Consolidated Operations Group Limited
and its controlled entities

ABN 58 100 854 788

Appendix 4E & Preliminary Final Report

Results for announcement to the market
Year ended 30 June 2019

Comparisons are to the year ended 30 June 2018

	30 June 2019 $'000	30 June 2018 (1) $'000	up/down	% movement
Revenue from continuing operations	217,447	164,949	up	32%
Net profit from continuing operations	8,488	7,489	up	13%
Net profit from continuing operations after tax, attributable to members	4,300	3,833	up	12%

	30 June 2019 Cents	30 June 2018 (1) Cents
Earnings per share, attributable to members	0.32	0.29

	30 June 2019 $'000	30 June 2018 (1) $'000
Net assets	**198,974**	**189,879**
Less: Intangible assets	(159,129)	(145,407)
Non-controlling interests	(20,874)	(15,206)
Net tangible assets	**18,971**	**29,266**
NTA per share (cents) (2)	**1.43**	**2.26**

Commentary and explanations of the results

The financial report of the Company for the financial year ended 30 June 2019 presents consolidated financial performance for the Group.

Additional Appendix 4E disclosure requirements, commentary and explanation of the results for the financial year is contained in the Directors' Report and the accompanying Financial Report dated 20 August 2019.

Dividends

There were no dividends paid, declared or proposed during the year (2018: nil).

Changes in control and significant influence

The notes to the financial statements outline entities over whom the Group has gained control (note E1) or significant influence (note E2) in the year ended 30 June 2019.

Patrick Tuttle - Chairman
20 August 2019

Notes

(1) The Group has adopted AASB 15 *Revenue from contracts with customers* and AASB 9 *Financial Instruments* at 1 July 2018.

- Note A2 outlines the impact of adopting AASB 15 using the cumulative effect method, under which the comparative information is not restated.
- Note D3 outlines the impact of implementing AASB 9 to the Group's existing financial performance and position; including restatement of the prior year comparative information presented above. Note D3 also includes additional information as at 30 June 2017 to aid users of the financial report to understand the impact on prior comparative periods.

(2) The decrease in NTA per share (cents) reflects acquisitions during the year ended 30 June 2019, as disclosed in Note E1.

(3) This report is based on the financial report which has been audited.

(4) All the documents comprise the information required by listing rule 4.3A. The information should be read in conjunction with the audited 30 June 2019 annual financial report and all ASX announcements made by the Company during the year.

Consolidated Operations Group Limited
and its controlled entities

ABN 58 100 854 788

Annual Financial Report

For the year ended 30 June 2019

Contents

Chairman's Letter

I am pleased to present Consolidated Operations Group Limited's (COG) Annual Report for the year ended 30 June 2019. This is my first annual report as both a COG Director and Chairman of the Board. I am excited to provide you context on the Group's performance and future strategic objectives.

In 2019, COG has continued successfully implementing its corporate strategy of:

- building the leading SME Finance Broking & Aggregation services provider in Australia,
- delivering profitable and low risk growth in its Commercial Equipment Leasing business, and
- commencing COG's strategy to expand its lending into prime and mid-prime lending products available to COG's Finance Broking network.

The evolving implementation of these strategies is evident in our 2019 financial performance with underlying EBITDA attributable to COG shareholders increasing 27% to $21.8m (statutory up 23%), in line with market guidance reaffirmed in February 2019.

Highlights included:

- solid progress in implementing our growth strategy with continued momentum going into 2020,
- 2019 Net Asset Finance (NAF) settled up 26% to $4.2b, representing c16% market share[1] of broker originated NAF,
- Writing of lower risk, higher return leases (commercial equipment rentals) in a volatile market, with the volume of leases written decreasing 12% to $51.8m but increases in the net interest margin related to these leases, and
- Focus on the divestment of non-core business activities with two business units in the "Other" segment; Hal IT and Business Works due for divestment within the next 12 months.

Since commencing its Finance Broking & Aggregation services strategy in December 2015, COG has rapidly built its presence through an acquisition led strategy. From December 2015 to date, COG has acquired aggregation platforms and finance brokers for a combined consideration of c$119.3m funded by a mix of new COG shares issued to vendors (c$33.2m) and cash (c$86.1m). COG completed six acquisitions during 2019 which are outlined in notes E1 and E2 of the attached financial report.

COG is developing a national asset finance distribution business which is diversified by, geography, asset type and borrower type, such that the business gains the benefits of scale and diversity. In acquiring businesses, COG has adopted a "skin in the game" business model, whereby founders/vendors retain an equity exposure to their businesses, with COG providing management input, expertise and support as needed to address challenges and help them grow. This diversified model provides a hedge against any undue impact from the performance of individual businesses.

COG currently has an estimated market share of 16% of annual net asset finance originated by asset brokers in Australia, making it the largest aggregator of finance broker originated asset finance. In 2019, COG settled an aggregated $4.2b of NAF (2018: $3.4b). The asset broker market remains largely fragmented and COG's intent is to achieve a 20% market share position through further targeted acquisitions and organic growth.

COG's commercial leasing business has seen a year of consolidation with a conscious decision to tighten credit while targeting higher net interest margin commercial equipment rentals. New commercial equipment rentals written decreased by 12% to $51.8m but showing a compound annual growth rate of 28% between the 2014 and 2019 financial years. COG reaffirms its strategy to grow in this area with focus on writing profitable rentals with a level of risk commensurate with the Group's risk appetite.

(1) Derived from information contained in 2017-2018 Annual Review, Commercial and Asset Finance Broker Association of Australia.

Summary financial performance

The following table provides shareholders with a summary of both COG's statutory and underlying 2019 and 2018 results.

Year ended 30 June $'m	Underlying (1) 2019	2018	Change %	Statutory 2019	2018	Change %
Revenue	**217.2**	**164.5**	**32%**	**217.4**	**164.9**	**32%**
Finance Broking & Aggregation	184.4	139.4	**32%**	184.5	139.7	**32%**
Commercial Equipment Leasing	23.9	17.7	**35%**	23.9	17.7	**35%**
Other	8.9	7.4	**20%**	9.0	7.5	**20%**
EBITDA	**29.9**	**24.4**	**23%**	**29.9**	**24.3**	**23%**
EBITDA after non-controlling interests (NCI)	**21.8**	**17.2**	**27%**	**21.8**	**17.0**	**28%**
Profit attributable to NCI	**4.3**	**3.7**	**16%**	**4.2**	**3.7**	**14%**
Profit after NCI	**5.4**	**4.3**	**26%**	**4.3**	**3.8**	**13%**
NPATA (2) after NCI	**7.9**	**6.0**	**32%**	**7.2**	**6.1**	**18%**

(1) On an underlying basis excluding transaction costs (2019: $0.9m, 2018: $0.6m), disposal costs in relation to non-core IT managed services businesses (2019: $0.8m) and redundancy costs (2018: $0.2m).

(2) Excludes amortisation in relation to intangibles recognised as part of business combinations

Operations

Finance Broking & Aggregation

The Finance Broking & Aggregation segment operations continued to grow with the net amount financed through COG's aggregation businesses totalling $4.2b in 2019, an increase of 26% on the prior year. The higher NAF is attributable to, full year contributions from 2018 acquisitions, new 2019 acquisitions and strong performance from parts of the segment saw revenues increase by 32% to $184.4m in 2019. The EBITDA contribution attributable to COG shareholders increased by 29% to $11.3m in 2019.

The Group continues to focus on improving systems and processes available to all businesses within this segment, leveraging the skills and expertise of management to enhance the performance across the segment. In 2019, COG implemented a new IT platform acquired as part of Centrepoint Finance Group, known as *"BROOS".* This, along with the currently utilised *"Evolved"* IT platform, have been designed to interface directly with our financier partners and will support increased sales, processing efficiency and management of the sales process.

COG continues to pursue organic growth as well as acquiring strategic stakes in complementary businesses. In 2019 COG acquired 100% of the flagship equipment finance broker, Centrepoint Finance Group, and assisted the funding of two broker acquisitions by Linx.

Commercial Equipment Leasing

The Commercial Equipment Leasing segment has stabilised in the current financial year and has focused on writing new equipment finance rentals which match the Group's risk appetite and provide a higher net interest margin than those written in the prior financial year. Leases written in 2019 decreased 12% compared to the 2018 financial year, but is reflective of a 28% compound annual growth rate between the 2014 and 2019 financial years. Segment EBITDA has grown by 28% to $13.6m in 2019 and this will continue to grow in 2020 and beyond as profits are realised on leases written in the past few years.

As outlined in the Macquarie Emerging Leaders forum presentation issued to the ASX on 20 June 2019, COG continues to focus on the next steps of its strategy, being the strategy to expand its lending activities into prime and mid-prime lending products to be made available to COG's Finance Broking network. Over the coming years COG is targeting 20% of all intermediated financing completed by its Broking network to come from COG's own prime and mid-prime products. The implementation of this strategy is underway with significant progress expected in the 2020 financial year.

Chairman's Letter (continued)

Disposal of non-core businesses
COG is actively seeking to divest its 100% owned IT managed services business units, Hal IT, based in Sydney, and Business Works based in Melbourne. Finalisation of these disposals is expected within 12 months.

