



## **RESIMAC GROUP LIMITED**

### **Appendix 4D**

Financial report  
for the half-year ended 31 December 2018

ABN: 55 095 034 003

ASX CODE: RMC

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**APPENDIX 4D (rule 4.2A)**

FINAL REPORT FOR THE HALF-YEAR ENDED 31 DECEMBER 2018

**RESULTS FOR ANNOUNCEMENT TO THE MARKET**

(All comparisons to half-year ended 31 December 2017 "HY18")	\$'000	Up/ down	Movement from HY18 %
Revenue from ordinary activities	231,158	Up	25%
Profit from ordinary activities after tax attributable to members	18,893	Up	58%
Net comprehensive income for the period attributable to members	13,291	Up	11%

DIVIDENDS	Amount per share (cents)	Franked amount per security (cents)
Interim FY19 dividend declared	1.00	1.00
Final FY18 dividend paid (12 October 2018)	0.90	0.90
	1.90	1.90
<i>Previous corresponding period:</i>		
Interim FY18 dividend declared	0.90	0.90
Final FY17 dividend paid	0.75	0.75
	1.65	1.65

Record date for determining entitlements to the dividend  
Date the interim dividend is payable

6 March 2019  
25 March 2019

**Dividend Reinvestment Plan**

The Company's Dividend Reinvestment Plan (DRP) will apply to the interim dividend payment. The allocation price for shares under the DRP will be calculated at the average of the daily volume weighted average price of Resimac Group Limited ordinary shares traded on the ASX over the 5 day trading period commencing on the second Business Day after the record date. The shares will be issued at a discount of 2.5%. Dividend election notices will be posted out to shareholders on 28 February 2019.

**1) Previous corresponding period**

The previous corresponding period is the half-year ended 31 December 2017.

**2) Net tangible assets per security**

Net tangible assets per security is \$0.36 (HY18: \$0.33).

**3) Explanation of results**

This information should be read in conjunction with the Resimac Group Limited (formerly known as Homeloans Limited) 2018 Annual Report and with any public announcements made in the period by the Group in accordance with the continuous disclosure requirements of the *Corporations Act 2001* and the ASX Listing Rules.

The information provided in this report contains all the information required by ASX Listing Rule 4.2A.

**APPENDIX 4D (rule 4.2A)**

FINAL REPORT FOR THE HALF-YEAR ENDED 31 DECEMBER 2018

**Normalised earnings**

To reflect the Group's normalised earnings the net profit after tax (NPAT) has been adjusted to separate the following items:

	HY 19 \$'000	HY 18 \$'000
Statutory NPAT	18,893	11,925
De-recognition of investment in associate (Finsure) <sup>1</sup>	(5,810)	-
Non-recurring other income	(467)	-
Write-down of investment in eChoice	-	443
Tax effect and other eChoice related tax adjustments	1,883	483
<b>Normalised NPAT</b>	<b>14,499</b>	<b>12,851</b>

<sup>1</sup> Refer to page 4

**APPENDIX 4D (rule 4.2A)**

FINAL REPORT FOR THE HALF-YEAR ENDED 31 DECEMBER 2018

**4) Details of associates and joint venture entities**

The company has an investment in the following associate:

Name of associate	Principal activity	HY19	FY18
		Percentage holding (%)	Percentage holding (%)
Finsure Holding Pty Limited	Mortgage brokerage	0	16.24

On 17 September 2018, Finsure Holding Pty Limited merged with Goldfields Money Limited (ASX: GMY). The merger resulted in the Company's 16.24% interest in Finsure Holding Pty Limited being converted to a 5.05% share in GMY, which is not an associate of the Group.

**5) Set of accounting standards used for foreign entities in compiling this report**

The foreign entities of the company comply with International Financial Reporting Standards (IFRS).

**6) Any other significant information**

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

**7) Audit**

This report is based on the condensed consolidated half-year financial report, which has been subject to a review, by our auditors, Deloitte Touche Tohmatsu.

**8) Commentary on results for the year**

Commentary on results for the year is contained in the press release dated 25 February 2019 accompanying this statement.


**Cholmondeley Darvall**

Chairman and Non-executive Director

Sydney

25 February 2019

**APPENDIX 4D (rule 4.2A)**

FINAL REPORT FOR THE HALF-YEAR ENDED 31 DECEMBER 2018

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**DIRECTORS' REPORT**

RESIMAC GROUP LIMITED AND ITS CONTROLLED ENTITIES

The Directors of Resimac Group Limited ("Resimac" or "the Company") submit herewith the financial report of Resimac and its subsidiaries (the Group) for the half-year ended 31 December 2018. In order to comply with the provisions of the *Corporations Act 2001*, the Directors report is as follows:

**Directors**

The names of the Directors of the company during or since the end of the half-year are:

- **Mr Cholmondeley (Chum) Darvall**  
Chairman and Independent Non-Executive Director
- **Ms Susan Hansen**  
Independent Non-Executive Director
- **Mr Michael Jefferies**  
Independent Non-Executive Director
- **Mr Warren McLeland**  
Non-Executive Director
- **Mr Duncan Saville**  
Non-Executive Director
- **Mr Robert Scott**  
Independent Non-Executive Director (resigned 26<sup>th</sup> November 2018)

**Key management personnel**

The key management personnel are all of the above directors and:

- **Mr Scott McWilliam**  
Chief Executive Officer
- **Ms Mary Ploughman**  
Joint Chief Executive Officer (ceased employment 18 January 2019)
- **Mr Jason Azzopardi**  
Chief Financial Officer (appointed 3 July 2018)

**Review of operations**

The Group generated a net profit after tax (NPAT) of \$18,893,000 for the half-year ended 31 December 2018. To reflect the Group's normalised earnings the NPAT has been adjusted to separate one-off items, which are included in the result for the six months to 31 December 2018.

The following table reconciles the unaudited normalised earnings to the reported profit before tax for the period in accordance with International Financial Reporting Standards (IFRS).

Management believe the disclosure of the normalised NPAT provides additional insight into the underlying performance for the period.

Unaudited non-IFRS information	HY19 \$'000
Statutory NPAT	18,893
De-recognition of investment in Associate (Finsure)	(5,810)
Non-recurring other income	(467)
Tax effect	1,883
<b>Normalised NPAT</b>	<b>14,499</b>

Total revenues and other income of \$236,968,000 increased 28% on the previous corresponding period (PCP).

Net interest income increased by 8% to \$55,072,000 on the PCP.

Operating expenses increased by 1% to \$30,398,000 on the PCP.

Loan impairment expense increased by 83% to \$1,576,000 (noting 1H19 loan impairment based on the adoption of the AASB 9 expected loss methodology).

Total mortgage settlement flows across the Group's combined distribution channels (i.e. both principally funded and non-principally funded) was \$2.2 billion, up 3% on the PCP.

