are determined by the fair value at the date when the grant is made using an appropriate valuation model.

C) ROUNDING OF AMOUNTS

The Company is of a kind referred to in ASIC Legislative Instrument 2016/191, relating to the 'rounding off' of amounts in the financial report. Amounts in the financial report have been rounded off in accordance with the instrument to the nearest thousand dollars, unless otherwise indicated.

D) USE OF ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

The directors evaluate estimates and judgements incorporated into the financial statements based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the Group.

In the application of the Group's accounting policies, the directors of the Group are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors considered to be relevant. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the Group. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

Key estimates	Note	Page
Purchased debt ledgers (PDLs)	11	37
Provisions	9, 10 & 16	36, 37 & 39
Share-based payments	30	47
Goodwill and impairment	14	39

Note 2: Basis of preparation (continued)

E) SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies adopted in the presentation of these consolidated financial statements are set out below. Other significant accounting policies are contained in the notes to the financial report to which they relate. The policies have been consistently applied to all the years presented, unless otherwise stated.

a) Principles of consolidation

These consolidated financial statements incorporate the assets, liabilities and results of all subsidiaries at 30 June 2018. Subsidiaries are all entities over which the Company has control. The Company controls an entity if it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity.

Profit or loss and other comprehensive income of controlled entities acquired or disposed of during the year are recognised from the effective date of acquisition, or up to the effective date of disposal, as applicable. In preparing the financial report, all intercompany balances, transactions and unrealised profits arising within the Group are eliminated in full.

b) Functional currency

Amounts in the directors' report and financial report are presented in Australian dollars, which is the Group's functional currency.

c) Foreign currency transactions and balances

Foreign currency transactions are translated into the functional currency, being Australian dollars, using the exchange rates prevailing at the date of transaction. Foreign currency monetary items are translated at the year-end exchange rate. Non-monetary items measured at historical cost continue to be carried at the exchange rate at the date of the transaction. Non-monetary items measured at fair value are reported at the exchange rate at the date when fair values were determined.

Exchange differences arising on the translation of monetary items are recognised in the statement of profit or loss, except where deferred in equity as a qualifying cash flow or net investment hedge.

Exchange differences arising on the translation of non-monetary items are recognised directly in equity to the extent that the gain or loss is directly recognised in equity; otherwise the exchange difference is recognised in the statement of profit or loss.

d) Borrowing costs

Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds. All borrowing costs are recognised in the statement of profit or loss and other comprehensive income in the period in which they are incurred.

F) NEW STANDARDS AND INTERPRETATIONS NOT YET ADOPTED

Certain new accounting standards and interpretations have been published that are not mandatory for the 30 June 2018 reporting period. The Group's assessment of the impact of these new standards and interpretations is set out below:

AASB 16 *Leases* (effective 1 January 2019, applicable to annual reporting periods beginning 1 July 2019)

AASB 16 was issued in February 2016. It will result in almost all leases being recognised on the balance sheet, as it removes the distinction between operating and finance leases. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals under the lease are recognised. The only exceptions are short-term and low-value leases.

The standard will affect primarily the accounting for the Group's operating leases. As at the reporting date, the Group has non-cancellable operating lease commitments of $14,272,065, which is likely to lead to a similar amount being recognised on the balance sheet. Further information is disclosed in Note 25.

The standard is mandatory for first interim periods within annual reporting periods beginning on or after 1 January 2019. The Group does not intend to adopt the standard before its effective date.

Note 3: Operating segments

A) FINANCIAL REPORTING BY SEGMENTS

An operating segment is a component of an entity that engages in business activities from which it may earn revenue and incur expenses. The Group has identified its operating segments based on the internal reports that are reviewed and used by the chief operating decision maker, the Chief Executive Officer (CEO), to make strategic decisions. The Group has three main operating segments: debt ledger purchasing (Australia), debt ledger purchasing (United States) and consumer lending. All operating segments and results are reviewed regularly by the CEO of the Group, who reviews the operating segments' results on an ongoing basis to assess performance and allocate resources.

The reportable segments are as follows:

a) Debt ledger purchasing – Australia

This business purchases consumer debts at a discount to their face value from credit providers in Australia, with the objective of recovering amounts in excess of the purchase price over the collection life cycle of the receivables to produce a return.

b) Debt ledger purchasing – United States

This business purchases consumer debts at a discount to their face value from credit providers in the United States, with the objective of recovering amounts in excess of the purchase price over the collection life cycle of the receivables to produce a return.

c) Consumer lending

This business offers various market-leading sustainable financial products to credit-impaired consumers.

Following is the information provided to the CEO:

	Debt ledger purchasing – Australia $'000	Debt ledger purchasing – United States $'000	Consumer lending $'000	Total for continuing operations $'000
Year ended 30 June 2018				
Segment revenue				
External revenue	**195,670**	**23,972**	**79,336**	**298,978**
Segment result				
Segment profit	**77,726**	**2,712**	**23,028**	**103,466**
Finance costs				**(9,348)**
Depreciation and amortisation expense				**(2,108)**
Profit before income tax expense				**92,010**
Income tax expense				**(27,720)**
Profit after income tax expense				**64,290**
Year ended 30 June 2017				
Segment revenue				
External revenue	186,418	13,063	66,466	265,947
Segment result				
Segment profit	71,886	(1,215)	17,596	88,267
Finance costs				(6,969)
Depreciation and amortisation expense				(2,352)
Profit before income tax expense				78,946
Income tax expense				(23,788)
Profit after income tax expense				55,158

B) GEOGRAPHICAL INFORMATION

The Group predominantly operates in two geographic segments, Australia and the United States.

Note 4: Revenue

Revenue is measured at the fair value of the consideration received or receivable. It is only recognised to the extent that it is probable that the economic benefits will flow to the Group and can be reliably measured and excludes taxes or duty. The major components of revenue are recognised as follows:

Interest revenue from PDLs

Revenue from PDLs represents the component designated as interest income through the application of the effective interest method and net of any adjustments to the carrying amounts of the PDLs as a result of changes in forecast cash flows.

Interest and fee income from consumer lending

Interest and fee income is recognised when the payments are received.

The following is the Group's revenue for the year from continuing operations:

	2018 $'000	2017 $'000
Interest revenue from PDLs	**207,572**	189,574
Interest and fee income from consumer lending	**79,259**	66,374
Other interest received	**138**	69
Other income	**12,009**	9,930
Total	**298,978**	265,947

Goods and services tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, unless the GST incurred is not recoverable from the Australian Taxation Office (ATO). In this case, it is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the ATO is included with other receivables or payables in the statement of financial position.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities that are recoverable from, or payable to, the ATO are presented as operating cash flows.

Note 5: Income tax

The Group operates in various tax jurisdictions, including Australia, New Zealand and the United States.

Current tax

Current tax expense charged to the statement of profit or loss is the tax payable on taxable income calculated using applicable income tax rates enacted, or substantially enacted, as at reporting date. Current tax liabilities are therefore measured at the amounts expected to be paid to the relevant taxation authority.

Deferred tax

Deferred tax is accounted for based on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date.

Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences, unused tax losses and tax offsets, to the extent that it is probable that sufficient future taxable profits will be available against which those deductible temporary differences can be utilised. No deferred income tax is recognised from the initial recognition of an asset or liability, excluding a business combination, where there is no effect on accounting or taxable profit or loss.

Deferred tax assets and liabilities are calculated at the tax rates that are expected to apply to the period when the assets are realised or the liabilities are settled, based on tax rates enacted or substantively enacted at balance date. Their measurement also reflects the manner in which management expects to recover or settle the carrying amount of the related assets or liabilities.

Income taxes relating to items recognised directly in equity are recognised directly in equity and not in the statement of profit or loss and other comprehensive income.

Tax consolidation

Credit Corp Group Limited and its wholly-owned Australian subsidiaries have formed an income tax consolidated group under the tax consolidation legislation. The head entity, Credit Corp Group Limited, and its subsidiaries in the income tax consolidated group have entered a tax funding arrangement whereby each company in the income tax consolidated group contributes to the income tax payable in proportion to their contribution to the Group's taxable income. Any difference between the amounts assumed and amounts receivable or payable under the tax funding agreement is recognised as a contribution to (or distribution from) wholly-owned tax consolidated entities.

Note 5: Income tax (continued)

Components of the tax balances are detailed below:

	2018 $'000	2017 $'000
A) INCOME TAX EXPENSE		
Current tax	**(30,033)**	(28,000)
Deferred tax	**2,017**	4,244
Overprovision / (Underprovision) in respect of prior years	**296**	(32)
Total	**(27,720)**	(23,788)
B) RECONCILIATION BETWEEN TAX EXPENSE AND PRE-TAX ACCOUNTING PROFIT		
Profit for the year	**92,010**	78,946
Prima facie tax payable on profit from ordinary activities before income tax at 30% (2017: 30%)	**(27,603)**	(23,684)
Tax effect of amounts that are not deductible (taxable) in calculating taxable income:		
Other non-deductible items	**(413)**	(72)
	(28,016)	(23,756)
Overprovision / (Underprovision) in respect of prior years	**296**	(32)
Income tax expense	**(27,720)**	(23,788)
Applicable weighted average effective tax rates (%)	**30%**	30%
C) TAX ASSETS AND LIABILITIES		
Non-current tax assets		
Deferred tax assets	**26,372**	24,355

	Assets		Liabilities		Net	
	2018 $'000	2017 $'000	2018 $'000	2017 $'000	2018 $'000	2017 $'000
Deferred tax assets and liabilities are attributable to:						
Provision for employee benefits	**3,527**	3,024	**—**	—	**3,527**	3,024
Provision for leases	**1,024**	1,250	**—**	—	**1,024**	1,250
Provision for impairment of trade receivables	**5**	8	**—**	—	**5**	8
Provision for expected credit losses	**10,272**	8,891	**—**	—	**10,272**	8,891
Accruals on wages and bonuses	**132**	71	**—**	—	**132**	71
Accruals on employee share plan	**750**	998	**—**	—	**750**	998
Difference between accounting and tax depreciation	**508**	563	**—**	—	**508**	563
Other accruals not tax deductible until expense incurred	**10,154**	9,550	**—**	—	**10,154**	9,550
Net tax assets	**26,372**	24,355	**—**	—	**26,372**	24,355

Note 5: Income tax (continued)

	Opening balance $'000	Recognised in profit or loss $'000	Recognised in other comprehensive income $'000	Closing balance $'000
Movement in temporary differences during the year				
Year ended 30 June 2018				
Provision for employee benefits	**3,024**	**503**	**—**	**3,527**
Provision for leases	**1,250**	**(226)**	**—**	**1,024**
Provision for impairment of trade receivables	**8**	**(3)**	**—**	**5**
Provision for expected credit losses	**8,891**	**1,381**	**—**	**10,272**
Accruals on wages and bonuses	**71**	**61**	**—**	**132**
Accruals on employee share plan	**998**	**(248)**	**—**	**750**
Difference between accounting and tax depreciation	**563**	**(55)**	**—**	**508**
Other accruals not tax deductible until expense incurred	**9,550**	**604**	**—**	**10,154**
Total	**24,355**	**2,017**	**—**	**26,372**
Movement in temporary differences during the year				
Year ended 30 June 2017				
Provision for employee benefits	1,531	1,493	—	3,024
Provision for leases	1,433	(183)	—	1,250
Provision for impairment of trade receivables	—	8	—	8
Provision for expected credit losses	7,374	1,517	—	8,891
Accruals on wages and bonuses	916	(845)	—	71
Accruals on employee share plan	1,373	(375)	—	998
Difference between accounting and tax depreciation	571	(8)	—	563
Other accruals not tax deductible until expense incurred	6,913	2,637	—	9,550
Total	20,111	4,244	—	24,355

Note 6: Earnings per share

	2018	2017
Basic earnings per share (cents)	**135.1**	116.8
Diluted earnings per share (cents)	**133.7**	114.7
Weighted average number of ordinary shares – basic ('000)	**47,584**	47,208
Add: Adjustment for calculation of diluted earnings per share (performance rights) ('000)	**504**	880
Weighted average number of ordinary shares at 30 June – diluted ('000)	**48,088**	48,088

Basic and diluted earnings per share are calculated by dividing profit for the year by the weighted average number of shares on issue over the year.

Performance rights

Performance rights first granted in the 2016 financial year under the Group's LTI plan are considered to be potential ordinary shares and have been included in the determination of diluted earnings per share. The rights have not been included in the determination of basic earnings per share. Details relating to the rights are set out in the remuneration report and Note 30.

Notes to the consolidated financial statements

Note 7: Dividends paid and proposed

	Cents per share	Total $'000	Franked / unfranked	Date of payment
The following dividends were declared and paid by the Group:				
Year ended 30 June 2018				
Interim 2018 ordinary	**31.0**	**14,787**	**Franked**	**16 Mar 2018**
Final 2017 ordinary	**31.0**	**14,787**	**Franked**	**17 Nov 2017**
Total		**29,574**		
Year ended 30 June 2017				
Interim 2017 ordinary	27.0	12,785	Franked	24 Mar 2017
Final 2016 ordinary	27.0	12,687	Franked	28 Oct 2016
Total		25,472		

After 30 June 2018 the following dividends were proposed by the directors. The dividends have not been provided for and there are no income tax consequences.

Final 2018 ordinary	36.0	17,172	Franked	12 Oct 2018

	2018 $'000	2017 $'000
Franking account		
Balance of franking account at year-end adjusted for franking credits arising from payment of provision for income tax and franking debits arising from payment of dividends	**122,335**	107,629
Subsequent to year-end, the franking account would be reduced by the proposed dividend	**(7,359)**	(6,291)
Total	**114,976**	101,338

Note 8: Cash and cash equivalents

Cash and cash equivalents comprise bank deposits with maturities of less than three months and cash on hand that are subject to an insignificant risk of change in their fair value, and are used by the Group in the management of its short-term commitments.

	2018 $'000	2017 $'000
Cash and cash equivalents	**16,016**	6,106

The Group's exposure to interest rate risk and a sensitivity analysis of financial assets and liabilities is disclosed in Note 21.

