Credit Corp Group

Credit Corp Group Limited ABN 33 092 697 151

Appendix 4E and consolidated financial statements

For the year ended 30 June 2019

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Appendix 4E Preliminary final report

For the year ended 30 June 2019

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

Current period:	1 July 2018 to 30 June 2019
Prior corresponding period:	1 July 2017 to 30 June 2018

2. RESULTS FOR ANNOUNCEMENT TO THE MARKET

	Key information	30 June 2019 $'000	30 June 2018 $'000	Change %
2.1	Revenue	**324,254**	298,978	8%
2.2	Profit from ordinary activities after tax attributable to members	**70,285**	64,290	9%
2.3	Profit attributable to members of the Group	**70,285**	64,290	9%

2.4	Dividends per ordinary share	Amount per security	Franked amount per security
	Interim 2019 ordinary	36.0 cents	100%
	Final 2019 ordinary (declared, not yet provided at 30 June 2019)	36.0 cents	100%

2.5 Record date for determining entitlement to the final dividend:

The record date for the final dividend is 20 August 2019.

2.6 Commentary:

Please refer to the 2019 Media Release and the consolidated financial statements – 30 June 2019 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 2019.

4. STATEMENT OF FINANCIAL POSITION

Please refer to the consolidated financial statements – 30 June 2019.

5. STATEMENT OF CASH FLOWS

Please refer to the consolidated financial statements – 30 June 2019.

6. STATEMENT OF CHANGES IN EQUITY

Please refer to the consolidated financial statements – 30 June 2019.

7. DIVIDEND DETAILS

Ordinary share capital	Cents per share	Total $'000	Date of payment
Year ended 30 June 2019			
Interim 2019 ordinary	**36.0**	**17,302**	**15 Mar 2019**
Final 2018 ordinary	**36.0**	**17,172**	**12 Oct 2018**
Total		**34,474**	
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	

All the dividends were fully franked.

There is no provision for the final dividend in respect of the year ended 30 June 2019. 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 2019 financial year.

9. NET TANGIBLE ASSETS (NTA) PER ORDINARY SHARE

	30 June 2019 Cents	30 June 2018 Cents
NTA per ordinary share	**842.7**	598.9

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

There was no control gained or lost over entities during the financial year.

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 2019 Media Release, 2019 Results Presentation and the consolidated financial statements – 30 June 2019.

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 2019 Media Release, 2019 Results Presentation and the consolidated financial statements – 30 June 2019.

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

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

Consolidated financial statements

For the year ended 30 June 2019

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.

The Board acknowledges the 4th edition of the Corporate Governance Principles and Recommendations, which takes effect for the 2020 financial year and will update for such in due course.

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 and culture 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.

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 the 2019 financial year. The Board will review these objectives in the 2020 financial 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 and senior management 19% — Frontline management 45% — The Group's workforce 55% > 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, 6 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 2019 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 2019.

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)	11.5 years	Independent
Mr Eric Dodd	10 years	Independent
Ms Leslie Martin	5.5 years	Independent
Mr Robert Shaw	11.5 years	Independent
Mr Richard Thomas	13 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 2019 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.

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 experience	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
	Experience in electronic payments systems	2
	Experience in cloud-based Software-as-a-Service (SaaS)	2
	Experience in regulatory technology (RegTech)	2
	Experience in technology start-ups and business disruption	3

Corporate governance statement

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 (AGM)

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 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 security holders*

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 2019 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 report 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 2019, 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 2019.

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 69**
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 entities	Clime Investment Management Limited from 1 March 2015. Registry Direct Limited from 30 May 2016.
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	1,309,270 ordinary shares of Credit Corp Group Limited.

Mr Eric Dodd	**Director (Non-Executive) Age 67**
Qualifications	Bachelor of Economics, Fellow of the Chartered Accountants Australia and New Zealand and Fellow of the 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 64**
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	9,411 ordinary shares of Credit Corp Group Limited.

Mr Robert Shaw	**Director (Non-Executive) Age 77**
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 from 4 March 2011 to 31 December 2018.
Special responsibilities	Mr Shaw is Chairman of the Audit and Risk Committee.
Interest in shares and options	4,533 ordinary shares of Credit Corp Group Limited.

Mr Richard Thomas	**Director (Non-Executive) Age 74**
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	12,872 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	10	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 2019 fiscal year:

> 9 per cent increase in net profit after tax (NPAT) to $70.3 million;

> 25 per cent growth in Australia / New Zealand consumer lending business NPAT;

> A near tripling in earnings from the US debt buying operation along with a 40 per cent increase in investment in the US to $85 million; and

> The Australian / New Zealand debt buying operation reducing collections and earnings only slightly from the record levels of 2018.

The result reflected growing contributions from both the organically developed consumer lending and US debt buying businesses, which produced an NPAT of $20.2 million and $5.5 million respectively. Collectively, these segments represented over 36 per cent of the Group's 2019 earnings.

US debt buying

Investment conditions in the US debt buying market remain favourable with growing charge-off rates after an extended period of strong growth in unsecured credit absorbing increased levels of investment. The strategic imperative for the Group has been growing productive capacity in the US, which will allow investment levels to rapidly increase. Strong progress towards this occurred with the existing Salt Lake City, UT, operational site now nearing full capacity and a second site scheduled to open during the first half of 2020 which will enable headcount to continue to grow.

The US segment is producing strong operating metrics measured against the established publicly traded US debt buyers. Together with the Group's strong capital position and well developed issuer relationships, this will enable investment to rapidly increase as productive capacity grows. The US segment is on track to fulfil its potential of producing earnings as large as the Australian / New Zealand debt buying operation in the medium term.

Consumer lending

Strong new consumer lending customer growth of 18 per cent reflected increasing consumer recognition of the product superiority of the Wallet Wizard cash loan product. The Wallet Wizard product remained the most sustainable loan product available in its segment of the market. Strong growth in new customer volumes has been supplemented by high levels of customer retention, both of which reflect the gulf between Wallet Wizard and the pricing of alternative offerings.

The Group is diversifying its lending products, piloting a broker-originated auto loan offering which, subject to confirmation of loss performance may be further expanded. The 16 per cent increase in the size of the loan book in 2019, gross of provisions for expected losses, provides a strong starting point for anticipated earnings growth in 2020 from the consumer lending segment.

Australian / New Zealand debt buying

After two and a half years of reduced investment in the Australian / New Zealand debt buying operation, collections and earnings reduced 3 per cent and 4 per cent respectively in 2019 on 2018's record result. This strong operational performance was complemented by ongoing compliance leadership, with a reduction in the company's complaint rate over the year. The Group's leadership in compliance and sustainability is increasingly valued by debt sale clients in the present financial services environment and is enabling retention and, in some cases, growth in market share despite continued aggressive competitor bidding.

2020 outlook

Expected increases in earnings from the US debt buying and consumer lending divisions will drive strong profit growth in 2020, with guidance for profit growth in the range of 7 to 10 per cent.

The Group retains significant debt headroom and will invest across all three divisions as opportunities arise. At this point, the Group provides purchased debt ledger (PDL) investment guidance in the range of $220 - $240 million.

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 2019	Cents per share	Total amount $'000	Date of payment
Interim 2019 ordinary	36.0	17,302	15 Mar 2019
Final 2018 ordinary	36.0	17,172	12 Oct 2018
Total		**34,474**	

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 2019 ordinary	36.0	19,757	30 Aug 2019

The financial effect of this dividend has not been brought to account in the consolidated financial statements for the year ended 30 June 2019 and will be recognised in the 2020 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	24,993
> Other services	14,381
Total	**39,374**

NEW ACCOUNTING STANDARDS IMPLEMENTED

AASB 15 *Revenue from Contracts with Customers*

The Group has adopted AASB 15 *Revenue from Contracts with Customers* with an initial application date of 1 July 2018. The Group has applied AASB 15 retrospectively with the cumulative effect of initially applying the standard recognised in opening retained earnings. The cumulative effect of initially applying the standard was nil, so no adjustments were required to net profit or opening retained earnings on transition as the timing of revenue recognition has not changed for the Group's contracts that were in progress at 1 July 2018.