- Settlements of principally funded lending of \$1.9 billion, up 7% on the PCP; and
- Settlements of non-principally funded lending of \$0.3 billion, down 17% on the PCP reflecting the shift in focus to growing the principally funded portfolio;

The highlights of the Group's financial position and the assets under management at 31 December 2018 include:

- Principally funded loans and advances to customers was \$9.4 billion, up 19% annualised compared to 30 June 2018; and
- Non-principally funded portfolio was \$3.4 billion, down 4% annualised compared to 30 June 2018.

Combined these make up the total assets under management portfolio of \$12.8 billion.

The Group's net assets increased by 3% from 30 June 2018.

**DIRECTORS' REPORT**

RESIMAC GROUP LIMITED AND ITS CONTROLLED ENTITIES

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***Funding programmes***

The RESIMAC 2018-1 transaction was settled on 16 August 2018 and is a USD/AUD non-conforming issue with a total size of \$1 billion.

The RESIMAC Premier Series 2018-2 transaction was settled on 26 November 2018 and is a USD/AUD prime issue with a total size of \$750 million.

Two new Prime warehouse facilities were established – one with United Overseas Bank Limited and the other with MUFG Bank Limited.

**Significant changes in state of affairs**

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

**Auditor's independence declaration**

The auditor's independence declaration is included on page 42 of this financial report.

**DIRECTORS' REPORT**

RESIMAC GROUP LIMITED AND ITS CONTROLLED ENTITIES

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**Rounding off of amounts**

The company is a company of the kind referred to in *ASIC Corporations (Rounding in Financial/Director's Reports) Instrument 2016/191*, dated 24 March 2016, and in accordance with the Corporations Instrument amounts in the Directors' report and the half-year financial report are rounded off to the nearest thousand dollars, unless otherwise indicated.

Signed in accordance with a resolution of the directors made pursuant to s.306 (3) of the *Corporations Act 2001*.

On behalf of the Directors of Resimac Group Limited



**Cholmondeley Darvall**

Chairman and Independent Non-Executive Director

Sydney,  
25 February 2019



## FINANCIAL STATEMENTS

### CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE HALF-YEAR ENDED 31 DECEMBER 2018

	Note	HY19 \$'000	HY18 \$'000
Interest income	1	216,956	169,560
Interest expense	2	(161,884)	(118,572)
<b>Net interest income</b>		<b>55,072</b>	50,988
Fee and commission income	1	11,985	14,598
Fee and commission expense	2	(16,069)	(17,810)
De-recognition of investment in Associate (Finsure)		5,810	-
Other income	1	2,217	522
Employee benefits expense	2	(19,545)	(18,514)
Other expenses	2	(10,853)	(11,596)
Loan impairment expense	2	(1,576)	(859)
<b>Profit before tax</b>		<b>27,041</b>	17,329
Income tax expense		(8,148)	(5,404)
<b>PROFIT AFTER TAX</b>		<b>18,893</b>	11,925
<b>Attributable to:</b>			
Owners of the parent		18,893	11,913
Non-controlling interest		-	12
		<b>18,893</b>	11,925

# FINANCIAL STATEMENTS

## CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE HALF-YEAR ENDED 31 DECEMBER 2018

	Note	HY19 \$'000	HY18 \$'000
<b>PROFIT AFTER TAX</b>		<b>18,893</b>	11,925
<b>Other comprehensive income, net of income tax</b>			
<i>Items that will not be reclassified subsequently to profit or loss:</i>			
Reversal of prior year reserve on trust wind up		(7)	(7)
Fair value movement on investments through OCI, net of tax		(1,908)	-
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Changes in fair value of cash flow hedges		(6,813)	177
Tax effect		2,044	(53)
Currency translation differences		1,082	(82)
<b>Other comprehensive income for the period, net of tax</b>		<b>(5,602)</b>	35
<b>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD</b>		<b>13,291</b>	11,960
<b>Attributable to:</b>			
Owners of the parent		13,291	11,948
Non-controlling interest		-	12
		<b>13,291</b>	11,960
		<b>HY19 cents per share</b>	<b>HY18 cents per share</b>
<b>Earnings per share</b>			
Basic	10	4.73	3.01
Diluted	10	4.71	3.00

## FINANCIAL STATEMENTS

### CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2018

	Note	<b>HY19 \$'000</b>	<b>FY18 \$'000</b>
<b>ASSETS</b>			
Cash and cash equivalents	3	300,314	198,905
Trade and other receivables		8,387	7,638
Loans and advances	4	9,445,478	8,633,339
Other financial assets	5	53,961	57,420
Derivative financial assets	13	94,413	43,956
Other assets		3,697	3,428
Plant and equipment		4,042	2,625
Goodwill and intangible assets	6	21,962	22,098
		<b>9,932,254</b>	<b>8,969,049</b>
<b>LIABILITIES</b>			
Trade and other payables		31,387	43,870
Current tax payable		3,338	2,048
Provisions		4,449	4,441
Interest-bearing liabilities	7	9,693,288	8,716,912
Other financial liabilities	8	21,445	27,484
Derivative financial liabilities	13	805	549
Other liabilities		2,890	2,669
Deferred tax liabilities		6,858	7,887
Lease incentives		100	100
		<b>9,764,560</b>	<b>8,806,324</b>
<b>NET ASSETS</b>		<b>167,694</b>	<b>162,725</b>
<b>EQUITY</b>			
Share capital		177,801	177,340
Reverse acquisition reserve		(61,541)	(61,541)
<b>Total issued capital</b>		<b>116,260</b>	<b>115,799</b>
Reserves		(8,589)	(3,031)
Retained earnings		60,023	49,937
<b>Equity attributable to owners of the parent</b>		<b>167,694</b>	<b>162,725</b>
Non-controlling interest		-	-
		<b>167,694</b>	<b>162,725</b>