COG's Board and management have renewed the focus on the key value propositions of the Group and through the intended divestment of non-core businesses will ensure suitable capacity to focus on where the Board and management can most add value to the underlying business operations.

Dividends
A 2019 dividend will not be paid as the best use of surplus shareholder funds in the immediate term is to apply funds to support COG's growth strategy to grow shareholder value. The Board monitors acquisitions and funding closely to ensure that surplus funds are suitably utilised. Should this situation change the current dividend policy will be reviewed.

Strategic Objectives
COG is building a leading position in the Australian business equipment and asset finance industry.

Our strategic objectives are to:

1. Establish a leading position in the equipment finance broking market
   COG will continue to grow market share and revenue generated from broker originated business equipment finance, through expansion of independent aggregation platform members and in equity owned brokers. With an estimated market share of 16% of annual broker originated NAF, we are targeting a 20.0% market share, representing an annual NAF of $5.0b to $6.0b.

   1.1. Continued investment in and acquisition of well managed Asset Finance Brokers
      - COG along with key management from the partially controlled flagship Finance Broking and Aggregation businesses continue to seek complementary acquisitions where the price and synergies available are appropriate
      - The industry is fragmented
      - COG is targeting 50% interest with vendors retaining equity in their businesses or for those "skin in the game" brokers to acquire 100% of retiring brokers
      - Consideration being a mix of cash and COG equity
      - General approach: either acquired directly by COG or by supporting existing brokers to grow their businesses by acquisition

   1.2. Organic growth of COG owned brokers

   1.3. Expand membership revenue and services in Member Broker Aggregation businesses (CFG and Platform)

2. Expand in-house Commercial Equipment Leasing products and funding sources
   - Organic growth of commercial equipment rental portfolio
   - Invest in infrastructure to support increased portfolio size
   - Expand product offering to include auto loans and equipment finance leases
   - Reduce funding costs
   - Establish bank warehouse facilities and securitisation program

3. Grow origination of company owned products
   - Leverage the Group's broker distribution network (equity owned brokers and independent aggregation services network partners)
   - Increasing return on capital, margins and shareholder value
   - Further diversify the Group's earnings between broker fee and commission income, and net interest margin from lending activities

Director and Key Management Personnel changes

It has been a year of consolidation of the management team. The Group has recruited two people with substantial skills and experience in the non-bank finance and securitisation sector. I initially joined the Group as a Non-executive Director and have now assumed the role of Chairman and Andrew Bennett who initially joined the Group as an Executive Director and is now the Group Chief Executive Officer. These two key appointments have provided the Group with necessary experience and depth to execute the next steps of its plan.

Finally, on behalf of the Board, I would like to thank our staff, partners, funders, customers and shareholders for their continued support. I would also like to record my thanks to our Board of Directors and our management team, led by Andrew Bennett, for their hard work and efforts during 2019, as we successfully implement our strategy, manage growth and deliver value to all of our key stakeholders.

Yours sincerely,

Patrick Tuttle
Chairman
20 August 2019

Directors' Report

The Directors of Consolidated Operations Group Limited (COG or the Company) and its controlled entities (the Group), present their report together with the financial statements of the Group, for the financial year ended 30 June 2019.

Director details
The following persons were Directors of the Company during or since the end of the financial year:
Patrick Tuttle - Chairman effective 31 January 2019 (appointed as Non-executive Director on 3 October 2018)
Bruce Hatchman - Non-executive Director (Chairman until 30 January 2019)
Steve White - Non-executive Director
David Gray - Non-executive Director (retired 16 November 2018)
Cameron McCullagh - Executive Director
Rohan Ford - Executive Director

Directors' biographies
Patrick Tuttle
BEc (Accounting and Finance), CA

- Non-executive Chairman (Independent) from 31 January 2019
- Non-executive Director (Independent) from 3 October 2018 to 30 January 2019
- Member of Audit and Risk Committee from 31 January 2019
- Chairman of Audit and Risk Committee from 16 November 2018 to 30 January 2019
- Chairman of Nomination and Remuneration Committee from 31 January 2019
- Member of Nomination and Remuneration Committee from 16 November 2018 to 30 January 2019
- Director since 3 October 2018

Patrick has more than 30 years' experience in the financial services sector, having initially qualified as a Chartered Accountant with Price Waterhouse. Prior to joining Pepper Group Limited in 2001 as finance director, he was a divisional finance director for a range of operating businesses within Macquarie Bank Limited (ASX: MBL), including the Banking & Property, Corporate Finance, and Project & Structured Finance Groups.

As finance director for Pepper Group, Patrick was responsible for all aspects of the non-bank lender's financial, treasury, wholesale funding and securitisation activities. In 2008 he became CEO of Pepper's Australian mortgage lending and asset finance business, before being appointed as Co-Group CEO of the group's global consumer lending and asset management activities in 2012, spanning eight countries (including the UK, Ireland, Spain, South Korea, and China) with assets under management (AUM) in excess of $50 billion and over 2,000 employees.

Patrick is a former Deputy Chairman of the Australian Securitisation Forum, Inc. and was recognised as a Lifetime Member (Fellow) of the ASF in 2014 in recognition of services to the Australian securitisation industry. He was also awarded Australian Financial Services Executive of the Year (2014) by CEO Magazine.

- Other current Directorships: None
- Previous Directorships (listed companies in the last 3 years): None
- Interests in shares: 2,271,468

Bruce Hatchman
FCA, MAICD, JP

- Non-executive Director (Independent) from 31 January 2019
- Non-executive Chairman (Independent) to 30 January 2019
- Member of Nomination and Remuneration Committee from 31 January 2019
- Chairman of Nomination and Remuneration Committee to 30 January 2019
- Chairman of Audit and Risk Committee from 31 January 2019
- Member of Audit and Risk Committee to 30 January 2019
- Director since 2014

Bruce Hatchman is an experienced leader in the financial services sector, including professional services generally. As the former Chief Executive of Crowe Horwath, Mr Hatchman has over 40 years' experience in providing corporate finance, strategic planning including acquisitions and integration of businesses, and audit and assurance services to listed companies and large private enterprises, including the acquisition and integration of financial services firms. He is a Chartered Accountant and a member of the Australian Institute of Company Directors.

- Other current Directorships: JCurve Solutions Limited (Chairman)
- Previous Directorships: None
- Interests in shares: 625,000
- Interests in debentures of a related entity, (Secured Finance Limited): $63,243

Steve White
M.Mngt, GAICD

- Non-executive Director (Independent)
- Member of Audit and Risk Committee
- Chairman of Audit and Risk Committee to 15 November 2018
- Member of Nomination and Remuneration Committee
- Director since 2010

Steve has had over 30 years of experience in Investment Banking, including roles with Barclays Capital Singapore, Rothschild and HSBC Japan in their treasury divisions. For 10 years he held a position as a Principal of a boutique risk advisory firm which concentrated on assisting C-suite executives to manage significant financial market risks. This experience is combined with significant Corporate Governance experience including as a Responsible Manager for a Wholesale AFSL for 10 years. Steve continues to be engaged providing advice and assistance to businesses across a number of industries. Steve is a Graduate Member of the Australian Institute of Company Directors and has a Master of Management from MGSM.

- Other current Directorships: None
- Previous Directorships: None
- Interests in shares: 3,643,750
- Interests in debentures of a related entity, (Secured Finance Limited): $139,852

Cameron McCullagh
B. Bus

- Executive Director
- Managing Director to 30 January 2019
- Director since 2015

Cameron has over 30 years' experience in the finance sector, having trained as a Chartered Accountant at KPMG. Cameron was a partner at Moore Stephens Sydney and founded and grew White Outsourcing to an entity with back office administration of over $30 billion. Cameron was CEO of Employers Mutual until 2010, having grown it from $30 million of annual premium under management to over $1 billion. As COO, Cameron took operational responsibility for the successful listing on the ASX of the insurance broking accumulator Steadfast Group. Cameron is Chairman of A S White Global Pty Limited, which has over 900 employees in Australia and Asia providing offshore teams to Australian businesses.

- Other current Directorships: Hospitality Employers Mutual Limited (APRA licensed insurer)
- Previous Directorships: None
- Interest in shares: 252,906,800
- Interests in debentures of a related entity, (Secured Finance Limited): $2,486,711

Directors' Report (continued)

Rohan Ford
B. Bus (Accounting)

- Executive Director
- Director since 2017

Rohan is the founder of Consolidated Finance Group (CFG) and the founder and CEO of Linx Finance Australia Group (Linx). Linx also owns 50% of Heritage Finance Pty Ltd, Heritage Corporate Pty Ltd and Sovereign Tasmania Pty Ltd trading as Capitalcorp Equipment Finance. Currently the Group writes over $500m per annum in asset finance business and has an interest in a business (Heritage Corporate) prominent in mergers and acquisitions. COG owns 100% of CFG and 50% of Linx.

Rohan commenced finance broking in 1991, working extensively around Australia providing finance facilities to all capital intensive industries. Rohan has relationships spanning over 20 years with clients and is still as passionate about finance today as he was in 1991. He also has long-standing relationships with Australia's largest financial institutions/lenders and a solid reputation amongst the Australian asset finance broking industry.