AASB 9 *Financial Instruments*

The Group early adopted AASB 9 *Financial Instruments* in June 2010 as well as any subsequent revisions to this standard since that date, so no transitional adjustments are required.

AUDITOR'S INDEPENDENCE DECLARATION

The auditor's independence declaration for the year ended 30 June 2019 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 2019 and is prepared and audited in accordance with section 300A of the *Corporations Act 2001.*

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.

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 2019 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

SENIOR EXECUTIVE REMUNERATION

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 similar to the prior year except for a new Long-Term Incentive scheme:

> 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 shares after a three-year performance period, based on the following:

– 50 per cent dependent on exceeding financial targets over a three-year performance period; and

– 50 per cent dependent on market performance relative to the ASX 200 over the same three-year performance period;

> No benefit under the LTI plan is payable if the Group's Return on Equity target is not achieved for the three-year performance period; 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 longer-term will also result in no performance rights under the LTI converting to 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.

Directors' report – audited remuneration report

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 cumulative TSR from FY19 to FY21 will be measured in November 2021	**LTI vesting outcome for executive KMP will be determined in November 2021 for the three-year performance period covering the 2019-2021 financial years**
		NPAT Compound Annual Growth Rate (CAGR) Measures compound annual growth of NPAT	**NPAT CAGR** The Group's CAGR over the 3-year period from 2019 to 2021 will be measured in November 2021	
	Budgeted NPAT Reflects the annual earnings growth required to be on track with the LTI 3-year NPAT CAGR hurdle		**In 2019** Actual NPAT was $70.3 million, representing a 9 per cent growth in earnings	**Executive KMP met NPAT target in respect of the 2019 financial year**
Business development and asset management Maintain and enhance value of assets	**Asset management measures** Measures include purchasing volumes, investment pipeline, collections, net return, consumer lending customer acquisition growth and lending product implementation and deliverables		**In 2019** The Group achieved its operational and strategic objectives	**Executive KMP met the majority of operational and strategic targets in respect of the 2019 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 an experience that delivers excellent results and a superior compliance outcome	**Customer & 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			

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.

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 shares upon the performance hurdles being met for the 3-year performance period

The LTI performance hurdles consist of the below measures:

50%
NPAT Compound Annual Growth

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 2019 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 2019 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 2018 to 30 June 2019
Approval	Post completion of the annual financial statement audit and performance review process in September 2019, the proportion of the targeted STI payable to each executive will be determined by the Remuneration Committee and approved by the Board.
Payment timing	October 2019
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.

2019 Performance outcomes

Performance of the Group against the 2019 STI NPAT hurdle is summarised as follows:

	2019 $'000	2018 $'000	Change %
NPAT	**$70,285**	$64,290	9%

The STI hurdle of a budgeted NPAT for 2019 of $68.9 million represented a 7 per cent increase on the NPAT achieved in 2018 of $64.3 million. Actual NPAT of $70.3 million represented a year-on-year increase of 9 per cent.

As financial performance exceeded budget and banking covenants were complied with during 2019, the STI in respect of the 2019 year is eligible to be funded.

The remuneration report discloses the expected maximum STIs payable in respect of 2019. 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 2020. 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 2019 is as follows:

Category	KPIs	Method of assessment	Weighting	Level of achievement
Group performance	NPAT	Based upon NPAT as per the Group's audited financial statements for the 2019 financial year versus target.	30%	Achieved: NPAT of $70.3 million was a 9 per cent increase on the 2018 NPAT.
Growth	PDL acquisition targets	Purchasing volumes for the 2019 financial year and committed purchases for the 2020 financial year, in accordance with Board-approved return criteria.	10%	Achieved: investment in PDLs of $228 million was an increase of 17 per cent on the 2018 investment.
	Australian business and operational performance	Australian business performance and achievement of budgeted operational metrics, including forecast collections and efficiency.	10%	Achieved: PDL collections (including the US) of $403.8 million represented a 6 per cent increase on 2018, while collection efficiency improved by 11 per cent on 2018.
	Consumer lending: business size and profitability metrics	Achievement of consumer loan book targets in the 2019 budget, maintenance of loan book loss rate and milestones in the rollout of pilot lending products.	20%	Achieved: consumer loan book of $212 million was 16 per cent higher than the 2018 closing loan book, gross of provisions, including a near doubling of auto loan volumes.
	US business and operational performance	US business performance and achievement of budgeted operational metrics, including cost to collect, resource build-out and collection efficiency.	20%	Achieved: US collections increased by 69 per cent on 2018 whilst closing headcount also increased 69 per cent.
Financing / strategy	Progress of other strategic expansion initiatives	Review of adjacent market opportunities within lending and the core debt purchase business and provision of sufficient funding facilities in capital.	10%	Achieved: loan facilities increased and extended to limits of $350 million and Strategic Plan refreshed.

2019 STI outcomes

The 2018 STI was paid during the 2019 financial year. A proportion of 2018 STIs were forfeited. The following table outlines the STI awarded to each executive KMP during the 2019 financial year in respect of 2018 financial year:

Name	Target STI opportunity for 2018	STI opportunity % of fixed remuneration	STI earned as % of target	STI forfeited as % of target
Senior executives				
Mr Thomas Beregi	$700,000	100%	95%	5%
Mr Matthew Angell	$400,000	100%	95%	5%
Mr Michael Eadie	$150,000	50%	95%	5%

In regard to the 2019 STI, refer to 2019 performance outcomes above and to the remuneration tables and data section.

iii) LTI structure

The LTI is designed to align the interests of shareholders and executives by motivating and rewarding executives to achieve and exceed 8 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 2019 to 2021 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. For the earnings-based hurdle, a minimum 8 per cent NPAT CAGR for the three-year performance period is required for any conversion of the performance rights to occur.

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 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 in May 2019, in proportion to their level of participation in the LTI, as determined by the Remuneration Committee and the Board. The number of performance rights issued to the KMP is disclosed below under KMP equity holdings. 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 shares after the three-year performance period in November 2021.
Allocation	The allocation of performance rights to senior executives, as set by the Remuneration Committee and the Board, for the 2019 to 2021 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.
Performance eligibility	> A minimum return on equity (ROE) of 16 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 shares is as follows: 50th percentile: Nil 50th-75th percentile: Pro-rata nil-100 per cent 75th percentile: 100 per cent vesting The TSR performance is measured on a cumulative basis over the three-year LTI plan. The TSR for the 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 performance period is the three-year Strategic Planning cycle from 2019 to 2021. The testing period is the 90 days to 31 October 2021. 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: 8 per cent CAGR: 40 per cent >8 per cent ≤ 11 per cent CAGR: Pro-rata 40 per cent-100 per cent >11 per cent CAGR: 100 per cent vesting The NPAT CAGR performance condition will be tested in November 2021, following the conclusion of 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 2019 to 2021.
Dividends	An LTI participant has no entitlement to dividends until the performance rights have been converted into shares.

Features	Description
Performance period	The performance period for the NPAT hurdle is a three-year period (from 2019 to 2021) with earnings growth being assessed on a cumulative basis with the minimum CAGR hurdle 8 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 the executive 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 2018 performance and outcomes for the 2016-2018 LTI plan. The performance in respect of the 2019-2021 LTI will only be recognised in November 2021 after the three-year performance period.