## FINANCIAL STATEMENTS

### CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE HALF-YEAR ENDED 31 DECEMBER 2018

	Share capital	Reverse acquisition reserve <sup>1</sup>	Total issued capital	Reserves <sup>2</sup>	Retained earnings	Attributable to owners of the parent	Non- controlling interest	Total
	\$'000	\$'000		\$'000	\$'000	\$'000	\$'000	\$'000
<b>Balance as at 1 July 2017</b>	174,762	(61,541)	113,221	(3,158)	31,136	141,199	9	141,208
Profit for the period	-	-	-	-	11,913	11,913	12	11,925
Other comprehensive income, net of income tax	-	-	-	42	(7)	35	-	35
<b>Total comprehensive income for the period</b>	-	-	-	42	11,906	11,948	12	11,960
De-recognition of non-controlling interest	-	-	-	-	21	21	(21)	-
Issue of shares under the Dividend Reinvestment Plan	2,121	-	2,121	-	-	2,121	-	2,121
Equity dividends	-	-	-	-	(2,953)	(2,953)	-	(2,953)
<b>Balance at 31 December 2017</b>	176,883	(61,541)	115,342	(3,116)	40,110	152,336	-	152,336
Balance as at 1 July 2018	<b>177,340</b>	<b>(61,541)</b>	<b>115,799</b>	<b>(3,011)</b>	<b>49,937</b>	<b>162,725</b>	-	<b>162,725</b>
Adoption of AASB 9, net of income tax	-	-	-	-	(5,213)	(5,213)	-	(5,213)
Adjusted Balance as at 1 July 2018	177,340	(61,541)	115,799	(3,011)	44,724	157,512	-	157,512
Profit for the period	-	-	-	-	18,893	18,893	-	18,893
Other comprehensive income, net of income tax	-	-	-	(5,602)	-	(5,602)	-	(5,602)
<b>Total comprehensive income for the period</b>	-	-	-	(5,602)	18,893	13,291	-	13,291
Issue of shares under the Dividend Reinvestment Plan	461	-	461	-	-	461	-	461
Equity dividends	-	-	-	-	(3,594)	(3,594)	-	(3,594)
Share-based payments	-	-	-	24	-	24	-	24
<b>Balance at 31 December 2018</b>	<b>177,801</b>	<b>(61,541)</b>	<b>116,260</b>	<b>(8,589)</b>	<b>60,023</b>	<b>167,694</b>	-	<b>167,694</b>

<sup>1</sup> As a result of reverse acquisition accounting, an equity account was created as a component of equity. This account called 'Reverse acquisition reserve' is similar in nature to share capital. The Reverse acquisition reserve is not available for distribution. This equity account represents a net adjustment for the replacement of the legal parent's (Homeloans) equity with that of the deemed acquirer (RESIMAC).

<sup>2</sup> Comprises cash flow hedge reserve and foreign currency translation reserve.

# FINANCIAL STATEMENTS

## CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE HALF-YEAR ENDED 31 DECEMBER 2018

	Note	<b>HY19 \$'000</b>	HY18 \$'000
<b>Cash flows from operating activities</b>			
Interest received		215,208	176,136
Interest paid		(155,294)	(112,072)
Receipts from loan fees and other income		19,634	37,550
Payments to suppliers and employees		(76,933)	(79,593)
Payments of net loans to borrowers		(810,597)	(933,853)
Income tax paid		(5,802)	(1,797)
<b>Net cash used in operating activities</b>		<b>(813,784)</b>	<b>(913,629)</b>
<b>Cash flows from investing activities</b>			
Payment for plant and equipment		(2,040)	(203)
Repayment of/(loans) to related parties		-	(2,416)
Payment for new investments		(2,000)	-
<b>Net cash used in investing activities</b>		<b>(4,040)</b>	<b>(2,619)</b>
<b>Cash flows from financing activities</b>			
Proceeds from borrowings		5,645,588	8,633,973
Repayment of borrowings		(4,723,585)	(7,690,971)
Swap payments		448	(564)
Payment of dividends	9	(3,133)	(831)
<b>Net cash provided by financing activities</b>		<b>919,318</b>	<b>941,607</b>
<b>Net increase in cash and cash equivalents</b>		<b>101,494</b>	<b>25,359</b>
Cash and cash equivalents at the beginning of the period (1 July)		198,905	187,109
Effects of exchange rate changes on cash balances held in foreign currencies		(85)	(930)
<b>Cash and cash equivalents at the end of the period</b>	3	<b>300,314</b>	<b>211,538</b>

### **Statement of compliance**

The half-year financial report is a general purpose condensed financial report which:

- ☐ has been prepared in accordance with the requirements of the *Corporations Act 2001*, and AASB 134 *Interim Financial Reporting*;
- ☐ compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 *Interim Financial Reporting*; and
- ☐ does not include notes of the type normally included in an annual financial report and shall be read in conjunction with the most recent annual financial report.

### **Basis of preparation**

The condensed consolidated financial statements have been prepared on the basis of historical cost, except for the investments held by associates and certain financial instruments which have been measured at fair value. All amounts are presented in Australian dollars unless otherwise noted.

The company is a company of the kind referred to in *ASIC Corporations (Rounding in Financial/Director's Reports) Instrument 2016/191*, dated 24 March 2016, and in accordance with that Corporations Instrument amounts in the financial report are rounded off to the nearest thousand dollars, unless otherwise indicated.

The accounting policies and methods of computation adopted in the preparation of the half-year financial report are consistent with those adopted and disclosed in the company's 2018 annual financial report for the financial year ended 30 June 2018. These accounting policies are consistent with Australian Accounting Standards (AAS) and with International Financial Reporting Standards.

### **Amendments to Accounting Standards that are mandatorily effective for the current reporting period**

The Group has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (the AASB) that are relevant to their operations and effective for the current half-year.

Application of new accounting standards in the period are detailed in Note 15.

### **The condensed notes to the financial statements**

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

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

The notes are organised into the following sections:

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

**Capital:** provides information about the shareholder returns for the year;

**Risk:** discusses how the Group determines fair values of various financial assets and liabilities;

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

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

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

### **Critical accounting judgements and key sources of estimation uncertainty**

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

#### **a) Critical judgements in applying the entity's accounting policies**

The following are the critical judgements that the Directors have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the financial statements:

- ☐ Valuation of unlisted shares;
- ☐ Net present value (NPV) of expected future trail commission receivable and payable;
- ☐ Loan impairment provision; and
- ☐ Goodwill impairment

#### **b) Key sources of estimation uncertainty**

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of the assets and liabilities within the next financial year.

#### **NPV of future trail commission**

The recognition of the future trailing commission receivable in the Statement of financial position is an area of judgment due to the different recognition criteria existing within the accounting standards.

#### **a) The estimation of present value of future cash flows**

The key assumptions underlying this estimate include:

- ☐ prepayment and discharge rates; and
- ☐ discount rate.

This position will continue to be monitored in future accounting periods having regard to developments in the relevant accounting standards. In this respect, the Directors believe the accounting treatment adopted by the Group in recognising a contract asset is in accordance with the accounting standards and is consistent with the treatment adopted by similar industry participants.

**b) Key sources of estimation uncertainty (cont.)**

***Loan impairment provision***

The calculation of the impairment provision on mortgage assets is based on:

- ☐ objective evidence of impairment for a portfolio of receivables using the Group's future expected loss;
- ☐ an increase in the number of delayed payments in the portfolio past the average credit period; and
- ☐ observable changes in national or local economic conditions that correlate with default on receivables.

A comprehensive overview of loan impairment methodology introduced this reporting period as a result of the new financial instrument standard (AASB 9) is detailed in Note 15.

***Goodwill impairment***

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

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

Management have assessed that there are no such indicators which would impair the goodwill balance as at 31 December 2018.



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

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

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

### **1. Australian Lending business**

This represents the distribution and lending business currently captured under the following primary brands:

- ☐ Homeloans;
- ☐ RESIMAC; and
- ☐ State Custodians.

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

### **2. New Zealand Lending business**

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

The support for this as a separate segment include that it has a separate board and management reporting, it has separate regulatory requirements/oversight and there are staff who are solely accountable for the New Zealand business.