- Other current Directorships: None
- Previous Directorships (listed companies in the last 3 years): None
- Interests in shares: 56,599,748

David Gray
Bachelor of Business in Business Administration, MAICD

- Non-executive Director (Independent), retired 16 November 2018
- Member of Audit and Risk Committee and Nomination and Remuneration Committee (retired 16 November 2018)
- Director since 2017 (retired 16 November 2018)

David is the founder, CEO & Managing Director of Insight Capital Advisors Pty Limited. David is a former Managing Director and Head of Equity Capital Markets at both J.P. Morgan and Deutsche Bank, with over 25 years' experience in financial markets, performing senior roles in Equity Capital Markets, Institutional Equity Sales and Corporate Treasury.

David has a breadth of experience across a broad range of industries and offerings including initial public offers, follow on equity raisings, block trades, M&A, capital management as well as general corporate and capital markets advice. He has been involved in more than 300 advisory roles and capital raisings with a total value of more than A$100 billion. In 2016, David founded the boutique capital markets and corporate advisory business Insight Capital Advisors and was voted as the Best Independent Equity Capital Markets Banker in the East Coles Investment Banking survey.

Company Secretary
David Franks - BEc, CA, F Fin, JP
David Franks is a former principal of Franks & Associates Pty Ltd, which merged with the Automic Group in 2018. David is a Director and Principal of the Automic Group. He is a Chartered Accountant, Fellow of the Financial Services Institute of Australia, Fellow of the Governance Institute of Australia, Justice of the Peace, Registered Tax Agent and holds a Bachelor of Economics (Finance and Accounting) from Macquarie University. With over 20 years in finance and accounting, initially qualifying with Price Waterhouse in their Business Services and Corporate Finance Divisions, David has been CFO, Company Secretary and/or Director for numerous ASX listed and unlisted public and private companies, in a range of industries covering energy retailing, transport, financial services, mineral exploration, technology, automotive, software development and healthcare. David Franks is also currently the Company Secretary for the following public entities: AUB Group Limited, Adcorp Australia Limited, Elk Petroleum Limited, JCurve Solutions Limited, Noxopharm Limited, Nyrada Inc, Tomorrow Entertainment Limited, White Energy Company Limited, White Energy Technology Limited and ZIP Co Limited. David is also a Non-Executive Director of, JCurve Solutions Limited.

Principal activities
The Company is an Australian Securities Exchange (ASX) listed company whose principal activities are in the equipment finance sector. The investment objective of the Company is to grow its earnings per share from investing in complementary entities and growing existing businesses that specialise in equipment finance broking, finance aggregation and commercial leases for essential business assets.

Review of operations and financial results
The financial report for the year ended 30 June 2019 presents the consolidated financial performance for the Group.

Profit after tax, attributable to members of the Group for the year ended 30 June 2019 was $4.3m (2018: $3.8m). Earnings per share, attributable to members from continuing operations was 0.32 cents per share for the year (2018: 0.29 cents per share).

The Group's net asset position as at the end of the financial year was $199.0m (2018: $189.9m).

Likely developments
As previously announced to the market, the Company intends to continue on the path of acquiring part or all of equipment finance broking entities where there is seen to be a strategic, cultural and commercial fit and are committed to a broker accumulation strategy.

In assessing future business acquisitions, strict acquisition criteria will be applied, including that an acquisition is expected to be earnings per share accretive for the Group in an appropriate time frame.

COG continues to work closely with the existing management team of each acquired business and allows each entity to operate in a manner consistent with their ownership structure.

The medium-term goal for the Commercial Equipment Leasing segment is to increase value by selectively writing leases, whilst maintaining credit quality and utilising available funding avenues. The Directors are also focused on the development of additional sources of funding, additional sales resources and alliances with vendors.

Dividends
No dividends were paid or declared during the year.

Events subsequent to reporting date
There were no events that occurred after the end of the financial year that would materially affect the reported results or would require disclosure in this report.

Directors' meetings

The number of meetings of Directors (including meetings of committees of Directors) held during the year and the number of meetings attended by each Director is as follows:

	Board Meetings		Audit and Risk Committee		Nomination and Remuneration Committee	
Director	**A**	**B**	**A**	**B**	**A**	**B**
Patrick Tuttle	4	4	1	1	-	-
Bruce Hatchman	6	5	2	1	1	1
Steve White	6	6	2	2	1	1
Cameron McCullagh	6	6	-	-	-	-
Rohan Ford	6	6	-	-	-	-
David Gray	2	2	1	1	1	1

Where:

- Column A is the number of meetings the Director was entitled to attend.
- Column B is the number of meetings the Director attended.

Remuneration report - audited

The Directors of COG present the Remuneration Report for Non-executive Directors, Executive Directors and other senior executives, collectively referred to as the Key Management Personnel (KMP), prepared in accordance with the *Corporations Act 2001* and the *Corporations Regulations 2001.*

The Remuneration Report is set out under the following main headings:

a. Principles of compensation
b. Remuneration structure
c. Company performance and shareholder wealth
d. Key Management Personnel remuneration
e. Key Management Personnel share and option transactions
f. Service agreements
g. Other Key Management Personnel transactions

a. Principles of compensation

COG's policy for determining the nature and amount of remuneration of KMP is as follows:

- the maximum total remuneration of the Directors of COG (other than Executive Directors) has been set at $400,000 per annum to be divided among them in such proportions as they see fit, and
- other KMP are remunerated based on market competitive rates which are benchmarked from time-to-time.

The principles of COG's executive incentive programs are:

- to align rewards to business outcomes that deliver value to shareholders
- to ensure remuneration is competitive in the relevant employment market place to support the attraction, motivation and retention of executive talent.

The remuneration of executives is linked to the performance of COG through short and long-term incentive programs designed to increase shareholder wealth through increased profitability and increases in share price. Non-executive directors are remunerated through fixed fees only.

At COG's 16 November 2018 Annual General Meeting the Group's 2018 remuneration report resolution failed to pass. In discussion with parties who voted against the resolution the primary concerns noted were in relation to the commensurate change in shareholder value compared to the KMP remuneration and the mix and nature of fixed, short-term and long-term incentivisation for senior management.

Remuneration report - audited

a. Principles of compensation (continued)

The Group has addressed these concerns through the following changes to remuneration structure and outcomes in 2019:

- Changes in share of incremental earnings paid to KMP; with the growth in Group's NPAT between the 2018 and 2019 financial years being 233% higher than the commensurate change in KMP remuneration.
- Senior management remuneration includes a more targeted mix of fixed, short and long term incentives; long term incentives issued to Mr Bennett are only able to be settled in the Group's equity, which more suitably aligns his remuneration to a key driver of shareholder wealth, being COG's share price.

Further details of specific remuneration of the Group's KMP is outlined throughout the remuneration report.

The Group will continue to seek feedback on remuneration structures from shareholders and look to address any concerns raised in a timely manner.

b. Remuneration structure

Executive Remuneration

Appropriate fixed remuneration and variable short and long-term remuneration have been determined based on ad-hoc benchmarking.

Short term incentives

Short-term Incentive (STI) programs are designed to link management outcomes to the financial results of controlled entities, which in turn drive shareholder returns.

The STI programmes for Andrew Bennett and Nathan Thomas were granted on 1 July 2018 based on various financial and non-financial KPIs associated with business performance, availability of suitable funding facilities, cost savings, process improvement and delivery of management reporting and statutory reporting for the year ended 30 June 2019. For all STIs there was no minimum incentive, all STI that does not vest is forfeited and STI payment is contingent upon continued employment by the Group until payment date.

The STI for Mr Bennett was based on an annual assessment of performance, with the maximum STI payable for 2019 being $100,000. The STI for Mr Thomas was based on a quarterly assessment of performance with the maximum STI payable for 2019 being $50,000. Due to his resignation on 31 May 2019 he was not eligible to receive any part of his STI for the final quarter of 2019.

For the year ended 30 June 2019 Mr Bennett received 100% and Mr Thomas received 75% of maximum STI.

Apart from Mr Bennett and Mr Thomas no other KMP were eligible to receive a STI in 2019.

Long term incentives

On 25 July 2018 the Group issued a long term incentive (LTI) in the form of 6,857,143 equity-settled share options to Andrew Bennett who commenced as a member of key management personnel in the current financial year. These share options were issued as part of Mr Bennett's remuneration package and entitle him to acquire one share per option in COG at the option strike price any time between grant date and the earlier of cessation of employment and 30 June 2021.

All of the above options have vested and are exercisable at 30 June 2019. No other KMP are eligible to receive an LTI in 2019.

Non-executive Director remuneration

The current base remuneration for Non-executive Directors was last reviewed with effect from 16 November 2018. The maximum total remuneration of the Directors of COG (other than executive Directors) has been set at $400,000 per annum to be divided among them in such proportions as they see fit. Non-executive Directors received no additional benefits other than base remuneration and superannuation.

Remuneration report - audited

b. Remuneration structure (continued)

The annual remuneration structure of Directors who are not direct employees of the Company (namely the Non-executive Directors and Mr Ford) is as follows:

	1 July 2018 to 31 January 2019 $	1 February 2019 to 30 June 2019 $
Base fees		
Chairman	90,000	150,000
Other directors	48,333	65,000
Additional fees		
Audit committee - Chairman	-	10,000

All other roles as chairman of a committee or member of a committee carry no additional fees. All amounts are inclusive of superannuation.