Note 9: Trade and other receivables

Trade and other receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such financial assets are initially recognised at fair value and subsequently measured at amortised cost using the effective interest rate method, less any provision for doubtful debts and impairment.

	2018 $'000	2017 $'000
Current		
Trade receivables	**800**	254
Less: Provision for impairment	**(17)**	(27)
	783	227
Other receivables	**2,482**	2,377
Less: Provision for impairment	**(19)**	(78)
	2,463	2,299
Total	**3,246**	2,526

Note 9: Trade and other receivables (continued)

Provision for impairment

A provision for impairment is recognised when there is objective evidence that an individual trade or other receivable is impaired. These amounts have been included in other expenses.

	2018 $'000	2017 $'000
Movement in the provision for impairment		
Opening balance	**(105)**	(69)
Charge for the year	**69**	(36)
Closing balance	**(36)**	(105)

No trade receivables are recognised at balance date that are past due and deemed impaired. The Group has provided a loss allowance of $0.017 million at reporting date (2017: $0.027 million).

Note 10: Consumer loans

Consumer loans are initially recognised at fair value of the loan written and subsequently measured at amortised cost using the effective interest rate method, less provision for expected credit losses. Given the nature of loans written, a lifetime expected credit loss provision is taken up upon initial recognition of a consumer loan receivable. The loan balance is categorised into current and non-current consumer loans according to the due date within the contracted loan terms. Amounts due within 12 months are classified as current assets, with the remainder classified as non-current assets.

Provision for expected credit losses is recognised based on expected life of loan loss rates derived from static pool analysis of the performance of loan products. These estimates are updated on an ongoing basis.

	2018 $'000	2017 $'000
Current		
Consumer loans	**121,304**	106,534
Less: Provision for expected credit losses	**(22,855)**	(19,116)
	98,449	87,418
Non-current		
Consumer loans	**61,792**	53,942
Less: Provision for expected credit losses	**(11,384)**	(10,521)
	50,408	43,421
Total	**148,857**	130,839

Provision for expected credit losses

Movement in the provision for expected credit losses		
Opening balance	**(29,637)**	(24,579)
Net movement for the year	**(4,602)**	(5,058)
Closing balance	**(34,239)**	(29,637)

Note 11: Purchased debt ledgers (PDLs)

PDLs are recognised at fair value (generally the consideration paid) and subsequently measured at amortised cost using the effective interest rate method, in accordance with AASB 9 *Financial Instruments*. The interest rate method is applied at the level of individual tranches of PDLs by using an actuarially determined six-year cash collections forecast to determine an effective interest rate or implicit cash flow. The effective interest rate is the implicit interest rate based on forecast collections determined in the period of acquisition of an individual PDL and equates to the Internal Rate of Return (IRR) of the forecast cash flows without any consideration of collection costs.

This effective interest rate is used over the collection life cycle to apportion cash collections between the principal and interest components. Changes in expected cash collections generate an adjustment to interest income in the period of the amended forecast.

	2018 $'000	2017 $'000
Current	**160,688**	117,512
Non-current	**203,386**	220,850
Total	**364,074**	338,362

Note 12: Other assets

	2018 $'000	2017 $'000
Prepayments	**2,114**	2,863
Inventory	**683**	430
Total	**2,797**	3,293

Note 13: Property, plant and equipment

Property, plant and equipment are measured at historical cost less accumulated depreciation and accumulated impairment losses. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the statement of profit or loss during the financial period in which they are incurred.

An asset's carrying amount is written down to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These are included in the statement of profit or loss and other comprehensive income.

Depreciation is calculated on a straight-line basis over the estimated useful lives of the assets, as follows:

Class of fixed asset	Years
Leasehold improvements	Period of the lease
Plant and equipment	2 to 5 years
Computer software	2.5 to 4 years

The residual values, useful lives and methods of depreciation of property, plant and equipment are reviewed at each financial year end and adjusted prospectively, if appropriate.

	Plant and equipment $'000	Computer software $'000	Leasehold improvements $'000	Total $'000
A) COST OR VALUATION				
Year ended 30 June 2018				
Opening balance	**5,066**	**1,081**	**5,558**	**11,705**
Additions	**844**	**106**	**531**	**1,481**
Closing balance	**5,910**	**1,187**	**6,089**	**13,186**
Year ended 30 June 2017				
Opening balance	4,057	946	5,441	10,444
Additions	1,009	135	117	1,261
Closing balance	5,066	1,081	5,558	11,705
B) ACCUMULATED DEPRECIATION OR AMORTISATION				
Year ended 30 June 2018				
Opening balance	**(3,651)**	**(731)**	**(2,137)**	**(6,519)**
Depreciation / amortisation for the year	**(883)**	**(141)**	**(1,084)**	**(2,108)**
Closing balance	**(4,534)**	**(872)**	**(3,221)**	**(8,627)**
Year ended 30 June 2017				
Opening balance	(2,508)	(605)	(1,054)	(4,167)
Depreciation / amortisation for the year	(1,143)	(126)	(1,083)	(2,352)
Closing balance	(3,651)	(731)	(2,137)	(6,519)
C) CARRYING AMOUNTS				
At 1 July 2017	**1,415**	**350**	**3,421**	**5,186**
At 30 June 2018	**1,376**	**315**	**2,868**	**4,559**
At 1 July 2016	1,549	341	4,387	6,277
At 30 June 2017	1,415	350	3,421	5,186

Note 14: Intangible assets

Intangible assets recognised by the Group consist of goodwill arising from the historical acquisition of the contingent collections business. Goodwill represents the excess of the cost of the acquisition over the fair value of the Group's share of net identifiable assets of the acquired subsidiary at the date of acquisition.

Goodwill with an indefinite useful life is not subject to amortisation and is tested annually for impairment, or more frequently if events or changes in circumstances indicate that it may be impaired. An impairment loss is recognised in the statement of profit or loss and other comprehensive income for the amount by which the asset's carrying value exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less cost to sell and value in use.

	2018 $'000	2017 $'000
A) CARRYING AMOUNTS		
Opening balance	**800**	800
Closing balance	**800**	800

B) IMPAIRMENT TESTING FOR CASH-GENERATING UNIT CONTAINING GOODWILL

For the purpose of impairment testing, goodwill is allocated to the Group's contingent collections operating unit, which represents the lowest level within the Group at which the goodwill is monitored for internal management purposes. The Group assesses for impairment at least annually.

Note 15: Trade and other payables

	2018 $'000	2017 $'000
Current		
Unsecured liabilities		
Trade payables	**1,471**	2,351
Current tax liabilities	**23,617**	28,008
Other payables and accruals	**12,071**	8,502
Total	**37,159**	38,861

The Group's exposure to liquidity risk related to trade and other payables is disclosed in Note 21.

Note 16: Provisions

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. The natures of the provision balances are outlined below.

Employee benefits

Short-term obligations

Liabilities for wages and salaries as well as incentive payments expected to be settled within 12 months represent present obligations resulting from employees' services provided to the end of the reporting period. These are presented as payables and measured at the amounts expected to be paid when the liabilities are settled, plus on-costs.