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

### **3. Paywise business**

Paywise is a salary packaging service provider which operates nationally in Australia. It provides services to employers and employees to manage salary packaging arrangements. It receives service fees and commission income.

This segment represents the business outside of the Australian Lending Business. The rationale for separating this business is it is currently managed and monitored independently from the Australian Lending business in the management reporting.

Paywise has its own CEO and Board and separate reporting. It runs relatively independently of the rest of the Australian operations and also has very different customers, sources of income and products than the other two segments.

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

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

	<b>AUSTRALIAN LENDING</b>		<b>NEW ZEALAND LENDING</b>		<b>PAYWISE</b>		<b>CONSOLIDATED</b>	
	<b>HY19</b>	<b>HY18</b>	<b>HY19</b>	<b>HY18</b>	<b>HY19</b>	<b>HY18</b>	<b>HY19</b>	<b>HY18</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
Revenue from external customers	<b>215,990</b>	179,308	<b>11,019</b>	7,241	<b>4,149</b>	1,892	<b>231,158</b>	188,441
<b>Total segment revenue</b>	<b>215,990</b>	179,308	<b>11,019</b>	7,241	<b>4,149</b>	1,892	<b>231,158</b>	188,441
Segment results before tax, depreciation, amortisation, finance costs and impairment	<b>28,117</b>	19,674	<b>2,213</b>	940	<b>823</b>	461	<b>31,153</b>	21,075
Depreciation and amortisation	<b>(629)</b>	(501)	<b>(5)</b>	(17)	<b>(108)</b>	(125)	<b>(742)</b>	(643)
Loan impairment	<b>(1,530)</b>	(786)	<b>(46)</b>	(73)	-	-	<b>(1,576)</b>	(859)
Finance costs	<b>(1,663)</b>	(2,166)	<b>(130)</b>	(78)	<b>(1)</b>	-	<b>(1,794)</b>	(2,244)
<b>Segment results before income tax</b>	<b>24,295</b>	16,221	<b>2,032</b>	772	<b>714</b>	336	<b>27,041</b>	17,329
Income tax expense							<b>(8,148)</b>	(5,404)
<b>PROFIT AFTER TAX</b>							<b>18,893</b>	11,925

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS** | SEGMENT INFORMATION  
FOR THE HALF-YEAR ENDED 31 DECEMBER 2018

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

	AUSTRALIAN LENDING		NEW ZEALAND LENDING		PAYWISE		CONSOLIDATED	
	HY19	FY18	HY19	FY18	HY19	FY18	HY19	FY18
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Segment assets	9,426,663	8,556,696	490,034	397,350	15,557	15,003	9,932,254	8,969,049
	9,426,663	8,556,696	490,034	397,350	15,557	15,003	9,932,254	8,969,049
Segment liabilities	(9,289,288)	(8,415,011)	(450,864)	(367,271)	(14,212)	(14,107)	(9,754,364)	(8,796,389)
Tax liabilities	-	-	-	-	-	-	(10,196)	(9,935)
	(9,289,288)	(8,415,011)	(450,864)	(367,271)	(14,212)	(14,107)	(9,764,560)	(8,806,324)
<b>NET ASSETS</b>	<b>137,375</b>	<b>141,685</b>	<b>39,170</b>	<b>30,079</b>	<b>1,345</b>	<b>896</b>	<b>167,694</b>	<b>162,725</b>

## 1. Income

	<b>HY19</b>	<b>HY18</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>Interest</b>		
Loans and advances	<b>211,043</b>	163,061
Bank deposits	<b>1,584</b>	1,229
Interest received – other persons/corporations	<b>2,873</b>	3,502
Discount unwind on net present value of trail commission	<b>1,456</b>	1,768
	<b>216,956</b>	169,560
<b>Fee and commission</b>		
Mortgage origination	<b>2,960</b>	4,634
Loan management	<b>4,072</b>	5,893
Paywise salary packaging fees	<b>1,583</b>	1,282
Paywise novated lease income	<b>1,356</b>	1,510
Net loan fees	<b>2,014</b>	1,279
	<b>11,985</b>	14,598
<b>Other Income</b>		
Write-off of investment in eChoice	-	(443)
Other	<b>2,217</b>	965
	<b>2,217</b>	522
	<b>231,158</b>	184,680

## 2. Expenses

	Note	<b>HY19</b> <b>\$'000</b>	<b>HY18</b> <b>\$'000</b>
<b>Interest</b>			
Bond and warehouse facilities		<b>154,421</b>	112,373
Amortisation – bond issue costs		<b>3,315</b>	2,455
Discount unwind on net present value of trail commission		<b>671</b>	816
Net swap payments		<b>447</b>	547
Other		<b>3,030</b>	2,381
		<b>161,884</b>	118,572
<b>Fee and commission</b>			
Mortgage origination		<b>1,770</b>	3,710
Loan management		<b>9,779</b>	10,937
Borrowing fees		<b>2,726</b>	920
Other financing costs		<b>1,794</b>	2,243
		<b>16,069</b>	17,810
<b>Employee benefits</b>			
Remuneration and on-costs		<b>19,521</b>	18,514
Share-based payments		<b>24</b>	-
		<b>19,545</b>	18,514
<b>Other</b>			
Marketing, consultancy and IT		<b>4,335</b>	5,703
Occupancy-related		<b>1,921</b>	1,480
Depreciation and amortisation		<b>742</b>	643
Other		<b>3,855</b>	3,770
		<b>10,853</b>	11,596
<b>Loan impairment</b>		<b>1,576</b>	859
		<b>209,927</b>	167,351

### 3. Cash and cash equivalents

	<b>HY19</b>	<b>FY18</b>
	<b>\$'000</b>	<b>\$'000</b>
Cash at bank and on hand	<b>20,841</b>	15,181
Cash collections account <sup>1</sup>	<b>277,971</b>	182,060
Restricted cash <sup>2</sup>	<b>1,502</b>	1,664
	<b>300,314</b>	198,905

1. Cash collections account includes monies in the Special Purpose Vehicles, Securitisation trusts and Paywise on behalf of members in those Trusts and various clearing accounts. These funds are not available for operational use.