KMP	Plan	Performance condition	Performance outcomes	Number of deferred shares granted	% LTI tranche that vested	% LTI tranche that forfeited
Senior executives						
Mr Thomas Beregi	2016 - 2018 LTI	NPAT CAGR Relative TSR	19% CAGR[A] 93rd Percentile	148,342	100%	—
Mr Matthew Angell	2016 - 2018 LTI	NPAT CAGR Relative TSR	19% CAGR[A] 93rd Percentile	82,412	100%	—
Mr Michael Eadie	2016 - 2018 LTI	NPAT CAGR Relative TSR	19% CAGR[A] 93rd Percentile	39,316	100%	—

A. The three-year NPAT CAGR to 2018 was 19%.

LTI in respect of the 2019 financial year

	Performance rights converted during the 2019 financial year[A]		Performance rights converting in future years[B]				
Year accrued	2018	$	2019-2021	$	Current allocation (% of pool)[C]	Minimum value for future years $	Maximum value for future years $
Senior executives							
Mr Thomas Beregi	**148,342**	**1,002,646**	222,127	3,007,939	40.1%	—	3,007,939
Mr Matthew Angell	**82,412**	**557,023**	123,403	1,671,067	22.3%	—	1,671,067
Mr Michael Eadie	**39,316**	**265,749**	58,874	797,244	10.6%	—	797,244

A. The deferred vesting shares will vest to participants of the 2016-2018 LTI program in November of the subsequent financial years, subject to ongoing tenure as a company executive and continued performance.

B. Rights granted as part of the 2019-2021 LTI plan to be converted to ordinary shares in November 2021 based upon achievement of the earnings-based and / or relative TSR performance hurdles over a three-year performance period.

C. 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.

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:

	2019	2018	2017	2016	2015
Earnings					
Total revenue ($'000)	**324,254**	298,978	265,947	226,742	191,049
NPAT ($'000)	**70,285**	64,290	55,158	45,921	38,411
Change in NPAT (%)	**9%**	17%	20%	20%	10%
5-year NPAT CAGR (%)	**15%**				
Shareholder value					
Share price at the end of the year ($)	**26.52**	18.07	17.71	12.01	12.17
Change in share price ($)	**8.45**	0.36	5.70	(0.16)	3.47
Total dividends paid / declared per share (cents)	**72**	67	58	50	44
ROE (%)	**21%**	24%	24%	23%	23%

DIRECTOR REMUNERATION

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 $1.1 million was approved by the shareholders at the 2018 AGM.

Contract details

The remuneration structure is set out below:

	2019 $	2018 $
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 (2018: 9.5 per cent) statutory superannuation entitlement.

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	**2019**	**220,000**	**—**	**20,223**	**240,223**	**20,531**	**—**	**260,754**	**—**
Non-Executive Director Chairman of Board and member of Remuneration and Audit and Risk Committees	2018	220,000	—	17,857	237,857	20,900	—	258,757	—
Mr Eric Dodd	**2019**	**120,000**	**—**	**—**	**120,000**	**11,400**	**—**	**131,400**	**—**
Non-Executive Director Chairman of Remuneration Committee	2018	120,000	—	—	120,000	11,400	—	131,400	—
Ms Leslie Martin	**2019**	**110,000**	**—**	**—**	**110,000**	**10,450**	**—**	**120,450**	**—**
Non-Executive Director Member of Remuneration Committee	2018	110,000	—	—	110,000	10,450	—	120,450	—
Mr Robert Shaw	**2019**	**120,000**	**—**	**—**	**120,000**	**11,400**	**—**	**131,400**	**—**
Non-Executive Director Chairman of Audit and Risk Committee	2018	120,000	—	—	120,000	11,400	—	131,400	—
Mr Richard Thomas	**2019**	**110,000**	**—**	**—**	**110,000**	**10,450**	**—**	**120,450**	**—**
Non-Executive Director Member of Audit and Risk Committee	2018	110,000	—	—	110,000	10,450	—	120,450	—
Senior executives									
Mr Thomas Beregi	**2019**	**679,469**	**700,000**	**20,223**	**1,399,692**	**20,531**	**1,002,646**	**2,422,869**	**70**
Chief Executive Officer Company Secretary	2018	678,500	665,000	17,857	1,361,357	21,500	1,002,646	2,385,503	70
Mr Matthew Angell	**2019**	**379,469**	**400,000**	**20,223**	**799,692**	**20,531**	**557,022**	**1,377,245**	**69**
Chief Operating Officer	2018	375,000	380,000	17,857	772,857	25,000	557,023	1,354,880	69
Mr Michael Eadie	**2019**	**279,469**	**150,000**	**20,223**	**449,692**	**20,531**	**265,748**	**735,971**	**56**
Chief Financial Officer Company Secretary	2018	278,342	142,500	17,857	438,699	21,658	265,749	726,106	56
Total remuneration	**2019**	**2,018,407**	**1,250,000**	**80,892**	**3,349,299**	**125,824**	**1,825,416**	**5,300,539**	**58**
	2018	2,011,842	1,187,500	71,428	3,270,770	132,758	1,825,418	5,228,946	58

A. The STI has been included in the above table on an accrual basis and has been recorded at 100 per cent of the maximum potential payment. Individual performance reviews to be conducted after the finalisation of the 2019 audited consolidated financial statements will determine the final entitlement.

B. The LTI has been included in the above table on an accrual basis. It is payable in the form of performance rights, convertible into shares upon achievement of the earnings-based and / or relative TSR performance hurdles over a three-year performance period. The LTI is accrued as 1/3 of total performance rights to vest 100 per cent.

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

	Fixed remuneration		Remuneration linked to performance	
	2019	2018	2019	2018
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%**	31%	**69%**	69%
Mr Michael Eadie	**44%**	44%	**56%**	56%

KMP EQUITY HOLDINGS

Fully paid ordinary shares of Credit Corp Group Limited

The movements during 2019 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 2018	Shares vested during the year	Shares acquired during the year	Other changes during the year	Closing balance at 30 June 2019
	Number	Number	Number	Number	Number
Directors					
Mr Donald McLay	1,632,065	—	288	(323,083)	**1,309,270**
Mr Eric Dodd	5,000	—	—	—	**5,000**
Ms Leslie Martin	9,123	—	288	—	**9,411**
Mr Robert Shaw	4,245	—	288	—	**4,533**
Mr Richard Thomas	12,584	—	288	—	**12,872**
	1,663,017	**—**	**1,152**	**(323,083)**	**1,341,086**
Senior executives					
Mr Thomas Beregi	38,398	146,265	576	(146,265)	**38,974**
Mr Matthew Angell	—	81,258	288	(81,258)	**288**
Mr Michael Eadie	—	38,767	288	(38,767)	**288**
	38,398	**266,290**	**1,152**	**(266,290)**	**39,550**
Total	**1,701,415**	**266,290**	**2,304**	**(589,373)**	**1,380,636**

Rights holdings of KMP

The directors do not hold any rights in Credit Corp Group Limited. The following table shows details of rights holdings for the rest of the KMP:

	Opening balance at 1 July 2018	Granted as remuneration A	Converted to deferred ordinary shares B	Closing balance at 30 June 2019
	Rights number	Rights number	Rights number	Rights number
Senior executives				
Mr Thomas Beregi	148,342	222,127	(148,342)	222,127
Mr Matthew Angell	82,412	123,403	(82,412)	123,403
Mr Michael Eadie	39,316	58,874	(39,316)	58,874
Total	**270,070**	**404,404**	**(270,070)**	**404,404**

A. Rights granted as part of the 2019-2021 LTI plan to be converted to ordinary shares in November 2021 based upon achievement of the earnings-based and / or relative TSR performance hurdles over a three-year performance period.