Target remuneration structure

The table below represents the target remuneration mix for KMP as at 30 June 2019.

	Fixed remuneration %	Variable remuneration short-term %	Variable remuneration long-term %
Executive Directors			
Cameron McCullagh - Executive Director	100%	nil	nil
Rohan Ford - Executive Director	100%	nil	nil
Non-executive Directors			
Patrick Tuttle - Chairman	100%	nil	nil
Bruce Hatchman - Director	100%	nil	nil
Steve White - Director	100%	nil	nil
Senior executives			
Andrew Bennett - Chief Executive Officer	53%	14%	33%

The above table does not include disclosures for non-continuing KMP; David Gray (former Non-executive Director) and Nathan Thomas (former Chief Financial Officer).

c. Company performance and shareholder wealth

The following table compares COG's performance and KMP remuneration in respect of the current financial year and previous four financial years:

	2019	2018 (1)	2017	2016	2015
Net profit/(loss) after tax ($'000)	4,300	3,833	(1,732)	14,208	7,799
Dividends paid (cents per share)	-	-	-	-	-
Share price at 30 June (cents)	9.6	10.0	13.0	12.5	10.0
EPS (cents per share)	0.3	0.3	(0.2)	2.9	2.7
Total KMP Remuneration ($'000)	1,646	1,564	1,880	1,078	1,027

(1) The 2018 financial performance has been updated for the adoption of AASB 9 by the Group in the 2019 financial year, see Note D3 to the financial statements for more information.

Remuneration report - audited

d. Key Management Personnel remuneration

The remuneration of KMP of COG during the year is set out in the following table:

		Short-term benefits			Post-		Other long-	Share-based		Performance
		Fixed remuneration $	STI cash bonus $	Non-cash benefits $	employment benefits [1] $	Termination $	term benefits[2] $	payments (equity) $	Total $	based remuneration %
Executive Directors										
Cameron McCullagh [3]	2019	108,396	-	585	9,297	-	2,225	52,083	172,586	0.0%
	2018	90,384	-	-	18,087	-	-	-	108,471	0.0%
Rohan Ford	2019	228,022	-	-	20,493	-	3,112	-	251,627	0.0%
	2018	193,856	-	-	17,352	-	754	-	211,962	0.0%
Non-executive Directors										
Patrick Tuttle	2019	70,256	-	-	6,674	-	-	-	76,930	0.0%
Bruce Hatchman	2019	71,750	-	-	6,816	-	-	-	78,566	0.0%
	2018	76,000	-	-	14,000	-	-	-	90,000	0.0%
Steve White	2019	49,605	-	-	4,713	-	-	-	54,318	0.0%
	2018	40,000	-	-	3,800	-	-	-	43,800	0.0%
Senior executives										
Andrew Bennett	2019	341,885	100,000	1,169	20,531	-	817	240,000	704,402	48.3%
Former KMP										
David Gray [4]	2019	16,667	-	-	1,583	-	-	-	18,250	0.0%
	2018	40,000	-	-	3,800	-	-	-	43,800	0.0%
Nathan Thomas [5]	2019	230,658	37,500	1,883	18,820	-	-	-	288,861	13.0%
	2018	240,432	49,000	2,052	20,135	-	663	-	312,282	15.7%
Andrew Grant [6]	2018	170,581	-	1,142	15,511	-	(11,828)	-	175,406	0.0%
Raylee Carruthers [7]	2018	284,482	63,600	1,340	20,049	154,976	53,572	-	578,019	11.0%
Total	**2019**	**1,117,239**	**137,500**	**3,637**	**88,927**	**-**	**6,154**	**292,083**	**1,645,540**	**22.9%**
Total	**2018**	**1,135,735**	**112,600**	**4,534**	**112,734**	**154,976**	**43,161**	**-**	**1,563,740**	**7.2%**

(1) Post-employment benefits is wholly comprised of Superannuation
(2) Other long-term benefits is wholly comprised of Long service leave
(3) Mr McCullagh's share-based payment is contingent upon AGM approval in November 2019. Should this approval not be granted the amount noted will be paid as short-term fixed remuneration
(4) Mr Gray ceased as a KMP on 16 November 2018
(5) Mr Thomas ceased as a KMP on 31 May 2019
(6) Mr Grant ceased as a KMP on 30 April 2018
(7) Ms Carruthers ceased as a KMP on 4 May 2018

Remuneration report - audited

e. Key Management Personnel share and option transactions

The movement during the year in the number of ordinary shares held, directly or indirectly, by each of the KMP, including their related parties, is as follows:

	30 June 2017	On market purchase	KMP change[1]	30 June 2018	On market purchase	On market sale	Off market transfer	KMP change[1]	30 June 2019[2]
Executive Directors									
Cameron McCullagh	237,233,001	12,398,000	-	249,631,001	3,275,799	-	-	-	252,906,800
Rohan Ford	58,433,585	-	-	58,433,585	-	-	(1,833,837)	-	56,599,748
Non-executive Directors									
Patrick Tuttle	-	-	-	-	2,271,468	-	-	-	2,271,468
Bruce Hatchman	625,000	-	-	625,000	-	-	-	-	625,000
Steve White	3,593,750	50,000	-	3,643,750	-	-	-	-	3,643,750
Senior Management									
Andrew Bennett	-	-	-	-	-	-	-	700,000	700,000
Former KMPs									
David Gray	1,278,409	400,000	-	1,678,409	400,000	-	-	(2,078,409)	-
Nathan Thomas	-	100,000	-	100,000	-	-		(100,000)	-
Andrew Grant	4,630,000	-	(4,630,000)	-	-	-		-	-
	305,793,745	12,948,000	(4,630,000)	314,111,745	5,947,267	-	(1,833,837)	(1,478,409)	316,746,766

(1) Represents their holdings at the point they commenced / ceased to be a KMP.
(2) KMP shareholdings remain consistent at annual report issue date.

As noted previously on 25 July 2018 the Group issued a LTI in the form of 6,857,143 equity-settled share options to Andrew Bennett; while all of these options have vested, none have been exercised as at 30 June 2019. There were no options granted as remuneration during the 2018 financial year.

There were no shares issued on the exercise of options granted as remuneration during the financial year (2018: nil).

Remuneration report – audited

f. Service agreements

Terms of employment for the Executive Directors and senior executives are formalised in service agreements. The major provisions of the agreements for continuing KMP relating to agreement terms and fixed remuneration are set out below:

Name	Fixed Remuneration per annum (1)	Term of agreement	Notice period (2)	Termination payment (3)
Cameron McCullagh	$225,000	No set term	12 weeks	12 weeks
Rohan Ford	$200,000	No set term	12 months	12 months
Andrew Bennett	$385,000	No set term	3 months	3 months (4)

(1) Fixed Remuneration includes statutory Superannuation contributions
(2) Notice periods are consistent for both COG personnel and the KMP
(3) Termination payment in lieu of notice period is calculated as a proportion of the KMP's fixed remuneration. Summary termination with no payment is enforceable for gross misconduct or gross negligence.
(4) Should Mr Bennett become redundant due to take-over or merger of COG, he is eligible for a severance package of 12 months base salary including notice period and any redundancy entitlements.

For Non-executive Directors, terms of service are in accordance with Rule 6.7 of COG's Constitution. The Constitution requires one third of the Directors or, if their number is not a multiple of 3, then, subject to the Listing Rules, the number nearest to one third, to retire from office and if eligible seek re-election at every annual general meeting.

g. Other Key Management Personnel transactions

Indemnification for vendor program losses

During the 2019 and 2018 financial years the Group's Commercial Equipment Leasing segment undertook a number of transactions with an equipment finance vendor program partner. During the 2019 financial year the vendor partner entered into voluntary liquidation. While the Group considered the underlying lease arrangements with lessees introduced as part of the program were enforceable the Group took the action to settle these lessee obligations for a lower value than our contractual rights. Cameron McCullagh, one of the Group's Executive Directors, chose to indemnify the Group for the majority of this loss. As part of this indemnification Mr McCullagh paid an amount of $1,023,160 to the Group to offset the net cash loss incurred by the Group. The indemnification is included in other operating revenue in note A2 to the financial report, with the vendor programme partner loss recorded in Administration expenses in the Statement of Comprehensive Income.

Loans from Key Management Personnel and their related entities

During 2019, KMP invested $4,194,000 (2018: $2,600,000) in fixed interest debentures issued by Secured Finance Limited a COG controlled entity. Interest is payable on an arms-length basis at 10% (2018: 10%) and the loans are repaid in cash on average 17 months after the issue date. The interest and principal repayments on the debenture investments during the year were as follows:

	Balance at 30 June 2018	Commission received	Amount advanced during the year	Interest payment	Principal repayment	Balance at 30 June 2019
	$	$	$	$	$	$
KMP (and related entities):						
Bruce Hatchman	285,279	-	-	17,918	222,036	63,243
Steve White	200,000	-	-	17,567	60,148	139,852
Cameron McCullagh	-	-	3,600,000	258,695	1,113,289	2,486,711
Andrew Bennett	-	9,520	594,000	29,953	-	594,000
Nathan Thomas (1)	12,971	-	-	217	12,971	-
Total	**498,250**	**9,520**	**4,194,000**	**324,350**	**1,408,444**	**3,283,806**

(1) Represents transactions between 1 July 2018 and 31 May 2019, being the date Mr Thomas ceased to be a KMP

End of audited remuneration report.