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

### 4. Loans and advances

Gross loans and advances	<b>9,460,816</b>	8,639,933
Less: allowance for impairment	<b>(15,338)</b>	(6,594)
	<b>9,445,478</b>	8,633,339

#### Impairment allowances

Collective allowance	<b>10,863</b>	2,975
Specific allowance	<b>4,475</b>	3,619
	<b>15,338</b>	6,594

### 5. Other financial assets

Present value of future trail commission receivable	<b>48,617</b>	57,160
Short-term investment	<b>260</b>	260
Listed shares – Goldfields Money Ltd	<b>3,084</b>	-
Unlisted shares – Athena Financial Pty Ltd	<b>2,000</b>	-
	<b>53,961</b>	57,420

## 6. Intangible assets

	<b>HY19</b>	<b>FY18</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>Goodwill</b>		
Balance at beginning of the period	<b>21,766</b>	21,766
Additional amounts recognised from business combinations occurring in the current period	-	-
<b>Balance at end of the period</b>	<b>21,766</b>	21,766
<b>Other intangible assets</b>		
Balance at beginning of the period	<b>332</b>	530
Additions	-	110
Amortisation	<b>(136)</b>	(308)
<b>Balance at end of the period</b>	<b>196</b>	332
	<b>21,962</b>	22,098

## 7. Interest-bearing liabilities

Debt securities on issue	<b>9,427,281</b>	8,517,621
Corporate debt facility	<b>27,000</b>	24,000
Issuance facilities	<b>236,355</b>	172,639
Loans from related parties	<b>2,400</b>	2,400
Lease liability	<b>252</b>	252
	<b>9,693,288</b>	8,716,912

## 8. Other financial liabilities

Present value of future trail commission payable	<b>21,445</b>	27,848
	<b>21,445</b>	27,848

## 9. Dividends

	<b>HY19 \$'000</b>	<b>HY18 \$'000</b>
<b>Declared and paid during the period (fully-franked at 30 per cent)</b>		
Final FY18 dividend: \$0.009 (FY17: \$0.0075)	<b>3,594</b>	2,953
	<b>3,594</b>	2,953
<b>Proposed and unrecognised as a liability (fully-franked at 30 per cent)</b>		
Interim FY19 dividend: \$0.01 (Interim FY18: \$0.009)	<b>4,001</b>	3,587

The Group operates a DRP which allows eligible shareholders to invest dividends in ordinary shares. All holders of Resimac Group Limited ordinary shares are eligible to participate in the DRP. The allocation price for shares under the DRP will be calculated at the average of the daily volume weighted average price of Resimac Group Limited ordinary shares traded on the ASX over the 5 day trading period commencing on the second Business Day after the record date.

An issue of shares under the DRP results in an increase in issued capital.



## 10. Earnings per share

	<b>HY19</b>	HY18
Profit attributable to ordinary equity holders of the parent (\$'000)	<b>18,893</b>	11,925
WANOS <sub>1</sub> used in the calculation of basic EPS (shares, thousands)	<b>399,696</b>	396,026
WANOS <sub>1</sub> used in the calculation of diluted EPS (shares, thousands) <sup>2</sup>	<b>401,496</b>	397,357
<b>Earnings per share</b>		
Basic (cents per share)	<b>4.73</b>	3.01
Diluted (cents per share)	<b>4.71</b>	3.00

1. Weighted average number of shares

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

### 10.1 Calculation of WANOS

#### 10.1.1 Basic EPS

##### Six months to 31 December 2018

The number of Resimac Group shares issued:

□ **From 1 July 2018 to 11 October 2018 (223,547,915)**

The number of Resimac ordinary shares on issue of 399,347,732 multiplied by the ratio of days outstanding (103/184); plus

□ **From 12 October 2018 to 31 December 2018 (176,148,216)**

- The number of Resimac shares on issue (399,347,732) at 11 October 2018 plus
  - additional shares issued on 12 October 2018 under the DRP (791,425);
- multiplied by the ratio of days outstanding (81/184).

#### 10.1.2 Diluted EPS

##### Six months to 31 December 2018

The number of Resimac shares issued:

□ **From 1 July 2018 to 11 October 2018 (224,555,524)**

- The number of Resimac ordinary shares on issue (399,347,732)
  - Share options granted on 18 August 2017 (1,800,000)
- multiplied by the ratio of days outstanding (103/184); plus

□ **From 12 October 2018 to 31 December 2018 (176,940,607)**

- The number of Resimac shares on issue (399,347,732) at 11 October 2018 plus
  - Share options granted on 18 August 2017 (1,800,000)
  - additional shares issued on 12 October 2018 under the DRP (791,425);
- multiplied by the ratio of days outstanding (81/184).

### **11. Issues of equity securities**

Issued capital at 31 December 2018 was \$177.801 million representing 400,139,157 ordinary shares (FY18: \$177.340 million representing 399,347,732 ordinary shares as at 30 June 2018).

During the period, 791,425 shares were issued on 12 October 2018 under the DRP in relation to the FY18 final dividend.

## 12. Fair value of financial instruments

This note provides information about how the Group determines the fair value of various financial assets and liabilities.

### 12.1 Fair value of financial assets and liabilities that are measured at fair value on a recurring basis

Some of the Group's financial assets and liabilities are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of those financial assets and liabilities are determined (in particular, the valuation technique(s) and inputs used).

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

	Fair value hierarchy	Valuation technique(s) and key inputs (s)	HY19 \$'000	FY18 \$'000
<b>Financial assets</b>				
Unlisted shares	Level 3	Most recent traded price and other available market information	2,000	-
Listed shares	Level 1	Most recent traded price and other available market information	3,084	-
Interest rate swaps	Level 2	Discounted cash flow Forward interest rates, contract interest rates	1,100	598
Cross currency swaps	Level 2	Discounted cash flow Forward exchange rates, contract forward rates	93,313	42,998
<b>Financial liabilities</b>				
Interest rate swaps	Level 2	Discounted cash flow Forward interest rates, contract interest rates	805	549

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

The directors consider that the carrying amounts of financial assets and liabilities recognised in the consolidated financial statements approximate their fair values.

## 13. Derivative financial assets and liabilities

The carrying values are as follows:

	HY19	FY18
<b>Derivative financial assets</b>		
Cross currency swaps	93,313	42,998
Interest rate swaps	1,100	598
	94,413	43,596
<b>Derivative financial liabilities</b>		
Interest rate swaps	805	549
	805	549

## **14. Subsequent events**

### **14.1 Financial dividend declared**

The Board of Resimac Group Limited declared a fully-franked interim dividend of 1.0 cents per share. The Record Date is 6 March 2019. The payment date will be 25 March 2019. The dividend has not been provided for in this financial report.

## **15. Other accounting policies**

### **15.1 Application of new and revised accounting standards**

#### **(a) New standards adopted by the Group**

New standards and amendments thereof and Interpretations effective for the current half-year that are relevant to the Group are:

AASB 9 *Financial instruments*

AASB 15 *Revenue from contracts with customers*

#### **AASB 9 Financial instruments**

AASB 9 replaces the existing guidance in AASB 139 *Financial Instruments: Recognition and Measurement*. AASB 9 Financial Instruments sets out requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items.

AASB 9 largely retains existing Standard requirements in AASB 139. Under AASB 9, on initial recognition, a financial asset is classified and measured at:

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

On 1 January 2018 (the date of initial application of AASB 9), the Group's management assessed which business models apply to the financial assets held by the Group and has classified its financial instruments into the appropriate AASB 9 categories. The following accounting policies apply to the recognition and subsequent measurement of financial assets:

#### **Financial assets at amortised cost**

A financial asset is measured at amortised cost if it meets the following conditions:

- ☐ it is held within a business model whose objective is to hold assets to collect contractual cash flows;
- ☐ its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding; and
- ☐ it is not designated at FVTPL.