B. Rights converted to deferred ordinary shares as part of the 2016-2018 LTI plan to be vested in November 2019.

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

Donald McLay
Chairman

Robert Shaw
Director

Date: 29 July 2019

HALL CHADWICK (NSW)

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

SYDNEY
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2 Park Street
Sydney NSW 2000
Australia
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AUDITOR'S INDEPENDENCE DECLARATION
UNDER SECTION 307C OF THE CORPORATIONS ACT 2001
TO THE DIRECTORS OF CREDIT CORP 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 Credit Corp Group Limited. As the lead audit partner for the audit of the financial report of Credit Corp Limited for the year ended 30 June 2019, I declare that, to the best of my knowledge and belief, there have been no contraventions of:

(i) the auditor independence requirements 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: 29 July 2019

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Consolidated statement of profit or loss and other comprehensive income

For the year ended 30 June 2019

	Note	2019 $'000	2018 $'000
Revenue	4	**324,254**	298,978
Finance costs		**(12,625)**	(9,348)
Employee benefits expense		**(115,379)**	(111,887)
Depreciation and amortisation expense		**(2,352)**	(2,108)
Office facility expenses		**(16,877)**	(15,943)
Collection expenses		**(20,771)**	(19,344)
Consumer loans loss provision expense		**(37,862)**	(31,947)
Marketing expenses		**(12,562)**	(11,236)
Other expenses		**(5,284)**	(5,155)
Profit before income tax expense		**100,542**	92,010
Income tax expense	5	**(30,257)**	(27,720)
Profit for the year		**70,285**	64,290
Other comprehensive income for the year, net of income tax		**—**	—
Total comprehensive income for the year		**70,285**	64,290
Earnings per share for profit attributable to owners of the Company			
Basic earnings per share (cents per share)	6	**141.9**	135.1
Diluted earnings per share (cents per share)	6	**141.2**	133.7

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

Consolidated statement of financial position

As at 30 June 2019

	Note	2019 $'000	2018 $'000
Current assets			
Cash and cash equivalents	8	**22,709**	16,016
Trade and other receivables	9	**2,713**	3,246
Consumer loans receivables	10	**115,945**	98,449
Purchased debt ledgers	11	**159,738**	160,688
Other assets	12	**3,270**	2,797
Total current assets		**304,375**	281,196
Non-current assets			
Consumer loans receivables	10	**56,450**	50,408
Purchased debt ledgers	11	**254,384**	203,386
Property, plant and equipment	13	**4,101**	4,559
Deferred tax assets	5	**29,361**	26,372
Intangible assets	14	**800**	800
Total non-current assets		**345,096**	285,525
Total assets		**649,471**	566,721
Current liabilities			
Trade and other payables	15	**28,559**	37,159
Provisions	16	**12,014**	11,700
Total current liabilities		**40,573**	48,859
Non-current liabilities			
Borrowings	17	**142,702**	227,888
Provisions	16	**2,594**	3,471
Total non-current liabilities		**145,296**	231,359
Total liabilities		**185,869**	280,218
Net assets		**463,602**	286,503
Equity			
Issued capital	19	**193,700**	55,561
Reserves	20	**13,340**	10,191
Retained earnings		**256,562**	220,751
Total equity		**463,602**	286,503

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

Consolidated statement of changes in equity

As at 30 June 2019

	Note	Issued capital $'000	Reserves $'000	Retained earnings $'000	Total equity $'000
Balance at 1 July 2018		**55,561**	**10,191**	**220,751**	**286,503**
Total comprehensive income for the year					
Profit for the year		**—**	**—**	**70,285**	**70,285**
Transactions with owners in their capacity as owners					
Shares issued net of transaction costs and tax	19	**138,139**	**—**	**—**	**138,139**
Performance rights issued net of transaction costs and tax	20	**—**	**3,141**	**—**	**3,141**
Dividends paid or provided for	7	**—**	**—**	**(34,474)**	**(34,474)**
Foreign currency translation reserve	20	**—**	**8**	**—**	**8**
Transactions with owners in their capacity as owners		**138,139**	**3,149**	**(34,474)**	**106,814**
Balance at 30 June 2019		**193,700**	**13,340**	**256,562**	**463,602**
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	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

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

Consolidated statement of cash flows

As at 30 June 2019

	Note	2019 $'000	2018 $'000
Cash flows from operating activities			
Receipts from customers and debtors		**510,325**	473,951
Payments to suppliers and employees		**(167,686)**	(160,006)
Interest received on bank deposits		**710**	138
Interest paid		**(12,625)**	(9,348)
Income tax paid		**(41,014)**	(32,338)
Cash flows from operating activities before changes in operating assets		**289,710**	272,397
Changes in operating assets arising from cash flow movements			
Net funding of consumer loans		**(64,055)**	(52,405)
Acquisition of purchased debt ledgers		**(228,738)**	(196,058)
Changes in operating assets arising from cash flow movements		**(292,793)**	(248,463)
Net cash (outflow) / inflow from operating activities	18	**(3,083)**	23,934
Cash flows from investing activities			
Acquisition of plant and equipment		**(1,894)**	(1,481)
Net cash outflow from investing activities		**(1,894)**	(1,481)
Cash flows from financing activities			
Proceeds from issue of share capital		**137,342**	—
Proceeds from borrowings		**138,130**	166,319
Repayment of borrowings		**(229,328)**	(149,288)
Dividends paid		**(34,474)**	(29,574)
Net cash inflow / (outflow) from financing activities		**11,670**	(12,543)
Net increase in cash and cash equivalents		**6,693**	9,910
Cash and cash equivalents at 1 July		**16,016**	6,106
Cash and cash equivalents at 30 June	8	**22,709**	16,016

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 2019 were authorised for issue in accordance with a resolution of the directors on 29 July 2019.

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* and 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) Accrual basis

Except for cash flow information, the consolidated financial statements have been prepared on an accrual basis and are based on historical costs, modified, where applicable, by the measurements at fair value of selected non-current assets, financial assets and financial liabilities.

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	38
Impairment of financial assets	9, 10 & 11	36, 37 & 38
Provisions	9, 10 & 16	36, 37 & 40
Share based payments	30	48
Goodwill and impairment	14	40

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.

Principles of consolidation

These consolidated financial statements incorporate the assets, liabilities and results of all subsidiaries at 30 June 2019. 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.

Functional currency

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

Note 2: Basis of preparation (continued)

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.

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 and amended standards adopted by the Group

The Group has considered the implications of new or amended Accounting Standards which have become applicable for the current financial reporting period as set out below:

AASB 15 *Revenue from Contracts with Customers*

The Group has adopted AASB 15 *Revenue from Contracts with Customers* with an initial application date of 1 July 2018. The Group has applied AASB 15 retrospectively with the cumulative effect of initially applying the standard recognised in opening retained earnings. The cumulative effect of initially applying the Standard was nil, so no adjustments were required to net profit or opening retained earnings on transition as the timing of revenue recognition has not changed for the Group's contracts that were in progress at 1 July 2018.

Below is a summary of the revenue from contracts and the Group's accounting policy on recognition as a result of adopting AASB 15.

Revenue from contracts	Nature of performance obligations	Revenue recognition under AASB 15	Impact of AASB 15
Commission revenue from contingency business	The Group receives commissions for the provision of debt collection services, which include: > Percentage based on the value of collections; > Fees for collections activities; and > Fees for other collection-related services.	Income is recognised at a point in time when the service has been performed and the Group has a right to invoice.	No impact on the Group's accounting policies.

AASB 9 *Financial Instruments*

The Group early adopted AASB 9 *Financial Instruments* in June 2010 as well as any subsequent revisions to this standard since that date, so no transitional adjustments are required.

G) Impact of standards issued but not yet applied by the Group

The AASB has issued a number of new and amended Accounting Standards that have mandatory application dates for future reporting periods, some of which are relevant to the Group. The directors have decided not to early-adopt any of the new and amended pronouncements. The following sets out their assessment of the pronouncements that are relevant to the Group but applicable in future reporting periods.

AASB 16 *Leases*

> AASB 16 *Leases* is applicable to annual reporting periods beginning on or after 1 January 2019.

> The Group has chosen not to early-adopt AASB 16. However, the Group has conducted a preliminary assessment of the impact of this new Standard, as follows.