Directors' Report (continued)

Environmental legislation
COG's operations are not subject to any particular or significant environmental regulation under the law of the Commonwealth or of a State or Territory in Australia.

Options
On 25 July 2018 6,857,143 equity-settled share options were issued to Andrew Bennett as part of his remuneration package, all these options remain outstanding at 30 June 2019. No options have been granted over unissued shares during or since the end of the financial year.

Indemnities given and insurance premiums paid for auditors and officers
COG has executed a deed of indemnity for each of the Directors which indemnify them to the extent permitted by Sections 199A, 199B and 199C of the *Corporations Act 2001*.

During the year, COG paid a premium to insure officers of COG including all Directors.

The liabilities insured are legal costs that may be incurred in defending civil or criminal proceedings that may be brought against the officers in their capacity as officers of COG, and any other payments arising from liabilities incurred by the officers in connection with such proceedings, other than where such liabilities arise out of conduct involving a wilful breach of duty by the officers or the improper use by the officers of their position or of information to gain advantage for themselves or someone else to cause detriment to COG.

Details of the amount of the premium paid in respect of the insurance policies are not disclosed as such disclosure is prohibited under the terms of the contract.

COG does not indemnify or pay premiums on behalf of its auditors.

COG has not otherwise, during or since the end of the financial year, except to the extent permitted by law, indemnified or agreed to indemnify any current or former officer or auditors of COG against a liability incurred as such by an officer or auditor.

Non-audit services
BDO East Coast Partnership, COG's auditor, provided $8,000 of non-audit services in relation to a review of a financial model prepared by management during the year in addition to their statutory audit duties.

A copy of the auditor's independence declaration as required under S307C of the *Corporations Act 2001* is included on page 18 of this financial report and forms part of this Directors' Report.

Proceedings on behalf of COG
No person has applied for leave of the Court under S237 of the *Corporations Act 2001* for leave to bring proceedings on behalf of COG, or to intervene in any proceedings to which COG is a party for the purpose of taking responsibility on behalf of COG for all or part of those proceedings.

Rounding of amounts
In accordance with *ASIC Corporations (Rounding in Financial/Director Reports) Instrument 2016/191*, the amounts in the Directors' Report have been rounded to the nearest thousand Australian dollars, unless otherwise stated.

Signed in accordance with a resolution of the Board of Directors on 20 August 2019.

Patrick Tuttle	**Cameron McCullagh**
Chairman	Executive Director

Tel: +61 2 9251 4100
Fax: +61 2 9240 9821
www.bdo.com.au

Level 11, 1 Margaret St
Sydney NSW 2000
Australia

DECLARATION OF INDEPENDENCE BY GARETH FEW TO THE DIRECTORS OF CONSOLIDATED OPERATIONS GROUP LIMITED

As lead auditor of Consolidated Operations Group Limited for the year ended 30 June 2019, I declare that, to the best of my knowledge and belief, there have been:

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

This declaration is in respect of Consolidated Operations Group Limited and the entities it controlled during the period.

Gareth Few

Gareth Few
Partner

BDO East Coast Partnership

Sydney, 20 August 2019

Corporate Governance Statement

The Board is committed to achieving and demonstrating the highest standards of corporate governance. As such, Consolidated Operations Group Limited (COG) has adopted the third edition of the Corporate Governance Principles and Recommendations which was released by the ASX Corporate Governance Council on 27 March 2014 and became effective for financial years beginning on or after 1 July 2014.

The fourth edition of the Corporate Governance Principles and Recommendations was released by the ASX Corporate Governance Council on 27 February 2019 and becomes effective for financial years beginning on or after 1 January 2020. COG will adopt the fourth edition of the Corporate Governance Principles and Recommendations for its first full financial year commencing on or after 1 January 2020, being for the year ended 30 June 2021.

COG's Corporate Governance Statement for financial year ending 30 June 2019 is dated as at 20 August 2019 and was approved by the Board on 20 August 2019. The Corporate Governance Statement is available on COG's website at www.coglimited.com.au.

Statement of Comprehensive Income

For the year ended 30 June 2019

	Notes	2019 $'000	2018 (1) $'000
Revenue from continuing operations	A2	217,447	164,949
Cost of sales		(60,632)	(48,610)
Commissions paid		(71,749)	(48,227)
Employee benefits expense	A3	(35,909)	(28,330)
Administration expenses		(15,489)	(12,137)
Occupancy expenses		(3,151)	(2,653)
Finance costs	A4	(9,531)	(8,473)
Depreciation and amortisation		(6,914)	(5,678)
Acquisition-related expenses		(862)	(562)
Significant item - disposal of non-core assets	B3	(794)	-
Other expenses		(392)	(228)
Share of results from equity accounted associates		(24)	144
Profit before income tax		**12,000**	**10,195**
Income tax expense	A5	(3,512)	(2,706)
Profit after tax for the year		**8,488**	**7,489**
Other comprehensive income:			
Items that may be reclassified subsequently to the statement of profit or loss:			
Foreign currency translation differences		67	(107)
Gain on revaluations by associate		24	-
Total comprehensive income for the year		**8,579**	**7,382**
Profit after tax attributable to:			
Members of Consolidated Operations Group Limited		4,300	3,833
Non-controlling interests		4,188	3,656
Total profit after tax for the year		**8,488**	**7,489**
Total comprehensive income attributable to:			
Members of Consolidated Operations Group Limited		4,391	3,726
Non-controlling interests		4,188	3,656
Total comprehensive income for the year		**8,579**	**7,382**
Basic and diluted earnings per share from continuing operations, attributable to members (cents):	A6	**0.32**	**0.29**

1. The Group has adopted AASB 15 *Revenue from contracts with customers* and AASB 9 *Financial Instruments* at 1 July 2018.
   - Note A2 outlines the impact of adopting AASB 15 using the cumulative effect method, under which the comparative information is not restated.
   - Note D3 outlines the impact of implementing AASB 9 to the Group's existing financial performance and position; including restatement of the prior year comparative information presented above.

The above Statement of Comprehensive Income should be read in conjunction with the accompanying notes.

Statement of Financial Position

As at 30 June 2019

	Notes	2019 $'000	2018 [1] $'000
Assets			
Current			
Cash and cash equivalents	A7	26,037	36,246
Trade and other receivables	C1	12,349	14,040
Contract assets		2,647	1,697
Financial assets - lease receivables	D1	36,088	35,620
Other financial assets		1,361	1,205
Inventories		13	191
Assets classified as held for sale	B3	885	-
Total current assets		**79,380**	**88,999**
Non-current			
Contract assets		6,402	4,336
Trade and other receivables	C1	163	-
Financial assets - lease receivables	D1	73,699	64,975
Other financial assets		3,003	6,533
Equity accounted associates	E2	15,536	1,487
Property, plant and equipment		1,155	1,383
Intangible assets	B1	159,129	145,407
Total non-current assets		**259,087**	**224,121**
Total assets		**338,467**	**313,120**
Liabilities			
Current			
Trade and other payables	C2	12,098	12,352
Customer salary packaging liability		5,131	5,796
Interest bearing liabilities	D2	44,566	37,511
Current tax liabilities		1,903	1,935
Provisions		3,480	2,105
Liabilities directly associated with the assets held for sale	B3	685	-
Total current liabilities		**67,863**	**59,699**
Non-current			
Trade and other payables	C2	1,208	426
Interest bearing liabilities	D2	60,015	55,077
Deferred tax liabilities	A5	9,884	7,543
Provisions		523	496
Total non-current liabilities		**71,630**	**63,542**
Total liabilities		**139,493**	**123,241**
Net assets		**198,974**	**189,879**
Equity			
Share capital	E3	220,905	215,670
Accumulated losses		(81,369)	(81,369)
Reserves	E3	38,564	40,372
Non-controlling interests		20,874	15,206
Total equity		**198,974**	**189,879**

1. The Group has adopted AASB 15 *Revenue from contracts with customers* and AASB 9 *Financial Instruments* at 1 July 2018.
   - Note A2 outlines the impact of adopting AASB 15 using the cumulative effect method, under which the comparative information is not restated.
   - Note D3 outlines the impact of implementing AASB 9 to the Group's existing financial performance and position; including restatement of the prior year comparative information presented above. Note D3 also includes additional information as at 30 June 2017 to aid users of the financial report to understand the impact on prior comparative periods.

The above Statement of Financial Position should be read in conjunction with the accompanying notes.