#### **The amortised cost of a financial asset is:**

- ☐ the amount at which the financial asset is measured at initial recognition;
- ☐ minus the principal repayments
- ☐ plus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount; and
- ☐ adjusted for any loss allowance.

Interest income, foreign exchange gains and losses and impairment are recognised in profit and loss. Any gains or losses on derecognition are also recognised in profit and loss.

#### **Equity investments at FVTOCI**

A financial asset is measured at FVTOCI if the Group has made an irrevocable election to classify and measure financial assets as FVTOCI at initial recognition on the basis that they are held for strategic purposes.

Gains and losses relating to these financial assets will be recognised in other comprehensive income. Dividends from such investments are recognised as income in profit or loss when the Group has the right to receive payments unless the dividend clearly represents a recovery of part of the cost of the investment. The accumulated fair value reserve related to these investments will never be reclassified as profit or loss.

## Financial assets at FVTPL

All financial assets that are not measured at amortised cost or FVTOCI will be measured at FVTPL. Net gains and losses, including any interest or dividend income, are recognised in profit or loss.

## Initial recognition and impact

On initial recognition of an equity investment that is not held for trading, the Group may irrevocably elect to present subsequent changes in the investment's fair value in other comprehensive income (OCI). The Group applies this election on an investment-by-investment basis.

The adoption of AASB 9 has not had a significant effect on the Group's accounting policies related to the recognition and classification of financial assets and financial liabilities. The Group notes that the new accounting standard has no material impacts on investments in associates and joint ventures. The following table and the accompanying notes below explain the original measurement categories under AASB 139 and the new classification categories under AASB 9 for each class of the Group's financial assets and liabilities as at 1 July 2018.

## AT 1 JULY 2018 CARRYING AMOUNT \$'000

Note		Original Classification under AASB 139	New Classification under AASB 9	Original Carrying Amount Under AASB 139	New Carrying Amount Under AASB 9
<b>Financial Assets</b>					
		Loans and receivables	Amortised cost	198,905	198,905
Cash and cash equivalents					
Loans and advances	(a)	Loans and receivables	Amortised cost	8,633,339	8,633,339
Present value of trail commission receivable	(b)	Loans and receivables	Contract asset (expected value method) under AASB 15	57,160	57,160
Trade and other receivables	(c)	Loans and receivables	Amortised cost	7,638	7,638
Short-term investment	(d)	Loans and receivables	Amortised cost	260	260
Derivative financial assets	(e)	FVTPL	FVTPL	43,596	43,596
<b>Financial Liabilities</b>					
Interest-bearing liabilities	(f)	Other financial liabilities	Amortised cost	8,716,912	8,716,912
Present value of trail commission payable	(g)	Other financial liabilities	Amortised cost	27,848	27,848
Trade and other payables	(h)	Other financial liabilities	Amortised cost	43,870	43,870
Derivative financial liabilities	(i)	FVTPL	FVTPL	549	549

- a) Loans and advances are held under a business model to collect the contractual cash flows, which consist solely of payments of principal and interest, and as such will continue to be measured at amortised cost under AASB 9
- b) Refer to separate AASB 15 disclosure on page 34 onwards
- c) Trade receivables that were classified as loans and receivables under AASB 139 continue to be classified at amortised cost. Management do not believe that AASB 9 adoption will impact on the trade receivables balance.
- d) Term deposit measured at amortised cost with fixed or determinable payments and fixed maturity date, which the Group has the positive intent and ability to hold to maturity. This deposit is held under a business model to collect the contractual cash flows and as such will continue to be measured at amortised cost under AASB 9
- e) Derivatives are initially measured at fair value. Subsequent to initial recognition, changes in fair value associated with the effective portion of a cash flow hedge are recognised through Other Comprehensive Income.
- f) Interest bearing borrowings will continue to be measured at amortised cost under AASB 9.

- g) Trail commission payables will not be impacted by AASB 9 and will remain a financial liability measured at amortised cost
- h) Trade payables that were classified as financial liabilities under AASB 139 continue to be classified at amortised cost. Management do not believe that AASB 9 adoption will impact on the trade payables balance.
- i) Derivatives are initially measured at fair value. Subsequent to initial recognition, changes in fair value associated with the effective portion of a cash flow hedge are recognised through profit or loss. Management do not believe that AASB 9 adoption will impact on this balance

### **Impairment**

AASB 9 replaces the “incurred loss” model in AASB 139 with an “expected credit loss” (ECL) model. ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Group expects to receive). It consists of 3 components:

- (a) probability of default (PD): represents the possibility of a default over the next 12 months and remaining lifetime of the financial asset;
- (b) a loss given default (LGD): expected loss if a default occurs, taking into consideration the mitigating effect of collateral assets and time value of money;
- (c) exposure at default (EAD): the expected loss when a default takes place

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

The Group has applied the three stage model based on the change in credit risk since initial recognition to determine the loss allowances of its financial assets under AASB 9.

#### **Stage 1: 12 month ECL**

On initial recognition, ECL is collectively assessed and measured by classes of financial assets, with the same level of credit risk as a product of the PD within the next 12 months and LGDs, with consideration to forward looking economic indicators. Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets.

#### **Stage 2: Lifetime ECL**

When the Group determines that there has been a significant increase in credit since initial recognition but not considered to be credit impaired, the Group recognises a lifetime ECL calculated as a product of the PD for the remaining lifetime of the financial asset and LGD, with consideration to forward looking economic indicators. Similar to Stage 1, loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets.

#### **Stage 3: Lifetime ECL – credit impaired**

At last reporting date, the Group assesses whether financial assets carried at amortised cost and debt securities at FVTOCI are credit-impaired. A financial asset is ‘credit-impaired’ when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. For financial assets that have been assessed as credit impaired, a lifetime ECL is recognised as a collective or specific provision, and interest revenue is calculated by applying the effective interest rate to the amortised cost instead of the carrying amount.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group’s historical experience and informed credit assessment including forward-looking information. As part of the forward-looking assessment, the Group has considered indicators including macro-economic forecast and outlook, GDP growth, unemployment rates and interest rates. The Group determines a significant increase in credit risk based on the number of days past due.

### Significant increase in credit risk and movement between stages

An asset will move from stage 1 to stage 2 if there has been a significant increase in credit risk since origination,

The judgement to determine this will be primarily based on changes in internal customer risk grades since origination of the loan.

The movement between stages 2 and 3 will be based on whether financial assets are credit-impaired at the reporting date which is expected to be similar to the individual assessment of impairment for financial assets under AASB 139.

Assets may move in both directions through the stages of the impairment model. Assets previously in stage 2 may move back to stage 1 if it is no longer considered there has been a significant deterioration of credit risk. Similarly, assets in stage 3 may move back to stage 2 if they are no longer assessed to be credit-impaired.