Long-term obligations

The liability for long service leave and annual leave is presented in employee benefits provisions and measured at the present value of the expected future payments to be made in respect of services provided by employees up to the end of the reporting period. Expected future payments are discounted using market yields on high quality corporate bonds at the end of the reporting period with terms to maturity and currency that match, as closely as possible, the estimated future payments.

Lease

Lease provisions include provisions raised for lease incentive accounting, make-good requirements under operating leases of office space, straight-lining of leases and onerous lease provisions. Operating lease payments are recognised as an expense on a straight-line basis over the lease term, which is the most representative time-pattern over which economic benefits from the leased asset are realised. The lease incentive received is recognised as a liability. The aggregate benefit of the incentive is recognised as a reduction of rental expense on a straight-line basis, in line with the lease expense.

Note 16: Provisions (continued)

	2018 $'000	2017 $'000
Current		
Employee benefits	**10,450**	8,830
Lease provisions	**1,250**	1,160
Other provisions	**—**	1,000
	11,700	10,990
Non-current		
Employee benefits	**1,308**	1,249
Lease provisions	**2,163**	3,005
	3,471	4,254
Total	**15,171**	15,244

	Employee benefits $'000	Lease provisions $'000	Other provisions $'000	Total $'000
Year ended 30 June 2018				
Opening balance	**10,079**	**4,165**	**1,000**	**15,244**
Additional provisions	**6,013**	**30**	**—**	**6,043**
Amounts used	**(4,334)**	**(782)**	**(1,000)**	**(6,116)**
Closing balance	**11,758**	**3,413**	**—**	**15,171**
Year ended 30 June 2017				
Opening balance	5,104	4,775	—	9,879
Additional provisions	8,974	172	1,000	10,146
Amounts used	(3,999)	(782)	—	(4,781)
Closing balance	**10,079**	**4,165**	**1,000**	**15,244**

Note 17: Borrowings

Financial liabilities mainly comprise loans and borrowings. Such liabilities are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are recognised at amortised cost, comprising the original debt less principal repayments.

	2018		2017	
	Facility limit $000	Carrying amount $000	Facility limit $000	Carrying amount $000
Bank loan facilities	**300,000**	**227,888**	300,000	209,613
Total	**300,000**	**227,888**	300,000	209,613

The Group has a secured loan facility, which is secured by a fixed and floating charge over the assets of a number of entities in the Group. The Group also has a securitised consumer loan warehouse facility which has recourse to the securitised consumer loans.

The secured facility has a limit of $215 million and expires in July 2020. The securitised consumer loan warehouse facility has a limit of $85 million and expires in June 2021 following a two-year availability period and a two-year repayment period.

The secured loan facility requires compliance with various undertakings. These include compliance with minimum Tangible Net Worth (TNW) and maximum Loan to Valuation Ratio (LVR) requirements. The minimum TNW undertaking is set as the greater of $161.7 million and 85 per cent of the TNW at the end of the preceding financial year. The maximum LVR is 60 per cent of the carrying value of PDLs in the consolidated accounts and 60 per cent of the carrying value of eligible non-securitised consumer loans.

The consumer loan warehouse facility has an advance rate of 50 per cent and maintaining this level of gearing requires the securitised loans to meet various loan performance covenants.

All undertakings under the bank loan facilities, including the TNW and LVR requirements, were complied with.

Note 18: Cash flow information

	Note	2018 $'000	2017 $'000
A) RECONCILIATION OF CASH FLOW FROM OPERATIONS WITH PROFIT AFTER INCOME TAX			
Cash flows from operating activities			
Profit for the year		**64,290**	55,158
Non-cash items			
> Foreign currency revaluation		**114**	7
> Tax provision		**—**	—
> Depreciation		**2,108**	2,352
> Share-based payments		**4,038**	3,965
(Increase) / decrease in assets			
> Purchased debt ledgers		**(24,582)**	(85,053)
> Consumer loans		**(18,018)**	(20,465)
> Trade and other receivables		**(720)**	(1,355)
> Other assets		**496**	(1,770)
> Deferred tax assets	5	**(2,017)**	(4,244)
Increase / (decrease) in liabilities			
> Trade and other payables		**(1,702)**	8,836
> Provisions		**(73)**	5,365
Net cash inflow / (outflow) from operating activities		**23,934**	(37,204)

B) NON-CASH INVESTING AND FINANCING ACTIVITIES

The Group did not make a dividend reinvestment plan (DRP) offer in the current year (2017: nil) and therefore no dividends have been reinvested by shareholders and not paid out in cash.

C) RECONCILIATION OF CASH

	Note	2018 $'000	2017 $'000
Cash and cash equivalents	8	**16,016**	6,106

Note 19: Issued capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares and share options are recognised as a deduction from equity, net of any tax effects.

	Note	2018 $'000	2017 $'000
47.71 million (2017: 47.35 million) fully paid ordinary shares		**55,561**	55,561
Issued capital			
Opening balance		**55,561**	55,561
Shares issued during the year		**—**	—
Total		**55,561**	55,561

Note 19: Issued capital (continued)

The Group does not have a fixed authorised capital or par value for its issued shares. All issued shares are fully paid. Ordinary shares participate in dividends and the proceeds on winding up of the parent entity in proportion to the number of shares on issue.

	Note	2018 '000	2017 '000
Fully paid ordinary shares			
On issue at 1 July		**47,353**	46,990
Shares issued during the year:			
> LTI	30	**356**	363
On issue at 30 June		**47,709**	47,353

In the current year, in line with the Group's LTI Plan 2016-2018, the 2017 portion of the performance rights issued converted to 355,520 deferred vesting shares in November 2017.

Refer to Note 30 for further details on the LTI and the employee share scheme.

Note 20: Reserves

	2018 $'000	2017 $'000
Share-based payment reserve	**10,191**	6,153

The share-based payment reserve is used to recognise:

> The fair value of performance rights granted to executives and senior management; and

> Other share-based payment transactions.

Refer to Note 30 for further details on the LTI and the employee share scheme.

Note 21: Financial risk management

The Group's financial assets and liabilities consist mainly of PDLs, consumer loans, deposits with banks, trade and other receivables, payables and borrowings.

The Group does not engage in the trading of derivative instruments.

The main risks the Group is exposed to through its financial instruments are market risk (including foreign currency risk and interest rate risk), liquidity risk and credit risk.

The Board has established written principles for overall risk management, as well as policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments. They are managed and measured consistently year-on-year.

The Group holds the following financial assets and liabilities:

	Note	2018 $'000	2017 $'000
Financial assets			
Cash and cash equivalents	8	**16,016**	6,106
Trade and other receivables	9	**3,246**	2,526
Consumer loans	10	**148,857**	130,839
Purchased debt ledgers	11	**364,074**	338,362
Total		**532,193**	477,833
Financial liabilities			
Trade and other payables	15	**37,159**	38,861
Borrowings	17	**227,888**	209,613
Total		**265,047**	248,474

Note 21: Financial risk management (continued)

A) MARKET RISK MANAGEMENT

a) Currency risk

Overseas operations expose the Group to foreign exchange risk. This may result in the fair value of financial assets or liabilities fluctuating due to movements in Australian dollar foreign exchange rates of currencies in which the Group holds overseas financial assets and liabilities.