Statement of Changes in Equity

For the year ended 30 June 2019

	Notes	Share capital $'000	Accumulated losses $'000	Reserves [(1)] $'000	Non-controlling interests [(1)] $'000	Total equity $'000
Balance at 1 July 2018 as originally reported		**215,670**	**(81,369)**	**40,372**	**15,206**	**189,879**
Adjustment on initial application of AASB 15 *Revenue* (net of tax)	A2	-	-	(74)	310	**236**
Balance at 1 July 2018 as restated		**215,670**	**(81,369)**	**40,298**	**15,516**	**190,115**
Net profit for the year, after tax		-	4,300	-	4,188	**8,488**
Movements in reserves		-	-	91	-	**91**
Total comprehensive income for the year		**-**	**4,300**	**91**	**4,188**	**8,579**
Transactions with owners:						
Share based payment expense		-	-	240	-	**240**
Non-controlling interests acquired		20	-	(6,365)	2,125	**(4,220)**
Dividends		-	-	-	(4,278)	**(4,278)**
Issue of share capital		5,389	-	-	-	**5,389**
Non-controlling interest acquisition contribution		-	-	-	3,323	**3,323**
Costs of raising capital, net of tax		(174)	-	-	-	**(174)**
Transfer to reserves		-	(4,300)	4,300	-	**-**
Balance at 30 June 2019	E3	**220,905**	**(81,369)**	**38,564**	**20,874**	**198,974**
Balance at 1 July 2017		**216,216**	**(81,369)**	**36,437**	**14,493**	**185,777**
Net profit for the year, after tax		-	3,833	-	3,656	**7,489**
Movements in reserves		-	-	(107)	-	**(107)**
Total comprehensive income for the year		**-**	**3,833**	**(107)**	**3,656**	**7,382**
Transactions with owners:						
Non-controlling interests acquired		-	-	209	(423)	**(214)**
Dividends		-	-	-	(3,418)	**(3,418)**
Issue of share capital		787	-	-	898	**1,685**
Non-controlling interest acquisition contribution		-	-	-	-	**-**
On market buyback and share cancellation		(1,149)	-	-	-	**(1,149)**
Costs of raising capital, net of tax		(184)	-	-	-	**(184)**
Transfer to reserves		-	(3,833)	3,833	-	**-**
Balance at 30 June 2018	E3	**215,670**	**(81,369)**	**40,372**	**15,206**	**189,879**

1. The Group has adopted AASB 15 *Revenue from contracts with customers* and AASB 9 *Financial Instruments* at 1 July 2018.
   - Note A2 outlines the impact of adopting AASB 15 using the cumulative effect method, under which the comparative information is not restated.
   - Note D3 outlines the impact of implementing AASB 9 to the Group's existing financial performance and position; including restatement of the prior year comparative information presented above. Note D3 also includes additional information as at 30 June 2017 to aid users of the financial report to understand the impact on prior comparative periods.

The above Statement of Changes in Equity should be read in conjunction with the accompanying notes.

Statement of Cash Flows

For the year ended 30 June 2019

	Notes	2019 $'000	2018 $'000
Cash flows from operating activities			
Receipts from customers		278,182	203,233
Payments to suppliers and employees		(210,894)	(155,422)
Finance costs paid		(9,169)	(8,304)
Income taxes paid		(4,534)	(5,055)
Net cash inflow from operating activities	A7	**53,585**	**34,452**
Cash flows from investing activities			
Payments for investments		(26,642)	(6,112)
Payments for deferred consideration		(100)	(315)
Payments for equipment - finance leases		(51,805)	(58,675)
Payments for property, plant and equipment		(368)	(264)
Payments for intangibles		(1,739)	(1,089)
Proceeds from sale of property, plant and equipment		1	95
Loan repayments received		99	31
Net cash (outflow) from investing activities		**(80,554)**	**(66,329)**
Cash flows from financing activities			
Proceeds from issue of shares		-	961
Costs of raising capital and share buy back		(174)	(1,333)
Proceeds from interest bearing liabilities		65,775	57,627
Repayments of interest bearing liabilities		(47,886)	(25,551)
Dividends paid by subsidiaries to non-controlling interests		(4,278)	(3,418)
Non-controlling interest acquisition contribution		3,323	-
Net cash inflow from financing activities		**16,760**	**28,286**
Net (decrease) in cash and cash equivalents		(10,209)	(3,591)
Cash and cash equivalents, beginning of the financial year		36,246	39,837
Cash and cash equivalents, end of the financial year	A7	**26,037**	**36,246**
Non-cash investing and financing activities:			
Scrip consideration issued for acquisitions of investments		5,409	787

The above Statement of Cash flows should be read in conjunction with the accompanying notes.

Preface to the Notes to the Financial Statements

Consolidated Operations Group Limited ('COG' or 'the Company') and its controlled entities ('the Group') is an Australian Securities Exchange (ASX) listed company whose principal activities are primarily focused on the equipment finance sector. The investment objective of the Group is to grow its earnings per share from investing in complementary entities and growing existing businesses that specialise in equipment finance broking, finance aggregation and commercial leases for essential business assets.

COG is the ultimate parent of the Group and is a for-profit listed company limited by shares, incorporated and domiciled in Australia.

The financial statements have been approved and authorised for issue by the Board of Directors on 20 August 2019.

The registered office is:
C/O David Franks
Level 5, 126 Phillip Street,
Sydney, NSW 2000
Phone 1300 288 664

Principal place of business:
Level 1, 72 Archer Street,
Chatswood, NSW 2067
Phone 1300 137 146

The financial statements are general purpose financial statements that:

- have been prepared in accordance with the requirements of the *Corporations Act 2001*, Australian Accounting Standards and other authoritative pronouncements of the Australian Accounting Standards Board (AASB) and International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB),
- include the assets and liabilities of all subsidiaries of the Company as at 30 June 2019 and the results of the subsidiaries for the year then ended. Inter-entity transactions with, or between subsidiaries are eliminated in full on consolidation,
- have been prepared on a historical cost basis, and
- are measured and presented in Australian dollars which is the Company's functional and presentation currency with all values rounded to the nearest hundred thousand dollars unless otherwise stated, in accordance with ASIC Legislative Instrument 2016/191.

Significant accounting policies and key judgements and estimates are included in the relevant notes. These policies have been consistently applied to all years presented, unless otherwise stated.

Key judgements and estimates
In the process of applying the Group's accounting policies, management has made a number of judgements, assumptions and applied estimates concerning future events.

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

- A2 Revenue
- A5 Taxation
- B2 Impairment of intangible assets
- C1 Trade and other receivables
- D1 Financial assets - lease receivables
- E1 Business combinations

Reclassification or restatement of prior year balances
Certain prior year amounts in the following notes to the financial statements have been reclassified or restated to conform to the current year presentation:

- A2 Revenue
- A4 Finance costs
- A5 Taxation
- D1 Financial assets - lease receivables
- D2 Interest bearing liabilities
- E3 Share capital and reserves

A - Financial Performance

A1 OPERATING SEGMENTS

The Group has three operating segments based upon the products and services offered by business units within each segment. The Group presents the below financial information to the Board of Directors on a monthly basis. The Group's reportable segments are as follows:

- *Finance Broking & Aggregation* activities comprise business units focused on aggregation of broker volumes to encourage profitability through scale and finance broking focused on motor vehicle and equipment finance
- *Commercial Equipment Leasing* activities are focused on providing bespoke financing arrangements for essential business assets for commercial customers, and
- *All Other / Intersegment* activities include:
  - Hal Group, who provides management IT services, and
  - Consolidated Operations Group, who provides head office functions for the Group.

30 June 2019	**Finance Broking & Aggregation $'000**	**Commercial Equipment Leasing (1) $'000**	**All Other / Intersegment $'000**	**Total $'000**
Revenue	184,439	23,864	8,935	217,238
EBITDA from core operations	**19,437**	**13,615**	**(3,136)**	**29,916**
Interest income				209
Acquisition-related expenses				(862)
Depreciation and amortisation				(6,914)
Finance costs				(9,531)
Significant item - disposal of non-core assets				(794)
Share of results from associates				(24)
Profit before tax				**12,000**
Income tax expense				(3,512)
Profit after tax				**8,488**
Non-controlling interests				(4,188)
Profit after tax, attributable to members				**4,300**

30 June 2018	**Finance Broking & Aggregation $'000**	**Commercial Equipment Leasing (1) $'000**	**All Other / Intersegment $'000**	**Total $'000**
Revenue	139,426	17,707	7,320	164,453
EBITDA from core operations	**16,005**	**10,669**	**(2,406)**	**24,268**
Dividend income				10
Interest income				486
Acquisition-related expenses				(562)
Depreciation and amortisation				(5,678)
Finance costs				(8,473)
Share of results from associates				144
Profit before tax				**10,195**
Income tax expense				(2,706)
Profit after tax				**7,489**
Non-controlling interests				(3,656)
Profit after tax, attributable to members				**3,833**

(1) Commercial Equipment Leasing segment EBITDA from core operations includes interest income from leasing activities as these are core to segment activities.

A2 REVENUE

Key judgement - Trail commissions
The Group receives trail commission from lenders as a percentage of the principal outstanding on the financing arrangements for several of its financing arrangements, subject to the financing continuing between the customer and the financier. The value of this contract asset is determined based on a discounted cashflow model which includes the following key inputs:

- the weighted average implicit rate of the underlying financing arrangements,
- principal outstanding balance, and
- the average life expectancy of a loan prior to repayment/refinancing.

These factors are complex and the determination of key assumptions requires a high degree of judgement. Any change in the value of the trail commission contract asset is recognised in the *Commission, trail, fee and volume bonus income* revenue line.