The Group has reviewed and assessed the Group's existing financial assets for impairment in accordance with the requirements of AASB 9 to determine the credit risk of the respective items at the date they were initially recognised, and compared that to the credit risk as at 1 July 2018. The result of the assessment and expected additional impairment allowance are as follows:

<b>FINANCIAL ASSETS THAT ARE SUBJECT TO IMPAIRMENT PROVISIONS OF AASB 9</b>	<b>Credit Risk Attributes</b>	<b>\$'000</b>
<i>Loss allowance at 30 June 2018 under AASB 139</i>		<i>6,594</i>
Cash and cash equivalents	(a)	-
Restricted cash	(a)	-
Loans and advances	(b)	7,422
Present value of trail commission receivable	(c)	-
Trade and other receivables	(d)	-
Short-term investment	(a)	-
<b>Loss allowance at 1 July 2018 under AASB 9</b>		<b>14,016</b>

- a) All bank balances and short-term investments are assessed to have low credit risk as at reporting date as they are held with reputable banking institutions.
- b) The Group has applied the three stage model based on the change in credit risk since initial recognition to determine the loss allowances of loans and advances under AASB 9
- c) The trail commission receivable is recognised as a contract asset under AASB 15. As the counterparties are reputable financial institutions, the simplified method has been applied with insignificant expected credit losses.
- d) The Group applies the simplified approach and recognises lifetime ECL for these assets.

The impact of these changes on the Group's equity is as follows:

	<b>Effect on Retained Earnings \$'000</b>
<i>Opening balance: AASB 139 – 1 July 2018</i>	<i>49,937</i>
Decrease in P&L from increase in collective provision before tax	(7,447)
<b>Impact before tax effect</b>	<b>(7,447)</b>
Tax effect of the above	2,234
<b>Total Impact</b>	<b>(5,213)</b>
<i>Opening balance: AASB 9 – 1 July 2018</i>	<i>44,724</i>

Hedge accounting changes arising from AASB 9 have been assessed as immaterial to the Group.



### **Transition**

The Group has taken the exemption to not restate comparative information for prior periods with respect to classification and measurement (including impairment) requirements. Differences in the carrying amounts of financial assets and financial liabilities resulting from the adoption of AASB 9 are recognised in retained earnings and reserves as at 1 July 2018. Accordingly, the information presented for FY18 does not generally reflect the requirements of AASB 9 but rather those of AASB 139.

### **Impact of the application of AASB 15 Revenue from Contracts with Customers**

The Group has adopted AASB 15 Revenue from Contracts with Customers from 1 July 2018 which resulted in changes in accounting policies and adjustment to the amounts recognised in the financial statements. The Group has adopted AASB 15 using the cumulative effect method (without practical expedients), with the effect of initially applying this standard recognised at the date of initial application (i.e. 1 July 2018). Therefore, comparative periods have not been restated.

Revenue arises mainly from origination of residential mortgages. To determine whether to recognise revenue, the Group follows a 5-step process:

1. Identifying the contract with a customer
2. Identifying the performance obligations
3. Determining the transaction price
4. Allocating the transaction price to the performance obligations
5. Recognising revenue when or as performance obligations are satisfied

The Group often enters into transactions that give rise to commission from white label providers. In all cases, the total transaction price for a contract is allocated amongst the various performance obligations. Revenue is recognised either at a point in time or over time, when (or as) the Group satisfied performance obligations by transferring the promised goods or services to its customers.

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

Under AASB 15, revenue is recognised when the Group satisfies performance obligations by transferring the promised services to its customers. Determining the timing of the transfer of control – at a point in time or over time – requires judgement.

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

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

Below is a summary of the major services provided and the Group’s accounting policy on recognition as a result of adopting AASB 15:

<b>CLASSIFICATION AND MEASUREMENT OF REVENUE</b>					
<b>Type of Service</b>	<b>Nature, Timing of Satisfaction of Performance Obligations, Significant Payment Terms</b>	<b>Revenue Recognition Policy under AASB 118 &amp; AASB 139</b>	<b>Revenue Recognition Policy under AASB 15</b>	<b>Significant Judgements Used to Identify Performance Obligations</b>	<b>Nature of Change in Accounting Policy</b>
Interest income – discount unwind on the NPV trail commission asset	Revenue arising from the discount rate applied to the trail commission receivable	Revenue is recognised at the time of valuation of the trail commission receivable	No change from AASB 118	N/A	AASB 15 has nil impact on the Group's accounting policies

Type of Service	Nature, Timing of Satisfaction of Performance Obligations, Significant Payment Terms	Revenue Recognition Policy under AASB 118 & AASB 139	Revenue Recognition Policy under AASB 15	Significant Judgements Used to Identify Performance Obligations	Nature of Change in Accounting Policy
Upfront commission related to loan origination	Commission arising from originating non-principally funded loans	Revenue is recognised at the time the loan is settled and receipt of commission	<p>The performance obligation is not satisfied over time as:</p> <p>a) the customer does not simultaneously receive and consume the benefit which Resimac performs as customer will need to complete the application process and have their loan approved before Resimac receives the benefit</p> <p>b) Resimac will not control the asset until the application has been created and submitted by the customer</p> <p>c) the loan application can have an alternative use to the customer as the customer will be able to use the customer application and/or details with another lender</p> <p>As per AASB 15, if the performance obligation is not satisfied over a period of time, it is satisfied at a point in time. i.e. at the time settlement occurs.</p>	There are no ongoing performance conditions attached to the upfront fee. All further performance conditions are associated with the trail commission. However there are provisions in respect of clawback of the upfront fee with respect to the loan remaining funded within a period of time post-settlement.	Under AASB 15, the transaction price is defined to which an entity expects to be entitled. As such, the upfront commission transaction price should be adjusted for any expected clawbacks. In making that adjustment for clawbacks, AASB 15 provides for two options: - most likely outcome (best suited for when the amount is usually binary); and - expected outcome (best suited for when there are multiple outcomes). Given the agreement stipulates a 100% clawback for discharges within 12 months, 50% between 12-15 months and 25% between 15-18 months, it is likely that expected outcome would be the most appropriate measure to calculate the transaction price.