Fluctuations in the United States dollar, New Zealand dollar and the Philippines peso relative to the Australian dollar may impact the Group's financial results.

As at balance date, had the Australian dollar weakened or strengthened by 5 per cent against any or all of the above currencies, the impact on both profit for the year and equity would have been immaterial. This assumes all other variables remain constant.

b) Interest rate risk

The Group is exposed to interest rate risk as it borrows funds at floating interest rates.

i) Profile

At balance date, the interest rate profiles of the Group's interest-bearing and non-interest-bearing financial instruments were:

		Fixed interest rate		Floating interest rate		Non-interest bearing		Total	
	Note	2018 $'000	2017 $'000	2018 $'000	2017 $'000	2018 $'000	2017 $'000	2018 $'000	2017 $'000
Financial assets									
Cash and cash equivalents	8	**—**	—	**16,016**	6,106	**—**	—	**16,016**	6,106
Trade and other receivables	9	**—**	—	**—**	—	**3,246**	2,526	**3,246**	2,526
Consumer loans	10	**148,857**	130,839	**—**	—	**—**	—	**148,857**	130,839
Purchased debt ledgers	11	**364,074**	338,362	**—**	—	**—**	—	**364,074**	338,362
Total		**512,931**	469,201	**16,016**	6,106	**3,246**	2,526	**532,193**	477,833
Financial liabilities									
Trade and other payables	15	**—**	—	**—**	—	**37,159**	38,861	**37,159**	38,861
Borrowings	17	**—**	—	**227,888**	209,613	**—**	—	**227,888**	209,613
Total		**—**	—	**227,888**	209,613	**37,159**	38,861	**265,047**	248,474

ii) Sensitivity analysis for variable rate instruments

A change of two percentage points in interest rates at balance date would have increased or decreased the Group's equity and profit or loss over the ensuing 12 months as shown below. These sensitivities assume all other variables remain constant.

	2018 $'000	2017 $'000
Change in net profit after tax		
Increase in interest rates by two percentage points	**(3,190)**	(2,935)
Decrease in interest rates by two percentage points	**3,190**	2,935
Change in equity		
Increase in interest rates by two percentage points	**(3,190)**	(2,935)
Decrease in interest rates by two percentage points	**3,190**	2,935

B) LIQUIDITY RISK MANAGEMENT

Liquidity risk arises from the possibility that the Group might encounter difficulties in settling its debts or otherwise meeting its obligations relating to financial liabilities. Ultimate responsibility for liquidity risk management resides 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 manages this risk through the following mechanisms:

> Preparing forward-looking cash flow analyses in relation to its operating, investing and financing activities;

> Monitoring undrawn credit facilities;

> Maintaining a reputable credit profile;

> Managing credit risk related to its financial assets;

> Investing surplus cash only with major financial institutions; and

> Comparing the maturity profile of financial liabilities with the realisation profile of financial assets.

Note 21: Financial risk management (continued)

The following tables reflect an undiscounted contractual maturity analysis for financial liabilities. The timing of cash flows represented in the table to settle financial liabilities reflects the earliest contractual settlement dates and does not reflect management's expectation that banking facilities will be rolled forward.

		< 1 year		1 – 2 years		> 2 years		Total	
	Note	2018 $'000	2017 $'000	2018 $'000	2017 $'000	2018 $'000	2017 $'000	2018 $'000	2017 $'000
Non-derivative financial liabilities									
Trade and other payables	15	**37,159**	38,861	**—**	—	**—**	—	**37,159**	38,861
Borrowings	17	**—**	—	**—**	—	**227,888**	209,613	**227,888**	209,613
Total		**37,159**	38,861	**—**	—	**227,888**	209,613	**265,047**	248,474

C) CREDIT RISK MANAGEMENT

Credit risk refers to the risk that a counterparty will default on its contractual obligations, resulting in financial loss to the Group. The maximum exposure to credit risk, excluding the value of any collateral or other security at balance date, for recognised financial assets is the net of any provisions for impairment or losses, as disclosed in the statement of financial position and notes to the financial statements.

The Group does not have any material credit risk exposure to any single debtor or group of debtors. Management has a Credit Policy in place and the exposure to credit risk is monitored on an ongoing basis.

Exposure to credit risk

The carrying amount of the Group's financial assets represents the maximum credit exposure.

	Note	2018 $'000	2017 $'000
Cash and cash equivalents	8	**16,016**	6,106
Trade and other receivables	9	**3,246**	2,526
Consumer loans	10	**148,857**	130,839
Purchased debt ledgers	11	**364,074**	338,362
Total		**532,193**	477,833
AA-rated counterparties		**16,016**	6,106
Counterparties not rated		**516,177**	471,727
Total		**532,193**	477,833
The Group's maximum exposure to credit risk on the above financial assets at balance date by type of counterparty was:			
Government		**61**	38
Banks		**16,568**	6,274
Other		**515,564**	471,521
Total		**532,193**	477,833

D) FAIR VALUE VERSUS CARRYING AMOUNTS

For all assets and liabilities, the fair value approximates the carrying value.

Note 22: Capital management

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 balances. The Group's overall strategy for capital management, which is based on the following principles, remains unchanged from 2017:

> Ensuring all capital is invested or reinvested to achieve the hurdle ROE;

> Ensuring sufficient capital is available to sustain the operations of the Group;

> Maintaining gearing at relatively modest levels in line with the risk of the business and to provide headroom to grow the business; and

> Generally returning to shareholders any excess cash that accumulates and is unable to be reinvested at the hurdle return.

The Group's bank loan facilities require compliance with various undertakings. These are described in Note 17. By maintaining gearing at a relatively modest level, the Group generally maintains significant covenant headroom.

Note 22: Capital management (continued)

The composition of the capital of the Group and the gearing ratios for the years ended 30 June 2018 and 30 June 2017 are as follows:

	Note	2018 $'000	2017 $'000
Borrowings	17	**227,888**	209,613
Less: Cash and cash equivalents	8	**(16,016)**	(6,106)
Net debt		**211,872**	203,507
Total consumer loans and PDLs		**512,931**	469,201
Gearing ratio (%)		**41%**	43%

Note 23: Subsidiaries

Interests in subsidiaries are:

		Percentage owned	
	Country of incorporation	2018	2017
Alpha Credit Pty Limited	Australia	**100**	100
Alupka Holdings Pty Limited	Australia	**100**	100
Car Start Pty Limited	Australia	**100**	100
Certus Partners Pty Limited	Australia	**100**	100
Creditcorp BPC Pty Limited	Australia	**100**	100
Credit Corp Acceptance Pty Limited	Australia	**100**	100
Credit Corp Australia Pty Limited	Australia	**100**	100
Credit Corp Brokering Services Pty Limited	Australia	**100**	100
Credit Corp Collections Pty Limited	Australia	**100**	100
Credit Corp Collections Agency Inc.	United States	**100**	100
Credit Corp Collections Agency US Holdings Inc.	United States	**100**	100
Credit Corp Collections Agency US Inc.	United States	**100**	100
Credit Corp Collections US Holdings Inc.	United States	**100**	100
Credit Corp Employee Share Administration Pty Limited	Australia	**100**	100
Credit Corp Facilities Pty Limited	Australia	**100**	100
Credit Corp Financial Services Pty Limited	Australia	**100**	100
Credit Corp Financial Services Holdings Inc.	United States	**100**	100
Credit Corp Financial Services Inc.	United States	**100**	100
Credit Corp Financial Solutions Pty Limited	New Zealand	**100**	100
Credit Corp Group US Collections GP	United States	**100**	100
Credit Corp Leasing Pty Limited	Australia	**100**	100
Credit Corp Lending Pty Limited	Australia	**100**	100
Credit Corp New Zealand Pty Limited	Australia	**100**	100
Credit Corp Queensland Pty Limited	Australia	**100**	100
Credit Corp Receivables Pty Limited	Australia	**100**	100
Credit Corp Recoveries Pty Limited	Australia	**100**	100
Credit Corp Services (NH) Pty Limited	Australia	**100**	100
Credit Corp Services Pty Limited	Australia	**100**	100
Credit Corp Services Malaysia Pty Limited	Australia	**100**	100
Credit Corp Services US Collections Inc.	United States	**100**	100
Credit Corp Services US Holdings Inc.	United States	**100**	100
Credit Corp Solutions Inc.	United States	**100**	100
Credit Corp US Collections Pty Limited	Australia	**100**	100
Credit Corp Western Australia Pty Limited	Australia	**100**	100
Credit Plan B Pty Limited	Australia	**100**	100
Customer Assist Pty Limited [A]	Australia	**100**	—
Dayroma Pty Limited [A]	Australia	**100**	—
Hudson Legal Pty Ltd	Australia	**100**	100
Malthiest Pty Limited	Australia	**100**	100
National Credit Management Limited	Australia	**100**	100
Personal Insolvency Management Pty Limited	Australia	**100**	100
Ruily Pty Limited [A]	Australia	**100**	—
TFS Newco Pty Ltd [B]	Australia	**100**	—
Torbige Pty Limited	Australia	**100**	100
Tulovo Pty Limited [A]	Australia	**100**	—
Valute Pty Limited [A]	Australia	**100**	—
Vindelo Pty Limited [A]	Australia	**100**	—
Votraint No. 1537 Pty Ltd	Australia	**100**	100

A. Incorporated during 2018.
B. Acquired during 2018.

Note 24: Contingent liabilities

The Group had contingent liabilities in respect of:

	2018 $'000	2017 $'000
US collections agency licensure bonds	**1,828**	2,534

Licensure bonds are issued in the normal course of business to the State Board of Collection Agencies in the United States to guarantee collected funds are remitted to clients under contracts.

Note 25: Leasing commitments

Operating leases are entered into to meet the business needs of entities of the Group. Leases are primarily in respect of commercial premises and plant and equipment.

Lease rentals are determined in accordance with market conditions when leases are entered into.

Operating lease commitments

Leases as lessee

Non-cancellable operating leases contracted for but not capitalised in the financial statements:

	2018 $'000	2017 $'000
Payable		
Within one year	**5,107**	5,190
Between one and five years	**8,908**	6,580
Later than five years	**257**	—
Total	**14,272**	11,770

Note 26: Capital commitments

	2018 $'000	2017 $'000
Within one year	**63,000**	75,000

The Group is committed, through existing arrangements, to acquire PDLs that will become available in the coming months. The details of these arrangements are commercially confidential, however, the estimated investment is expected to be $63 million (2017: $75 million). These purchases will be funded by existing cash flows and bank facilities currently in place.

Note 27: Subsequent events

No matters or circumstances have arisen since 30 June 2018 that significantly affected or may significantly affect in future years:

> The operations of the Group;

> The results of those operations; or

> The state of affairs of the Group.

Note 28: Key management personnel compensation

The aggregate compensation made to directors and other members of the KMP of the Group is set out below:

	2018 $	2017 $
Short-term employee benefits	**3,270,770**	3,314,245
Post-employment benefits	**132,758**	149,714
Equity-settled share-based payments	**1,825,418**	1,825,419
Total	**5,228,946**	5,289,378

Note 29: Related party transactions

The immediate parent and ultimate controlling entity of the Group is Credit Corp Group Limited.

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.

There were no transactions between the KMP and the Group other than as disclosed.

Note 30: Share-based payments

The Group provides benefits to employees in the form of share-based payment transactions whereby employees render services in exchange for rights over shares.

A) LONG-TERM INCENTIVE PLAN

The cost of employee remuneration in the form of equity-settled transactions in relation to the Group's Long-Term Incentive (LTI) plan is determined by the fair value at the date when the grant is made using an appropriate valuation model. That cost is recognised in employee benefits expense, together with a corresponding increase in equity (reserve) over the period in which the service and, where applicable, the performance conditions are fulfilled. This estimate requires determination of the most appropriate inputs to the valuation model, including the expected life of the share option or appreciation right, volatility and dividend yield and making assumptions about them.

The fair value determined at grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, a maximum of three years, based on the Group's estimate of equity instruments that will eventually vest, with a corresponding increase in equity. The fair value of the performance rights is measured using a combination of binomial tree methodology and Monte-Carlo simulation. At the end of each reporting period, the Group revises its estimate of the number of equity instruments expected to vest. The impact of the revision of the original estimates, if any, is recognised in the statement of profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to the equity-settled employee benefits reserve.

The Group had in place an LTI plan for executives and senior employees for the 2016 to 2018 financial years. In accordance with the plan, 1,098,092 performance rights were issued to the participants at the start of the LTI plan in proportion to their level of participation in the LTI, as determined by the Remuneration Committee and the Board. The maximum fair value of the LTI pool is $7.5 million over three years (capped at $2.5 million per year).

Performance rights are eligible for conversion and vesting based on achievement of performance hurdles. Performance hurdles are assessed cumulatively over the three-year period. Performance rights are allocated and converted into deferred vesting shares in November each year following an assessment of cumulative performance and are at-risk before vesting after a further 12-month period. Please refer to the remuneration report for further details on the Group's LTI plan.

Deferred vesting shares issued during the financial year:

	2018 Number	2017 Number
Equity-settled share-based payments subject to deferred vesting issued under the LTI plan	**355,520**	363,076

	2018 $'000	2017 $'000
B) EXPENSES ARISING FROM SHARE-BASED PAYMENT TRANSACTIONS		
Total expenses arising from share-based payment transactions recognised during the period as part of employee benefit expense were as follows:		
LTI	**2,500**	2,500

Note 31: Auditor's remuneration

	2018 $	2017 $
Audit services		
Audit and review of financial reports	**213,000**	224,700
Services other than statutory audit		
Other services		
Taxation compliance services	**7,200**	18,110
Other services	**6,000**	8,335
Total	**226,200**	251,145

Note 32: Cross guarantee

Pursuant to ASIC Class Instrument 2016/785 dated 10 October 2016, the wholly-owned subsidiaries listed below are relieved from the *Corporations Act 2001* requirements for the preparation, audit and lodgement of financial statements and a directors' report.