  – A core change resulting from applying AASB 16 is that most leases will be recognised on the balance sheet by lessees as the Standard no longer differentiates between operating and finance leases. An asset and a financial liability are recognised in accordance with this new Standard. There are, however, two exceptions allowed: short-term and low-value leases.

Basis of preparation

The accounting for the Group's operating leases will be primarily affected by this new Standard.

AASB 16 will be applied by the Group from its mandatory adoption date of 1 July 2019. The comparative amounts for the year prior to first adoption will not be restated, as the Group has chosen to apply AASB 16 retrospectively with cumulative effect.

The Group's non-cancellable operating lease commitments amount to $12,957,557 as at the reporting date.

The Group has performed a preliminary impact assessment and has estimated that on 1 July 2019, the Group expects to recognise the right-of-use assets and lease liabilities of approximately $10 million (after adjusting for prepayments and accrued lease payments recognised as at 30 June 2019).

Following the adoption of this new Standard, the impact on the Group's net profit after tax is expected to be immaterial.

The repayment of the principal portion of the lease liabilities will be classified as cash flows from financing activities, thus increasing operating cash flows and decreasing financing cash flows.

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 / or 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 and New Zealand), debt ledger purchasing (United States) and consumer lending (Australia and New Zealand). 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:

Debt ledger purchasing – Australia and New Zealand

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

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.

Consumer lending – Australia and New Zealand

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 and New Zealand $'000	Debt ledger purchasing – United States $'000	Consumer lending – Australia and New Zealand $'000	Total for continuing operations $'000
Year ended 30 June 2019				
Segment revenue				
External revenue	**189,501**	**40,801**	**93,952**	**324,254**
Segment result				
Segment profit	**78,875**	**7,803**	**28,841**	**115,519**
Finance costs				**(12,625)**
Depreciation and amortisation expense				**(2,352)**
Profit before income tax expense				**100,542**
Income tax expense				**(30,257)**
Profit after income tax expense				**70,285**
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

B) Geographical information

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

Note 4: Revenue

The Group recognises revenue in accordance with AASB 9 from the following major sources:

Interest revenue from PDLs

Revenue from PDLs represents the component designated as interest income through the application of the credit-adjusted effective interest rate to the amortised cost of the PDLs. Interest revenue also includes realisations derived from fully amortised PDLs.

Interest and fee income from consumer lending

Interest and fee income is recognised when payments are received.

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

	2019 $'000	2018 $'000
Interest revenue from PDLs	**220,005**	207,572
Interest and fee income from consumer lending	**93,839**	79,259
Other interest received	**710**	138
Other income	**9,700**	12,009
Total	**324,254**	298,978

Revenue from contracts

Other income mainly consists of revenue from contracts from the contingency business in Australia. The contingency business provides contingent collection services to clients. Revenue is measured based on the consideration to which the Group expects to be entitled in a contract with a customer and excludes amounts collected on behalf of third parties.

Revenue is recognised at a point in time when the service has been performed and the Group has a right to invoice.

Refer to Note 3 for disaggregation of revenue.

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:

	2019 $'000	2018 $'000
A) Income tax expense		
Current tax	**(33,221)**	(30,033)
Deferred tax	**2,989**	2,017
(Underprovision) / Overprovision in respect of prior years	**(25)**	296
Total	**(30,257)**	(27,720)
B) Reconciliation between tax expense and pre-tax accounting profit		
Profit for the year	**100,542**	92,010
Prima facie tax payable on profit from ordinary activities before income tax at 30% (2018: 30%)	**(30,163)**	(27,603)
Tax effect of amounts that are not deductible (taxable) in calculating taxable income:		
Other non-deductible items	**(69)**	(413)
	(30,232)	(28,016)
(Underprovision) / Overprovision in respect of prior years	**(25)**	296
Income tax expense	**(30,257)**	(27,720)
Applicable weighted average effective tax rates (%)	**30%**	30%
C) Tax assets and liabilities		
Non-current tax assets		
Deferred tax assets	**29,361**	26,372

	Assets		Liabilities		Net	
	2019 $'000	2018 $'000	2019 $'000	2018 $'000	2019 $'000	2018 $'000
Deferred tax assets and liabilities are attributable to:						
Provision for employee benefits	**3,559**	3,527	**—**	—	**3,559**	3,527
Provision for leases	**824**	1,024	**—**	—	**824**	1,024
Provision for impairment of trade receivables	**17**	5	**—**	—	**17**	5
Provision for expected credit losses	**11,892**	10,272	**—**	—	**11,892**	10,272
Accruals on wages and bonuses	**48**	132	**—**	—	**48**	132
Accruals on employee share plan	**540**	750	**—**	—	**540**	750
Difference between accounting and tax depreciation	**452**	508	**—**	—	**452**	508
Other accruals not tax deductible until expense incurred	**12,029**	10,154	**—**	—	**12,029**	10,154
Net tax assets	**29,361**	26,372	**—**	—	**29,361**	26,372

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 2019				
Provision for employee benefits	**3,527**	**32**	**—**	**3,559**
Provision for leases	**1,024**	**(200)**	**—**	**824**
Provision for impairment of trade receivables	**5**	**12**	**—**	**17**
Provision for expected credit losses	**10,272**	**1,620**	**—**	**11,892**
Accruals on wages and bonuses	**132**	**(84)**	**—**	**48**
Accruals on employee share plan	**750**	**(210)**	**—**	**540**
Difference between accounting and tax depreciation	**508**	**(56)**	**—**	**452**
Other accruals not tax deductible until expense incurred	**10,154**	**1,875**	**—**	**12,029**
Total	**26,372**	**2,989**	**—**	**29,361**
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

Note 6: Earnings per share

	2019	2018
Basic earnings per share (cents)	**141.9**	135.1
Diluted earnings per share (cents)	**141.2**	133.7
Weighted average number of ordinary shares – basic ('000)	**49,525**	47,584
Add: Adjustment for calculation of diluted earnings per share (performance rights) ('000)	**236**	504
Weighted average number of ordinary shares at 30 June – diluted ('000)	**49,761**	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 granted 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.

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 2019				
Interim 2019 ordinary	**36.0**	**17,302**	**Franked**	**15 Mar 2019**
Final 2018 ordinary	**36.0**	**17,172**	**Franked**	**12 Oct 2018**
Total		**34,474**		
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		

After 30 June 2019 the following dividends were proposed by the directors. The dividends have not been provided for and there are no income tax consequences.

	Cents per share	Total $'000	Franked / unfranked	Date of payment
Final 2019 ordinary	36.0	19,757	Franked	30 Aug 2019

	2019 $'000	2018 $'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	**142,646**	122,335
Subsequent to year-end, the franking account would be reduced by the proposed dividend	**(8,467)**	(7,359)
Total	**134,179**	114,976

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.

	2019 $'000	2018 $'000
Cash and cash equivalents	**22,709**	16,016

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 recognised initially at the amount of consideration that is unconditional unless they contain significant financing components, when they are recognised at fair value. The Group holds the trade receivables with the objective to collect the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method, less any provision for doubtful debts and impairment.

Due to the short-term nature of the current receivables, their carrying amount is considered to be the same as their fair value.

	2019 $'000	2018 $'000
Current		
Trade receivables	**1,055**	800
Less: Provision for impairment	**(57)**	(17)
	998	783
Other receivables	**1,767**	2,482
Less: Provision for impairment	**(52)**	(19)
	1,715	2,463
Total	**2,713**	3,246

Note 9: Trade and other receivables (continued)

The Group applies the AASB 9 simplified approach to measuring expected credit losses, which permits the use of the lifetime expected loss provision for all trade receivables.

The expected credit losses on trade receivables are estimated using a provision matrix by reference to past default experience, adjusted for macroeconomic factors affecting the ability of customers to settle the receivables and an assessment of both the current as well as the forecast direction of conditions at the reporting date. The Group has recognised a loss allowance of 100 per cent against receivables over 120 days past due excluding lease bonds and deposits, because historical experience has indicated that these receivables are generally not recoverable.