Type of Service	Nature, Timing of Satisfaction of Performance Obligations, Significant Payment Terms	Revenue Recognition Policy under AASB 118 & AASB 139	Revenue Recognition Policy under AASB 15	Significant Judgements Used to Identify Performance Obligations	Nature of Change in Accounting Policy
Trailing commission related to loan origination	Commission paid by third party lender to the Group over the life of the non-principally funded loans, based on the individual loan balance outstanding.	Until 30 June 2018, the trailing commission receivables were measured and recognised under AASB 139 - on initial recognition, trail commission revenue and receivables on non-principally funded loans are recognised at fair value, being the expected future trail commission receivables discounted to their NPV. Subsequent to initial recognition and measurement, the trail commission asset is measured at amortised cost.	The present value of the trailing commission receivables will be recognised under AASB 15 as a contract asset – this will be measured using the expected value method.  The future trail commission income will be recognised upfront where it is highly probable the revenue will not need to be reversed in future periods.	The contracts with the funders include performance obligations, specifically around conditions which must be satisfied in order to be paid trail commission.	The impact of this change in revenue recognition does not have a material impact on the Group's financial statements.
Paywise salary packaging fees	Fees derived from the facilitation of salary packaging services. Customers are invoiced monthly.	Revenue is recognised at the time the services are provided to the customer and the revenue can be reliably measured.	Revenue recognised at the time the transaction is completed.	As the amount of work required to fulfil these services do not vary significantly month to month, the method used in the contracts most accurately depicts the transfer of services	AASB 15 has nil impact on the Group's accounting policies

Type of Service	Nature, Timing of Satisfaction of Performance Obligations, Significant Payment Terms	Revenue Recognition Policy under AASB 118 & AASB 139	Revenue Recognition Policy under AASB 15	Significant Judgements Used to Identify Performance Obligations	Nature of Change in Accounting Policy
Paywise <u>novated lease</u> income	Fees derived from the facilitation of fleet services. Customers are invoiced monthly.	Revenue is recognised at the time the services are provided to the customer and the revenue can be reliably measured.	Revenue recognised at the time the transaction is completed.	As the amount of work required to fulfil these services do not vary significantly month to month, the method used in the contracts most accurately depicts the transfer of services	AASB 15 has nil impact on the Group's accounting policies
Net loan fees	Loan-related fees and service charges paid by the borrower	Revenue is recognised upon receipt of fees	No change from AASB 118	N/A	AASB 15 has nil impact on the Group's accounting policies

## Transition

The Group has adopted AASB 15 from 1 July 2018 which resulted in minimal changes in both the accounting policies and adjustments to the amounts recognised in the financial statements. The Group has taken the exemption to not restate comparative information for prior periods with respect to classification and measurement requirements. Any differences in the carrying amounts of assets and liabilities resulting from the adoption of AASB 15 are recognised in retained earnings and reserves as at 1 July 2018. Accordingly, the information presented for FY18 does not generally reflect the requirements of AASB 15 but rather those of AASB 118.

In summary, the following adjustments were made to the amounts recognised in the balance sheet and statement of profit or loss and other comprehensive income at the date of initial application (1 July 2018):

	Note	AASB 118 & AASB 139 carrying amount 30 June 2018 (\$'000)	Remeasurement	AASB 15 Carrying Amount 1 July 2018 (\$'000)
Upfront commission related to loan origination		8,883	-	8,883
Trailing commission related to loan origination		10,277	-	10,277
Present value of trail commission receivable	(a)	57,160	-	57,160
Paywise salary packaging fees		2,704	-	2,704
Paywise novated lease income		3,013	-	3,013
Net loan fees		3,237	-	3,237
Interest received – discount unwind on NPV of trail commission		3,393	-	3,393

(a) The Group have voluntarily changed the presentation of certain amounts in the balance sheet to reflect the terminology of AASB 15 and AASB 9:

- Contract assets recognised in relation to trail commissions receivable were previously presented as part of other financial assets (\$57,420,000 as at 30 June 2018)

## **15. Other accounting policies (cont.)**

### **15.2 Reclassified HY18 comparative information**

To align the policies of the consolidated group, the classification of a number of items in the

- ☐ Consolidated statement of profit or loss and other comprehensive income;

as presented in the HY18 comparative period group accounts has been amended.

These changes include:

#### **15.2.1 Consolidated statement of profit or loss and other comprehensive income**

##### **Sacrifice/subsidy fee (HY18), (\$3,760,900)**

Previously disclosed under loan management income, has now been included within the following lines.

- ☐ Loan management expense, (\$3,760,900)

##### **Borrowing fees (HY18), (\$920,237)**

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

- ☐ Fee and commission expense, (\$920,237)

### **15.3 Income line item name changes**

#### **15.3.1 Consolidated statement of profit or loss and other comprehensive income**

The salary packaging income and vehicle financing commission classified under Fee and commission income has been re-named Paywise salary packaging fees and Paywise novated lease income respectively.

Management believe this name change better reflects the nature of this income.



**SIGNED REPORTS**

**DIRECTORS' DECLARATION**

RESIMAC GROUP LIMITED AND ITS CONTROLLED ENTITIES

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The Directors declare that:

- (a) in the Directors' opinion there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable; and
- (b) in the Directors' opinion, the attached financial statements and notes thereto are in accordance with the *Corporations Act 2001*, including compliance with accounting standards and giving a true and fair view of the financial position and performance of the consolidated entity.

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

On behalf of the Directors



**Cholmondeley Darvall**

Chairman and Non-executive Director

Sydney,  
25 February 2019

**INDEPENDENT AUDITOR'S DECLARATION**  
RESIMAC GROUP LIMITED AND ITS CONTROLLED ENTITIES

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

25 February 2019

Dear Board Members

**Resimac Group Limited**

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

As lead audit partner for the review of the financial statements of Resimac Group Limited for the financial half-year ended 31 December 2018, I declare that to the best of my knowledge and belief, there have been no contraventions of:

- (i) the auditor independence requirements of the Corporations Act 2001 in relation to the review; and
- (ii) any applicable code of professional conduct in relation to the review.

Yours sincerely

*DELOITTE TOUCHE TOHMATSU*

DELOITTE TOUCHE TOHMATSU

A handwritten signature in black ink, appearing to read "Delarey Nell".

Delarey Nell  
Partner  
Chartered Accountants

**INDEPENDENT AUDITOR'S REVIEW REPORT**  
RESIMAC GROUP LIMITED AND ITS CONTROLLED ENTITIES

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**Independent Auditor's Review Report  
to the Members of Resimac Group Limited**

We have reviewed the accompanying half-year financial report of Resimac Group Limited, which comprises the condensed consolidated statement of financial position as at 31 December 2018, and the condensed consolidated statement of profit or loss and other comprehensive income, the condensed consolidated statement of cash flows and the consolidated statement of changes in equity for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the end of the half-year or from time to time during the half-year.

*Directors' Responsibility for the Half-Year Financial Report*

The directors of the company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

*Auditor's Responsibility*

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2018 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Resimac Group Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

*Auditor's Independence Declaration*

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of Resimac Group Limited, would be in the same terms if given to the directors as at the time of this auditor's review report.

Liability limited by a scheme approved under Professional Standards Legislation.  
Member of Deloitte Touche Tohmatsu Limited

**INDEPENDENT AUDITOR'S REVIEW REPORT**  
RESIMAC GROUP LIMITED AND ITS CONTROLLED ENTITIES

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*Conclusion*

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

- (a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2018 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

DELOITTE TOUCHE TOHMATSU  
DELOITTE TOUCHE TOHMATSU

A handwritten signature in black ink, appearing to read "Delarey Nell".

Delarey Nell  
Partner  
Chartered Accountants  
Sydney, 25 February 2019