It is a condition of the Class Order that the Company and each of the participating subsidiaries enter into a Deed of Cross Guarantee. The effect of the Deed is that the Company guarantees to each creditor payment in full of any debt in the event of winding up of any of the subsidiaries under certain provisions of the *Corporations Act 2001*.

The subsidiaries subject to the Deed are:

- Alpha Credit Pty Limited
- Alupka Holdings Pty Limited
- Car Start Pty Limited
- Certus Partners Pty Limited
- Credit Corp Acceptance Pty Limited
- Credit Corp Australia Pty Limited
- Credit Corp Brokering Services Pty Limited
- Credit Corp Collections Pty Limited
- Credit Corp Employee Share Administration Pty Limited
- Credit Corp Facilities Pty Limited
- Credit Corp Financial Services Pty Limited
- Credit Corp Leasing Pty Limited
- Credit Corp Lending Pty Limited
- Credit Corp New Zealand Pty Limited
- Credit Corp Queensland Pty Limited
- Credit Corp Receivables Pty Limited
- Credit Corp Recoveries Pty Limited
- Credit Corp Services Pty Limited
- Credit Corp Services (NH) Pty Limited
- Credit Corp Services Malaysia Pty Limited
- Credit Corp US Collections Pty Limited
- Credit Corp Western Australia Pty Limited
- Credit Plan B Pty Limited
- Creditcorp BPC Pty Limited
- Customer Assist Pty Limited
- Dayroma Pty Limited
- Hudson Legal Pty Limited
- Malthiest Pty Limited
- National Credit Management Limited
- Personal Insolvency Management Pty Limited
- Ruily Pty Limited
- TFS Newco Pty Ltd
- Torbige Pty Limited
- Tulovo Pty Limited
- Valute Pty Limited
- Vindelo Pty Limited
- Votraint No. 1537 Pty Limited

Note 32: Cross guarantee (continued)

Set out below is the statement of profit or loss and the statement of financial position comprising the Company and its subsidiaries that are parties to the Deed, after eliminating all transactions between these parties, at balance date.

	2018 $'000	2017 $'000
A) STATEMENT OF PROFIT OR LOSS		
Revenue	**273,294**	249,065
Finance costs	**(9,348)**	(6,969)
Employee benefits expense	**(95,020)**	(89,452)
Depreciation and amortisation expenses	**(2,066)**	(2,182)
Office facility expenses	**(13,886)**	(13,381)
Collection expenses	**(11,528)**	(12,954)
Consumer loans loss provision expense	**(31,697)**	(29,286)
Marketing expenses	**(11,236)**	(9,401)
Other expenses	**(7,324)**	(3,844)
Profit before income tax expense	**91,189**	81,596
Income tax expense	**(27,357)**	(24,479)
Profit for the year	**63,832**	57,117
B) OTHER COMPREHENSIVE INCOME		
Profit for the year	**63,832**	57,117
Total comprehensive income for the year	**63,832**	57,117
C) MOVEMENTS IN RETAINED EARNINGS		
Opening balance	**150,885**	119,240
Dividends recognised during the year	**(29,574)**	(25,472)
Net profit attributable to parties in the Deed of Cross Guarantee	**63,832**	57,117
Closing balance	**185,143**	150,885

Note 32: Cross guarantee (continued)

	2018 $'000	2017 $'000
D) STATEMENT OF FINANCIAL POSITION		
Current assets		
Cash and cash equivalents	**13,862**	4,590
Trade and other receivables	**66,405**	26,177
Consumer loans	**97,704**	86,480
Purchased debt ledgers	**158,168**	113,366
Other assets	**2,510**	3,027
Total current assets	**338,649**	233,640
Non-current assets		
Consumer loans	**50,408**	43,208
Purchased debt ledgers	**110,619**	168,619
Property, plant and equipment	**3,825**	5,091
Deferred tax assets	**26,372**	24,355
Intangible assets	**800**	800
Total non-current assets	**192,024**	242,073
Total assets	**530,673**	475,713
Current liabilities		
Trade and other payables	**36,859**	38,347
Provisions	**11,560**	10,900
Total current liabilities	**48,419**	49,247
Non-current liabilities		
Borrowings	**227,888**	209,613
Provisions	**3,471**	4,254
Total non-current liabilities	**231,359**	213,867
Total liabilities	**279,778**	263,114
Net assets	**250,895**	212,599
Equity		
Issued capital	**55,561**	55,561
Reserves	**10,191**	6,153
Retained earnings	**185,143**	150,885
Total equity	**250,895**	212,599

Note 33: Parent entity information

	2018 $'000	2017 $'000
A) STATEMENT OF COMPREHENSIVE INCOME		
Profit for the year	**52,969**	51,224
Other comprehensive income	**—**	—
Total comprehensive income for the year	**52,969**	51,224
B) STATEMENT OF FINANCIAL POSITION		
Assets		
Current assets	**339,093**	240,381
Non-current assets	**143,504**	200,183
Total assets	**482,597**	440,564
Liabilities		
Current liabilities	**46,442**	49,282
Non-current liabilities	**231,307**	213,867
Total liabilities	**277,749**	263,149
Net assets	**204,848**	177,415
Equity		
Issued capital	**55,561**	55,561
Reserves	**10,191**	6,153
Retained earnings	**139,096**	115,701
Total equity	**204,848**	177,415

C) CONTRACTUAL COMMITMENTS

At balance date, the parent entity has not entered into any material contractual agreements for the acquisition of property, plant or equipment other than as separately noted in the financial statements (2017: nil).

Directors' declaration

In accordance with a resolution of the directors of Credit Corp Group Limited, the directors of the Company declare that:

A. The financial statements and notes, as set out on pages 26 to 51 are in accordance with the *Corporations Act 2001*, and:

   a) Give a true and fair view of the Group's financial position as at 30 June 2018 and of its performance for the year ended on that date; and

   b) Comply with Australian Accounting Standards, which, as stated in the notes to the financial statements, constitute compliance with International Financial Reporting Standards.

B. 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.

C. The directors have been given the declarations required by section 295A of the *Corporations Act 2001* from the Chief Executive Officer and Chief Financial Officer.

At the date of this declaration, the Company is within the class of companies affected by ASIC Instrument 2016/785. The nature of the Deed of Cross Guarantee is such that each company party to the Deed guarantees to each creditor payment in full of any debt in accordance with the Deed of Cross Guarantee.

In the directors' opinion, there are reasonable grounds to believe that the Company and the companies to which the ASIC Class Order applies, as detailed in Note 32 to the financial statements, will, as a group, be able to meet any obligations or liabilities to which they are, or may become, subject to by virtue of the Deed of Cross Guarantee.

Donald McLay
Chairman

Robert Shaw
Director

31 July 2018

HALL CHADWICK (NSW)
Chartered Accountants and Business Advisers

CREDIT CORP GROUP LIMITED ABN 33 092 697 151
AND CONTROLLED ENTITIES

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF CREDIT CORP GROUP LIMITED AND CONTROLLED ENTITIES

SYDNEY
Level 40
2 Park Street
Sydney NSW 2000
Australia

GPO Box 3555
Sydney NSW 2001

Ph: (612) 9263 2600
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Opinion

We have audited the accompanying financial report of Credit Corp Group Limited and Controlled Entities (the Group), which comprises the consolidated statement of financial position as at 30 June 2018, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity, the consolidated statement of cash flows for the year then ended and notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

In our opinion:

(a) the accompanying financial report of Credit Corp Group Limited and Controlled Entities 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 2018 and of its financial performance for the year then ended; and

 ii. complying with Australian Accounting Standards and the *Corporations Regulations* 2001

(b) the financial report also complies with International Financial Reporting Standards as disclosed in Note 2(a).