There has been no change in the estimation techniques or significant assumptions made during the current reporting period.

The following table details the loss allowance as at 30 June 2019 and 30 June 2018. As the Group's historical credit loss experience does not show significantly different loss patterns for different customer segments, the provision for loss allowance based on past due status is not further distinguished between the Group's different customer bases.

Note 21 provides details about the Group's exposure to credit risk.

	Current $'000	> 30 days past due $'000	> 60 days past due $'000	> 120 days past due $'000	Total $'000
Year ended 30 June 2019					
Expected loss rate	**0%**	**0%**	**0%**	**100%**	
Gross carrying amount[A]	**902**	**776**	**499**	**109**	**2,286**
Provision for impairment	**—**	**—**	**—**	**(109)**	**(109)**
Net carrying amount	**902**	**776**	**499**	**—**	**2,177**
Year ended 30 June 2018					
Expected loss rate	0%	0%	0%	100%	
Gross carrying amount[A]	1,248	932	676	36	2,892
Provision for impairment	—	—	—	(36)	(36)
Net carrying amount	1,248	932	676	—	2,856

A. Gross carrying amount excludes lease bonds and deposits in other receivables, which are most likely to be recoverable at the end of the lease.

The following table shows the movement in lifetime expected credit loss that has been recognised for trade and other receivables in accordance with the simplified approach set out in AASB 9:

	2019 $'000	2018 $'000
Lifetime expected credit loss		
Opening balance	**(36)**	(105)
Increase in loss allowance recognised in profit or loss during the year	**(73)**	69
Closing balance	**(109)**	(36)

No trade receivables are recognised at balance date that are past due and deemed impaired. The Group has provided a loss allowance of $0.057 million at reporting date (2018: $0.017 million).

Note 10: Consumer loans receivables

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.

The estimation techniques used in this period are unchanged.

Note 21 provides more details in relation to carrying amounts and the Group's exposure to credit risk.

Note 10: Consumer loans receivables (continued)

	2019 $'000	2018 $'000
Current		
Consumer loans receivables	**141,687**	121,304
Less: Provision for expected credit losses	**(25,742)**	(22,855)
	115,945	98,449
Non-current		
Consumer loans receivables	**70,349**	61,792
Less: Provision for expected credit losses	**(13,899)**	(11,384)
	56,450	50,408
Total	**172,395**	148,857

Provision for expected credit losses

Movement in the provision for expected credit losses		
Opening balance	**(34,239)**	(29,637)
Net movement for the year	**(5,402)**	(4,602)
Closing balance	**(39,641)**	(34,239)

Note 11: Purchased debt ledgers (PDLs)

PDLs are considered purchased or originated credit-impaired assets (POCIs) under AASB 9 *Financial Instruments*. For POCIs, the fair value at initial recognition already takes into account lifetime expected credit losses and represents the consideration paid. PDLs are subsequently measured at amortised cost by applying the credit-adjusted effective interest rate, in accordance with AASB 9 *Financial Instruments*. This occurs at the level of individual tranches of PDLs by using a six-year forecast of expected credit losses which implies a level of consequent realisations or forecast cash flows. This credit-adjusted effective interest rate is derived in the period of acquisition of the tranche of PDLs and equates to the Internal Rate of Return (IRR) of the forecast cash flows without any consideration of collection costs.

This credit-adjusted effective interest rate is used over the collection life cycle to apportion cash collections between the principal and interest components. Changes in expected credit losses and the implied realisations or forecast cash flows are determined at the level of each tranche of PDLs which are then aggregated to generate either an impairment loss or gain. On the basis such an impairment gain is immaterial to total PDL interest revenue and doesn't represent a reversal of an impairment loss previously taken-up, it is treated as an adjustment to interest revenue from PDLs.

The fair value of the PDLs is materially the same as the carrying value measured under amortised cost using the credit-adjusted effective interest rate as the risk-adjusted discount rate used in applying fair value would be similar to the credit-adjusted effective interest rate used in amortised cost measurement.

Note 21 provides details about the Group's exposure to credit risk.

	2019 $'000	2018 $'000
Current	**159,738**	160,688
Non-current	**254,384**	203,386
Total	**414,122**	364,074

Note 12: Other assets

	2019 $'000	2018 $'000
Prepayments	**2,514**	2,114
Inventory	**756**	683
Total	**3,270**	2,797

Note 13: Property, plant and equipment

Property, plant and equipment are measured at historical cost less accumulated depreciation and accumulated impairment losses. In the event the carrying amount is greater than the estimated recoverable amount, the carrying amount is written down immediately to the estimated recoverable amount and impairment losses are recognised. A formal assessment of the recoverable amount is made when impairment indicators are present. 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.

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 2019				
Opening balance	**5,910**	**1,187**	**6,089**	**13,186**
Additions	**965**	**2**	**927**	**1,894**
Closing balance	**6,875**	**1,189**	**7,016**	**15,080**
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
B) Accumulated depreciation or amortisation				
Year ended 30 June 2019				
Opening balance	**(4,534)**	**(872)**	**(3,221)**	**(8,627)**
Depreciation / amortisation for the year	**(908)**	**(95)**	**(1,349)**	**(2,352)**
Closing balance	**(5,442)**	**(967)**	**(4,570)**	**(10,979)**
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)
C) Carrying amounts				
At 1 July 2018	**1,376**	**315**	**2,868**	**4,559**
At 30 June 2019	**1,433**	**222**	**2,446**	**4,101**
At 1 July 2017	1,415	350	3,421	5,186
At 30 June 2018	1,376	315	2,868	4,559

Note 14: Intangible assets

Intangible assets recognised by the Group consist of goodwill arising from the historical acquisition of a 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.

	2019 $'000	2018 $'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.

For the 2019 and 2018 reporting periods, the recoverable amount of the contingent collections operating unit was determined based on value-in-use calculations, which require the use of assumptions. The calculations use cash flow projections based on financial budgets approved by management covering a three-year period. Revenue projections beyond the three-year period have been kept stagnant, while expense projections have been extrapolated using an estimated growth rate of 2 per cent per annum. The cash flows are discounted using a pre-tax discount rate of 10 per cent per annum, reflecting a market estimate of the weighted average cost of capital adjusted to incorporate risks associated with the contingent collections operating unit. No impairment was recognised for the contingent collections operating unit during the year ended 30 June 2019 (2018: nil).

Note 15: Trade and other payables

	2019 $'000	2018 $'000
Current		
Unsecured liabilities		
Trade payables	**2,479**	1,471
Current tax liabilities	**13,711**	23,617
Other payables and accruals	**12,369**	12,071
Total	**28,559**	37,159

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.

Note 16: Provisions (continued)

Leases

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.

	2019 $'000	2018 $'000
Current		
Employee benefits	**10,550**	10,450
Lease provisions	**1,464**	1,250
	12,014	11,700
Non-current		
Employee benefits	**1,312**	1,308
Lease provisions	**1,282**	2,163
	2,594	3,471
Total	**14,608**	15,171

	Employee benefits $'000	Lease provisions $'000	Other provisions $'000	Total $'000
Year ended 30 June 2019				
Opening balance	**11,758**	**3,413**	**—**	**15,171**
Additional provisions	**4,771**	**115**	**—**	**4,886**
Amounts used	**(4,667)**	**(782)**	**—**	**(5,449)**
Closing balance	**11,862**	**2,746**	**—**	**14,608**
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

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.

	2019		2018	
	Facility limit $'000	Carrying amount $'000	Facility limit $'000	Carrying amount $'000
Bank loan facilities	**350,000**	**142,702**	300,000	227,888
Total	**350,000**	**142,702**	300,000	227,888

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 $250 million and expires in March 2022 and March 2023. The securitised consumer loan warehouse facility has a limit of $100 million and expires in October 2022 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 $220.4 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 50 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.