	2019 $'000	2018 $'000
Commission, trail, fee and volume bonus income	124,617	91,837
Sale of goods	66,611	54,073
Finance lease income	22,752	17,707
Interest income	209	486
Other operating revenue	3,258	836
Dividend income	-	10
	217,447	**164,949**

Accounting policy
Revenue recognition
Revenue is recognised at a point in time when the Group satisfies all its obligations under the arrangements.

Commission, fee and volume bonus income
Commission, fee and volume bonus income is recognised when all the required documentation has been received by the financier and the Group's obligation under the financing arrangement have been completed. The Group recognises revenue at a point in time and adjusts it for any risk of clawback based on the historical rate of clawbacks for similar transactions. The Group recognises revenue at a point in time and adjusts it for any risk of clawback based on the historical rate of clawbacks for similar transactions (see note C1 for further information).

Trail income
Trail income is recognised when all the required documentation has been received by the financier and the Group's obligation under the financing arrangement have been completed. The Group's estimates trail income on a portfolio basis using the expected value method as all its financing arrangements have similar characteristics at the reporting date. The expected value is determined using the model outlined in the key judgments section above with changes in the resultant contract asset recognised in *the Commission, trail, fee and volume bonus income* revenue line.

Sale of goods
Sale of goods is recognised at the point of sale, which is where the customer has taken delivery of the goods and has the capacity to pay for them in a timely manner. Revenues disclosed are stated net of returns, discounts, allowances and amounts collected on behalf of third parties. Sale of goods revenue is recognised in relation to car sales and salary packaging operations in Finance Broking & Aggregation segment and in relation to hardware sales in the All Other segment.

Finance lease income
Finance lease income is recognised by applying the interest rate within the lease arrangement to the future lease payments and the estimated value of any unguaranteed end of term earnings (secondary income). Initial direct costs incurred in the origination of leases are included as part of the receivables in the statement of financial position.

A - Financial Performance (continued)

A2 REVENUE

AASB 15 Revenue from Contracts with Customers

The Group has implemented AASB 15 *Revenue from contracts with customers* in the current financial year, consistent with the mandatory adoption date. AASB 15 supersedes existing accounting standards applied to previous periods. The core principle of AASB 15 is to recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects consideration to which the Group expects to be entitled in exchange for those goods or services. AASB 15 includes the following:

- Outlines a five-step revenue recognition model which determines the timing and amount of revenue recognised. The five-step mode requires:
    1. contracts (either written, verbal or implied) to be identified,
    2. definition of the separate performance obligations within the contract,
    3. determination of the transaction price, adjusted for the time value of money excluding credit risk,
    4. allocation of the transaction price to the separate performance obligations on a basis of relative stand-alone selling price of each distinct good or service, or estimation approach if no distinct observable prices exist, and
    5. recognition of revenue when each performance obligation is satisfied.
- Provides new and more detailed guidance on specific topics e.g. multiple element arrangements, variable consideration, rights of return etc., and
- Increases the volume of disclosure around types of revenue and the amounts recognised.

The changes as a result of implementing AASB 15 are in relation to the recognition of and disclosures related to commission, trail, fee and volume bonus income. This revenue stream relates to the Finance Broking & Aggregation segment and is a result of the Group's arrangements with financiers. As per their individual arrangements financiers can clawback some or all of the income paid at a later date. Under AASB 15 potential clawbacks are provided for when revenue is initially recognised. At the same time, the amount of clawbacks which are expected to be recouped from external brokers is also recorded. Amounts due from financiers for trail commissions are now classified as a contract asset under the requirements of AASB 15 (disclosed as a receivable in previous periods). Contract assets are recognised when the Group has transferred the promised service as at the reporting date, but the financier has not yet paid.

Finance lease income relates to the Commercial Equipment Leasing segment and most transactions within this segment are outside the scope of AASB 15.

The Group has applied AASB 15 using the cumulative effect method without practical expedients on the date of initial application (1 July 2018). This application results in an adjustment to retained earnings and other comprehensive income as at 1 July 2018 and no adjustments to the comparative period presented and relates to provision for clawbacks and recognition of contract assets. As a result, the impact is:

- $379k reduction to opening retained earnings to reflect provision for clawbacks impact on previous periods,
- $615k increase to opening retained earnings to reflect recognition of contract assets on previous periods, and
- $67k increase to profit after tax for the current year.

A3 EMPLOYEE BENEFITS EXPENSE

	Note	2019 $'000	2018 $'000
Salaries and wages expense		28,551	22,975
Superannuation expense		2,843	2,282
Equity-settled share-based payments expense	A3.1	240	-
Payroll tax		1,730	1,372
Other employee benefits expense		2,545	1,701
		35,909	**28,330**

A - Financial Performance (continued)

A3 EMPLOYEE BENEFITS EXPENSE

A3.1 SHARE BASED PAYMENTS

Options

Andrew Bennett

On 25 July 2018 the Group issued share options to Andrew Bennett who commenced as a member of key management personnel in the current financial year. These share options issued as part of Mr Bennett's remuneration package, entitle him to acquire one share per option in Consolidated Operations Group Limited at the option strike price any time between grant date and the date of lapsing and have the following characteristics:

Grant date	25 July 2018
Number of options issued	6,857,143
Option exercise price	$0.105 per option
Option valuation	$0.035 per option
Option valuation - method	Black-Scholes
Option valuation - grant date share price	$0.10 per share
Option valuation - grant date risk free rate	2.1%
Option valuation - historical volatility	58.0% for the same duration as the option term
Option valuation - historical dividend yield	Nil%
Option valuation - early exercise	Assumes early exercise at two times option exercise price
Market conditions	None
Service conditions	None
Lapse date	Earlier of cessation of employment and 30 June 2021
Nature of settlement	Equity settled

All of the above options have vested and are exercisable at 30 June 2019. The above options do not have an impact on diluted earnings per share at 30 June 2019 as the options were out of the money. Apart from the options issued above the Group did not have any options or share based payments issued during the current financial year or prior comparative financial periods.

Cameron McCullagh

On 31 January 2019 Cameron McCullagh's revised executive services agreement (ESA) became effective with his transition to Head of Financing Broking & Aggregation. The ESA provides for $125k of Mr McCullagh's salary to be received as shares subject to shareholder approval. This approval will be sought at the Group's Annual General Meeting in November 2019, as this approval is yet to be received the current financial year amount of $52k is included in trade and other payables until the shareholder vote at the AGM. Subject to shareholder approval, in subsequent periods this will be recorded as an equity settled share-based payment expense.

Employee expenses

Employee expenses are recognised in the profit and loss when the employee delivers the related service.

Equity-settled share-based payment

The cost of equity-settled transactions is measured at fair value on the date where all parties agree to the terms of the arrangement. Fair value is determined using a Black-Scholes option pricing model based on the factors outlined above. The share-based payment is recognised in profit or loss with a corresponding increase in equity over the term of the arrangement with the expense allocated over the term of the arrangement, based on the best available estimate of the remuneration expected to be paid at the end of the term. No adjustment is made to any expense recognised in prior periods if actual and estimated share-based payment vary.

Employee benefit liabilities

Employee benefits are included in current provisions at their face value if the Group expects to settle it within the next twelve months. Employee benefits payable later than one year are included in non-current provisions and have been measured at the present value of the estimated future cash outflows to be made for those benefits. The present value is determined using market yields on high quality corporate bonds with terms to maturity that match the expected timing of cash flows.

A - Financial Performance (continued)

A4 FINANCE COSTS

	2019 $'000	2018 $'000
Interest on finance lease portfolio	8,969	7,790
Interest on corporate facility	483	614
Other finance costs	79	69
	9,531	**8,473**

The Group's finance costs include:

- *Interest expense on finance lease portfolio*; interest expense is calculated based on the funding rate provided by the Group's financiers. The funding rate is dependent on the finance lease cashflows being funded and the specific requirements of each funder.
- *Interest expense on corporate debt*; interest expense is paid monthly based on the principal outstanding and a market based floating rate plus margin.
- *Other finance costs*; this includes minor other financing activities throughout the Group and foreign exchange gains and losses.

A5 TAXATION

Key judgement - recovery of deferred tax assets
Deferred tax assets are recognised for deductible temporary differences and operating tax losses only if the Group considers it is probable that future taxable amounts will be available to utilise those temporary differences and losses. As at 30 June 2019 the Group had a deferred tax asset of $2,146k recognised in relation to historical tax losses (2018: $2,818k). Management continues to consider it probable that future taxable profits would be available against which the above tax losses can be recovered and, therefore, the related deferred tax asset can be realised.

In addition, as at 30 June 2019 the Group had $9,499k of gross unrecognised tax losses ($2,850k tax effected), (2018: $11,778k of gross unrecognised tax losses ($3,533k tax effected)). Management will continue to monitor expected future taxable profits of the Group in order to determine to what extent to recognise these tax losses as deferred tax assets in future periods.