Basis of Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's responsibility* section of our report. We are independent of the Group in accordance with the 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 company, 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 year ended 30 June 2018. 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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HALL CHADWICK (NSW)

CREDIT CORP GROUP LIMITED ABN 33 092 697 151
AND CONTROLLED ENTITIES

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF
CREDIT CORP GROUP LIMITED AND CONTROLLED ENTITIES

Carrying value of purchased debt ledgers ($364.1 Million)
Refer to Note 11 Purchased Debt Ledgers

The carrying value of purchased debt ledgers is mainly dependent on the forecast collections and the internal rate of return that determines the net realisable value of the debt ledgers.

We focused on this area as a key audit matter due to amounts involved being material and the inherent estimates and judgements involved in assessing the key assumptions and the difficulty to reliably measure these assumptions including the estimated internal rate of return and forecast cash collections.

Our procedures included, amongst others:

We tested the mathematical accuracy of the excel model used to calculate the carrying value of purchased debt ledgers.

We checked and validated that the determined internal rate of return remains unchanged over the life of the debt.

We assessed, challenged and compared with historical actuals, key forward looking assumptions including forecast cash collections.

We assessed sensitivity analysis in relation to the key forward looking assumptions.

Provision for expected losses on the consumer loans ($34.2 Million)
Refer to Note 10 Consumer Loans Receivables

The net carrying value of consumer loans receivable is measured at amortised cost after providing for expected losses.

Given the nature of loans written, a lifetime expected credit loss provision is taken up upon initial recognition of a consumer loans receivable. Provision for expected credit losses are recognised based on life of credit loss rates derived from an analysis of the performance of loan products.

We focussed on this area as a key audit matter due to amounts involved being material and the inherent estimates and judgements involved in assessing the key forward looking assumptions including deterioration in credit risk and increased levels of loan defaults.

Our procedures included, amongst others:

We tested the mathematical accuracy of the expected arrears model.

We assessed the application of the Group's impairment model that considers the past arrears and write offs and the expected life of loan loss estimates.

We assessed, compared to historical actuals and challenged management's view of credit risk that impacts the up-front recognition of expected losses over the life of the loans.

We assessed sensitivity analysis in relation to the key forward looking assumptions.

HALL CHADWICK (NSW)

CREDIT CORP GROUP LIMITED ABN 33 092 697 151
AND CONTROLLED ENTITIES

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF
CREDIT CORP GROUP LIMITED AND CONTROLLED ENTITIES

Information Other Than the Financial Report and Auditor's Report Thereon

The directors are responsible for the other information. The other information comprises the information in the group's annual report for the year ended 30 June 2018, but does not include the financial report and the 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 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 the other information, we are required to report that fact. We have nothing to report in this regard.

Director's Responsibility for the Financial Report

The directors of the Company 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 controls as 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 group's ability 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 have 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 controls.

- Obtain an understanding of internal controls 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 controls.

HALL CHADWICK (NSW)

CREDIT CORP GROUP LIMITED ABN 33 092 697 151
AND CONTROLLED ENTITIES

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF
CREDIT CORP GROUP LIMITED AND CONTROLLED ENTITIES

- 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 audit. We remain solely responsible for our audit opinion.

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

We have audited the remuneration report included in pages 15 to 24 of the directors' report for the year ended 30 June 2018. The directors of the company are responsible for the preparation and presentation of the remuneration report in accordance with s 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.

HALL CHADWICK (NSW)

CREDIT CORP GROUP LIMITED ABN 33 092 697 151
AND CONTROLLED ENTITIES

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF
CREDIT CORP GROUP LIMITED AND CONTROLLED ENTITIES

Opinion

In our opinion the remuneration report of Credit Corp Group Limited for the year ended 30 June 2018 complies with s 300A of the *Corporations Act 2001*.

Hall Chadwick

Hall Chadwick
Level 40, 2 Park Street
Sydney NSW 2000

S Kumar

SANDEEP KUMAR
Partner
Dated: 31 July 2018

Five-year financial summary

	2018 $'000	2017 $'000	2016 $'000	2015 $'000	2014 $'000
Income and expenditure					
Purchased debt ledger collections	**380,901**	355,674	321,989	288,186	288,106
Less: Purchased debt ledger amortisation	**(173,329)**	(166,100)	(150,887)	(135,721)	(136,242)
Interest revenue from purchased debt ledgers	**207,572**	189,574	171,102	152,465	151,864
Interest and fee income from consumer lending	**79,259**	66,374	53,418	35,862	19,104
Other revenue	**12,147**	9,999	2,222	2,722	3,030
Total revenue	**298,978**	265,947	226,742	191,049	173,998
NPAT	**64,290**	55,158	45,921	38,411	34,765
Financial position					
Current assets	**281,196**	216,855	194,180	114,332	76,881
Non-current assets	**284,725**	293,812	201,133	158,867	148,837
Intangible assets	**800**	800	800	800	800
Total assets	**566,721**	511,467	396,113	273,999	226,518
Current liabilities	**48,859**	49,851	34,961	23,500	23,339
Non-current liabilities	**231,359**	213,867	147,054	70,389	43,624
Total liabilities	**280,218**	263,718	182,015	93,889	66,963
Net assets	**286,503**	247,749	214,098	180,110	159,555
Borrowings	**227,888**	209,613	142,111	64,850	38,497
Shares on issue ('000)	**47,709**	47,353	46,990	46,297	46,132
Cash flows					
From operating activities	**23,934**	(37,204)	(62,473)	(1,377)	(11,413)
From investing activities	**(1,481)**	(1,261)	(1,970)	(826)	(1,556)
From financing activities	**(12,543)**	42,029	60,684	5,722	11,121
Net increase / (decrease) in cash	**9,910**	3,564	(3,759)	3,519	(1,848)
Key statistics					
Earnings per share					
> Basic (cents)	**135.1**	116.8	98.4	83.0	75.4
> Diluted (cents)	**133.7**	114.7	97.0	83.0	75.4
Dividends per share (cents)	**67.0**	58.0	50.0	44.0	40.0
NPAT / revenue (%)	**22%**	21%	20%	20%	20%
ROE (%)	**24%**	24%	23%	23%	23%
NTA backing per share (cents)	**598.9**	521.5	453.9	387.3	344.1

Corporate directory

CREDIT CORP GROUP LIMITED

ABN 33 092 697 151

The shares of Credit Corp Group Limited are listed on the Australian Securities Exchange under the trade symbol CCP, with Sydney being the home exchange.

DIRECTORS

Mr Donald McLay
Mr Eric Dodd
Ms Leslie Martin
Mr Robert Shaw
Mr Richard Thomas

COMPANY SECRETARIES

Mr Thomas Beregi
Mr Michael Eadie

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