Notes to the consolidated financial statements

Note 18: Cash flow information

	2019 $'000	2018 $'000
A) Reconciliation of cash flow from operations with profit after income tax		
Cash flows from operating activities		
Profit for the year	**70,285**	64,290
Non-cash items in profit and loss		
> Foreign currency revaluation	**(15)**	114
> Depreciation and amortisation	**2,352**	2,108
> Share based payments	**3,141**	4,038
(Increase) / decrease in assets		
> Purchased debt ledgers	**(43,495)**	(24,582)
> Consumer loans receivables	**(23,497)**	(18,018)
> Trade and other receivables	**533**	(720)
> Other assets	**(473)**	496
> Deferred tax assets	**(2,192)**	(2,017)
Increase / (decrease) in liabilities		
> Trade and other payables	**(9,159)**	(1,702)
> Provisions	**(563)**	(73)
Net cash (outflow) / inflow from operating activities	**(3,083)**	23,934

B) Non-cash investing and financing activities

The Group did not make a dividend reinvestment plan (DRP) offer in the current year (2018: nil) and therefore no dividends have been reinvested by shareholders and not paid out in cash.

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.

	2019 $'000	2018 $'000
Issued capital		
Opening balance	**55,561**	55,561
Shares issued during the year	**138,139**	—
Total	**193,700**	55,561

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	2019 '000	2018 '000
Fully paid ordinary shares			
On issue at 1 July		**47,709**	47,353
Shares issued during the year:			
> LTI	30	**361**	356
> Institutional Placement		**6,113**	—
> Share Purchase Plan		**735**	—
On issue at 30 June		**54,918**	47,709

In the current year, in line with the Group's LTI Plan 2016-2018, the 2018 portion of the performance rights issued converted to 360,852 deferred vesting shares in November 2018. Refer to Note 30 for further details on the LTI and the employee share scheme.

In April 2019, the Group issued 6,113,470 ordinary shares through the Institutional Placement and in May 2019, the Group issued 735,801 ordinary shares through the Share Purchase Plan.

Note 20: Reserves

	2019 $'000	2018 $'000
Share based payment reserve	**13,332**	10,191
Foreign currency translation reserve	**8**	—
Total	**13,340**	10,191

Share based payment reserve
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.

Foreign currency translation reserve
The foreign currency translation reserve records exchange differences arising on translation of a foreign controlled subsidiary.

Note 21: Financial risk management

The Group's financial assets and liabilities consist mainly of PDLs, consumer loans receivables, 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	2019 $'000	2018 $'000
Financial assets			
Cash and cash equivalents	8	**22,709**	16,016
Trade and other receivables	9	**2,713**	3,246
Consumer loans receivables	10	**172,395**	148,857
Purchased debt ledgers	11	**414,122**	364,074
Total		**611,939**	532,193
Financial liabilities			
Trade and other payables	15	**28,559**	37,159
Borrowings	17	**142,702**	227,888
Total		**171,261**	265,047

A) Market risk management

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.

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

Note 21: Financial risk management (continued)

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	2019 $'000	2018 $'000	2019 $'000	2018 $'000	2019 $'000	2018 $'000	2019 $'000	2018 $'000
Financial assets									
Cash and cash equivalents	8	**—**	—	**22,709**	16,016	**—**	—	**22,709**	16,016
Trade and other receivables	9	**—**	—	**—**	—	**2,713**	3,246	**2,713**	3,246
Consumer loans receivables	10	**172,395**	148,857	**—**	—	**—**	—	**172,395**	148,857
Purchased debt ledgers	11	**414,122**	364,074	**—**	—	**—**	—	**414,122**	364,074
Total		**586,517**	512,931	**22,709**	16,016	**2,713**	3,246	**611,939**	532,193
Financial liabilities									
Trade and other payables	15	**—**	—	**—**	—	**28,559**	37,159	**28,559**	37,159
Borrowings	17	**—**	—	**142,702**	227,888	**—**	—	**142,702**	227,888
Total		**—**	—	**142,702**	227,888	**28,559**	37,159	**171,261**	265,047

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.

	2019 $'000	2018 $'000
Change in net profit after tax		
Increase in interest rates by two percentage points	**(1,998)**	(3,190)
Decrease in interest rates by two percentage points	**1,998**	3,190
Change in equity		
Increase in interest rates by two percentage points	**(1,998)**	(3,190)
Decrease in interest rates by two percentage points	**1,998**	3,190

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.

The following table reflects 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	2019 $'000	2018 $'000	2019 $'000	2018 $'000	2019 $'000	2018 $'000	2019 $'000	2018 $'000
Non-derivative financial liabilities									
Trade and other payables	15	**28,559**	37,159	**—**	—	**—**	—	**28,559**	37,159
Borrowings	17	**—**	—	**—**	—	**142,702**	227,888	**142,702**	227,888
Total		**28,559**	37,159	**—**	—	**142,702**	227,888	**171,261**	265,047

Note 21: Financial risk management (continued)

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 carrying amount 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	2019 $'000	2018 $'000
Cash and cash equivalents	8	**22,709**	16,016
Trade and other receivables	9	**2,713**	3,246
Consumer loans receivables	10	**172,395**	148,857
Purchased debt ledgers	11	**414,122**	364,074
Total		**611,939**	532,193
AA-rated counterparties		**22,709**	16,016
Counterparties not rated		**589,230**	516,177
Total		**611,939**	532,193

The Group's maximum exposure to credit risk on the above financial assets at balance date by type of counterparty was:

	2019 $'000	2018 $'000
Government	**78**	61
Banks	**23,379**	16,568
Other	**588,482**	515,564
Total	**611,939**	532,193

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 2018:

- 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.

The composition of the capital of the Group and the gearing ratios for the years ended 30 June 2019 and 30 June 2018 are as follows:

	Note	2019 $'000	2018 $'000
Borrowings	17	**142,702**	227,888
Less: Cash and cash equivalents	8	**(22,709)**	(16,016)
Net debt		**119,993**	211,872
Total consumer loans receivables and PDLs		**586,517**	512,931
Gearing ratio (%)		**20%**	41%

Note 23: Subsidiaries

Interests in subsidiaries are:

	Country of incorporation	Percentage owned 2019	Percentage owned 2018
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 US Holdings Inc.	United States	**100**	100
Credit Corp Western Australia Pty Limited	Australia	**100**	100
Credit Plan B Pty Limited	Australia	**100**	100
Customer Assist Pty Limited	Australia	**100**	100
Dayroma Pty Limited	Australia	**100**	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	Australia	**100**	100
TFS Newco Pty Ltd	Australia	**100**	100
Torbige Pty Limited	Australia	**100**	100
Tulovo Pty Limited	Australia	**100**	100
Valute Pty Limited	Australia	**100**	100
Vindelo Pty Limited	Australia	**100**	100
Votraint No. 1537 Pty Ltd	Australia	**100**	100

Note 24: Contingent liabilities

The Group had contingent liabilities in respect of:

	2019 $'000	2018 $'000
US collections agency licensure bonds	**1,949**	1,828

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:

	2019 $'000	2018 $'000
Payable		
Within one year	**5,431**	5,107
Between one and five years	**7,527**	8,908
Later than five years	**—**	257
Total	**12,958**	14,272

Note 26: Capital commitments

	2019 $'000	2018 $'000
Within one year	**51,000**	63,000

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 $51 million (2018: $63 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 2019 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 (KMP) compensation

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

	2019 $	2018 $
Short-term employee benefits	**3,349,299**	3,270,770
Post-employment benefits	**125,824**	132,758
Equity-settled share based payments	**1,825,416**	1,825,418
Total	**5,300,539**	5,228,946

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 has in place an LTI plan for executives and senior employees for the 2019 to 2021 financial years. In accordance with the plan, 553,852 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 3 years.

Performance rights are eligible for conversion and vesting based on achievement of performance hurdles. Performance hurdles are assessed over the three-year period. Performance rights are allocated and converted into shares in November 2021 following an assessment of the three-year performance. Please refer to the remuneration report for further details on the Group's LTI plan.

Deferred vesting shares issued during the financial year:

	2019 Number	2018 Number
Equity-settled share based payments subject to deferred vesting issued under the LTI plan	**360,852**	355,520

	2019 $'000	2018 $'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

	2019 $	2018 $
Audit services		
Audit and review of financial reports	**234,402**	213,000
Services other than statutory audit		
Taxation compliance services	**24,993**	7,200
Other services	**14,381**	6,000
Total	**273,776**	226,200

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.

	2019 $'000	2018 $'000
A) Statement of profit or loss		
Revenue	**283,101**	273,294
Finance costs	**(12,625)**	(9,348)
Employee benefits expense	**(93,401)**	(95,020)
Depreciation and amortisation expenses	**(2,045)**	(2,066)
Office facility expenses	**(14,660)**	(13,886)
Collection expenses	**(8,666)**	(11,528)
Consumer loans loss provision expense	**(37,346)**	(31,697)
Marketing expenses	**(12,225)**	(11,236)
Other expenses	**(9,220)**	(7,324)
Profit before income tax expense	**92,913**	91,189
Income tax expense	**(27,774)**	(27,357)
Profit for the year	**65,139**	63,832
B) Other comprehensive income		
Profit for the year	**65,139**	63,832
Other comprehensive income net of income tax	—	—
Total comprehensive income for the year	**65,139**	63,832
C) Movements in retained earnings		
Opening balance	**185,143**	150,885
Dividends recognised during the year	**(34,474)**	(29,574)
Net profit attributable to parties in the Deed of Cross Guarantee	**65,139**	63,832
Closing balance	**215,808**	185,143
D) Statement of financial position		
Current assets		
Cash and cash equivalents	**19,374**	13,862
Trade and other receivables	**113,489**	66,405
Consumer loans	**114,270**	97,704
Purchased debt ledgers	**119,257**	158,168
Other assets	**2,799**	2,510
Total current assets	**369,189**	338,649
Non-current assets		
Consumer loans	**56,269**	50,408
Purchased debt ledgers	**155,676**	110,619
Property, plant and equipment	**3,096**	3,825
Deferred tax assets	**17,870**	26,372
Intangible assets	**800**	800
Total non-current assets	**233,711**	192,024
Total assets	**602,900**	530,673
Current liabilities		
Trade and other payables	**23,076**	36,859
Provisions	**11,724**	11,560
Total current liabilities	**34,800**	48,419

Note 32: Cross guarantee (continued)

	2019 $'000	2018 $'000
Non-current liabilities		
Borrowings	**142,702**	227,888
Provisions	**2,550**	3,471
Total non-current liabilities	**145,252**	231,359
Total liabilities	**180,052**	279,778
Net assets	**422,848**	250,895
Equity		
Issued capital	**193,700**	55,561
Reserves	**13,340**	10,191
Retained earnings	**215,808**	185,143
Total equity	**422,848**	250,895

Note 33: Parent entity information

	2019 $'000	2018 $'000
A) Statement of comprehensive income		
Profit for the year	**55,067**	52,969
Other comprehensive income net of income tax	**—**	—
Total comprehensive income for the year	**55,067**	52,969
B) Statement of financial position		
Assets		
Current assets	**366,765**	339,093
Non-current assets	**176,597**	143,504
Total assets	**543,362**	482,597
Liabilities		
Current liabilities	**31,551**	46,442
Non-current liabilities	**145,082**	231,307
Total liabilities	**176,633**	277,749
Net assets	**366,729**	204,848
Equity		
Issued capital	**193,700**	55,561
Reserves	**13,340**	10,191
Retained earnings	**159,689**	139,096
Total equity	**366,729**	204,848

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 (2018: 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 2019 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 Class 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

29 July 2019

HALL CHADWICK (NSW)

SYDNEY
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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

We have audited the financial report of Credit Corp Group Limited and Controlled Entities (the Group), which comprises the consolidated statement of financial position as at 30 June 2019, 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 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 2019 and of its financial performance for the year then ended; and
ii. complying with Australian Accounting Standards and the *Corporations Regulations* 2001

Basis of Opinion

We conducted our audit in accordance with Australian Auditing Standards. Those Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement. Our responsibilities under those Standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110: *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of the 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 2019. 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.

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 ($414.1 Million)
Refer to Note 11 Purchased Debt Ledgers

The carrying value of purchased debt ledgers is mainly dependent on the forecasted 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 ($39.6 Million)
Refer to Note 10 Consumer Loans Receivables

The net carrying value of consumer loans receivables 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 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 forward looking assumptions including deteriorations in credit risk and future 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 and compared to historical actuals and challenged management's view of credit risk that impacts the recognition of expected losses upon initial recognition 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 Consolidated Entity's annual report for the year ended 30 June 2019, 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.

Responsibilities of the Directors 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 control 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 Consolidated Entity'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 Consolidated Entity 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 control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

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.

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

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 2019.

In our opinion the remuneration report of Credit Corp Group Limited for the year ended 30 June 2019 complies with s 300A of the *Corporations Act 2001*.

Responsibilities

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

Hall Chadwick
Level 40, 2 Park Street
Sydney NSW 2000

S Kumar

SANDEEP KUMAR
Partner
Dated: 29 July 2019

Five-year financial summary

	2019 $'000	2018 $'000	2017 $'000	2016 $'000	2015 $'000
Income and expenditure					
Purchased debt ledger collections	**403,794**	380,901	355,674	321,989	288,186
Less: Purchased debt ledger amortisation	**(183,789)**	(173,329)	(166,100)	(150,887)	(135,721)
Interest revenue from purchased debt ledgers	**220,005**	207,572	189,574	171,102	152,465
Interest and fee income from consumer lending	**93,839**	79,259	66,374	53,418	35,862
Other revenue	**10,410**	12,147	9,999	2,222	2,722
Total revenue	**324,254**	298,978	265,947	226,742	191,049
NPAT	**70,285**	64,290	55,158	45,921	38,411
Financial position					
Current assets	**304,375**	281,196	216,855	194,180	114,332
Non-current assets	**344,296**	284,725	293,812	201,133	158,867
Intangible assets	**800**	800	800	800	800
Total assets	**649,471**	566,721	511,467	396,113	273,999
Current liabilities	**40,573**	48,859	49,851	34,961	23,500
Non-current liabilities	**145,296**	231,359	213,867	147,054	70,389
Total liabilities	**185,869**	280,218	263,718	182,015	93,889
Net assets	**463,602**	286,503	247,749	214,098	180,110
Borrowings	**142,702**	227,888	209,613	142,111	64,850
Shares on issue ('000)	**54,918**	47,709	47,353	46,990	46,297
Cash flows					
From operating activities	**(3,083)**	23,934	(37,204)	(62,473)	(1,377)
From investing activities	**(1,894)**	(1,481)	(1,261)	(1,970)	(826)
From financing activities	**11,670**	(12,543)	42,029	60,684	5,722
Net increase / (decrease) in cash	**6,693**	9,910	3,564	(3,759)	3,519
Key statistics					
Earnings per share					
> Basic (cents)	**141.9**	135.1	116.8	98.4	83.0
> Diluted (cents)	**141.2**	133.7	114.7	97.0	83.0
Dividends per share (cents)	**72.0**	67.0	58.0	50.0	44.0
NPAT / revenue (%)	**22%**	22%	21%	20%	20%
ROE (%)	**21%**	24%	24%	23%	23%
NTA backing per share (cents)	**842.7**	598.9	521.5	453.9	387.3

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

HEAD OFFICE AND REGISTERED OFFICE

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