A5.1 INCOME TAX EXPENSE

The prima facie tax on profit before income tax is reconciled to income tax expense as follows:

	2019 $'000	2018 $'000
Accounting profit before income tax	12,000	10,195
Prima facie tax payable on profit before income tax at 30% (2018: 30%)	3,600	3,059
Add/(deduct):		
Share of associates results	213	(43)
Franking credits applied	(3,011)	(917)
Other non-deductible expenses	1,047	170
Other assessable income	2,857	2,482
Under / (over) provision from prior years	75	(69)
Allowable deduction for capital raising costs recognised in equity	(158)	(184)
Initial recognition of deferred tax assets on tax losses	(828)	(2,019)
Other items	(283)	227
	3,512	**2,706**

A - Financial Performance (continued)

A5 TAXATION

A5.2 DEFERRED TAX LIABILITIES

Deferred tax assets and (liabilities) are comprised of the following:

	2019 $'000	2018 $'000
Property, plant and equipment	18,439	18,369
Lease receivables	(21,916)	(20,315)
Contract assets	(2,852)	(1,928)
Intangible assets	(10,909)	(9,317)
Employee benefits	1,387	825
Tax losses	2,146	2,818
Other items	3,821	2,005
	(9,884)	**(7,543)**

Accounting policy

Income tax expense comprises current and deferred income tax. It is recognised in profit or loss except to the extent that it relates to a business combination, or items recognised directly in equity. Calculation of tax is based on tax rates and tax laws that have been enacted or substantively enacted at the reporting date.

Tax consolidated group

COG and its wholly owned Australian resident subsidiaries have formed an income tax consolidated group under the tax consolidation regime. The head entity within that tax consolidated group is COG. Consequently, these entities are taxed as a single entity and the deferred tax assets and liabilities of these entities are offset in the consolidated financial statements. In addition, certain controlled entities and their wholly owned subsidiaries have formed income tax consolidated groups under the tax consolidation regime. These entities are also taxed as a single entity and the deferred tax assets and liabilities of these tax consolidated groups are offset in the consolidated financial statements.

Current tax

Current tax liabilities are taxation obligations to the Australian Taxation Office that are unpaid at the reporting date. Current tax is payable on taxable profit, which differs from profit or loss in the consolidated financial statements (accounting profit).

Deferred tax

Deferred tax assets and liabilities are recognised where there is a difference in timing between the accounting recognition of the asset or liability and the tax timing of the same asset or liability. This method is used for all differences between tax and accounting basis except for:

- initial recognition of goodwill, or
- if the transaction has no impact on accounting or taxable profit.

In addition, a deferred tax liability is not recognised if the reversal of the difference is under the control of the Group, it relates to investments in subsidiaries or associates and the Group does not intend to take any action to trigger a change in ownership of the subsidiary or associate in the foreseeable future.

Deferred tax assets are recognised up to the value that it is probable that there will be sufficient taxable profits in future years to offset the asset reversals; this is based on forecasts of individual subsidiaries in the Group and their future taxable profits and the timing of the reversal of the temporary differences. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised, such reductions are reversed when the probability of future taxable profits improves.

Unrecognised deferred tax assets are reassessed at each reporting date and recognised to the extent that it has become probable that future taxable profits will be available against which they can be used.

Deferred tax liabilities are always provided for in full. Deferred tax assets and liabilities are offset only when the Group has the legal ability and intent to settle these amounts on a net basis with the same taxation authority.

A - Financial Performance (continued)

A6 EARNINGS PER SHARE

Both the basic and diluted earnings per share have been calculated using the profit attributable to members of the Company as the numerator.

	2019	2018
Profit after income tax, attributable to members ($'000)	4,300	3,833
Basic and diluted earnings per share (cents)	**0.32**	**0.29**
Weighted average number of ordinary shares outstanding during the year used in calculating basic and diluted earnings per share ('000)	1,329,452	1,305,145
Closing number of ordinary shares on issue at the end of the year ('000)	1,341,297	1,295,967

There are no outstanding securities that if they were able to be exercised by the holders as at 30 June 2019 would reduce earnings per share to other shareholders (potentially dilutive) in nature for the Company.

A7 RECONCILIATION OF CASH FLOWS FROM OPERATING ACTIVITIES

	2019 $'000	2018 $'000
Profit from ordinary activities after income tax	**4,300**	**3,833**
Adjustments for non-cash items included in profit or loss:		
Amortisation	6,099	4,473
Depreciation	815	1,205
Significant item - disposal of non-core assets	794	-
Loss on sale of assets	-	76
Share based payment	(240)	-
Share consideration on Sovereign	(244)	-
Profit on sale of property, plant and equipment	(1)	-
Share of equity accounted results (less dividend received)	(9)	71
Profit after tax attributable to non-controlling interests	4,188	3,656
Finance lease income - unguaranteed secondary income	(1,843)	-
Changes in assets and liabilities:		
Movement in trade and other receivables	2,504	(1,582)
Movement in contract assets	(3,016)	(1,196)
Movement in other financial assets	(4,226)	(2,956)
Movement in inventories	178	399
Movement in trade and other payables	(569)	1,923
Movement in current and deferred tax liabilities	(1,139)	(2,349)
Movement in other liabilities	(589)	(235)
Movement in provisions	(676)	(441)
Movement in financial assets - lease receivables	47,259	27,575
Net cash inflow from operating activities	**53,585**	**34,452**

Restricted cash
Included in cash at bank and on hand are amounts of $3,056k (2018: $3,533k) which are funds held by the Group on behalf of its customers in salary packaging business and are not available for general use.

Financial exposures - Credit risk
Cash is held with bank and financial institution counterparties, which are rated A- to AA-, based on Standard and Poor's long-term credit ratings and as such credit risk is low.

B - Intangibles

B1 INTANGIBLE ASSETS
Reconciliation of carrying amount

Carrying amount	Goodwill $'000	Software $'000	Customer relationships $'000	Supplier agreements $'000	Other $'000	Total $'000
Balance at 1 July 2017	107,279	338	30,226	5,131	147	143,121
Acquisition through business combinations	5,675	-	-	-	-	5,675
Additions	-	804	285	-	-	1,089
Disposals	-	-	(5)	-	-	(5)
Transfer	(46)	15	46	-	(15)	-
Amortisation	-	(46)	(3,825)	(550)	(52)	(4,473)
Balance at 30 June 2018	**112,908**	**1,111**	**26,727**	**4,581**	**80**	**145,407**
Balance at 1 July 2018	112,908	1,111	26,727	4,581	80	145,407
Acquisition through business combinations	8,062	1,089	8,617	498	1,149	19,415
Additions	-	1,738	-	-	1	1,739
Disposals	-	(232)	(9)	-	-	(241)
Impairment	(885)	-	-	-	-	(885)
Assets classified as held for sale	(209)	-	-	-	-	(209)
Amortisation	-	(634)	(4,732)	(619)	(112)	(6,097)
Balance at 30 June 2019	**119,876**	**3,072**	**30,603**	**4,460**	**1,118**	**159,129**

Accounting policy
Goodwill
Goodwill arising on the acquisition of subsidiaries has an infinite useful life and is measured at cost less accumulated impairment losses.

Other intangible assets
Other intangible assets; including software, customer relationships, supplier agreements and other intellectual property that are acquired or developed by the Group and have finite useful lives are measured at cost less accumulated amortisation and any accumulated impairment losses.

Amortisation
Amortisation is calculated to write off the cost of intangible assets less their estimated residual values using the straight-line method over their estimated useful lives and is recognised in profit or loss. Goodwill is not amortised.

The estimated useful lives for current and comparative periods are as follows:

- Software 2 - 6 years
- Customer relationships 3 - 10 years
- Supplier agreements 3 - 10 years
- Other intellectual property 2 - 5 years

Amortisation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

B - Intangibles (continued)

B2 IMPAIRMENT TESTING

Key judgement - Impairment

Goodwill is not amortised but assessed for impairment at least once a year (and when there is evidence of impairment). The Group uses two methods for assessing the recoverable amount of the business units to which the goodwill is attached to:

- Fair Value Less Costs to Sell (FVLCTS): the amount which the business could be sold for (less sale related expenses), or
- Value in Use (VIU): the value of future cashflows which the Group could generate from continuing to run the business discounted to current value to reflect the time value of money and risks surrounding the assumptions used to model future performance.

The recoverable amount determined as the more favourable of the two methods outlined above is then compared to the carrying amount of assets to determine if there is any impairment.

Impairment testing is complex and involves the following key judgements:

- impairment is tested at a cash generating unit (CGU) level; which is the lowest level at which the Group generates discrete and separate cash inflows and outflows. The Group considers this to be at the segment level, as such impairment is tested at the level outlined in the operating segment (note A1).
- the calculation of FVLCTS and VIU models is complex and involves a significant number of judgements regarding future performance, discount rates to be applied to future performance assumptions and the price which an external party would pay to purchase businesses similar to those operated by the Group.

The disclosures below outline the key assumptions and the outcome of impairment testing completed.

Goodwill is assessed for recoverability at a segment level. The Group's segments are considered to be the cash generating units (CGUs) due to the high degree of interconnectivity of cash inflows and business processes going forward. Goodwill is allocated to the following CGUs at 30 June 2019:

	2019 $'000	2018 $'000
Segment		
Finance Broking & Aggregation	72,626	64,564
Commercial Equipment Leasing	47,250	47,250
All other	-	1,094
	119,876	**112,908**

Finance Broking & Aggregation segment

The value of goodwill for the Finance Broking & Aggregation segment is based on a FVLCTS model. The model includes the following key assumptions:

- EBITDA for each business unit is broadly consistent with the actual EBITDA for the year ended 30 June 2019.
- EBITDA multiples for arm's length transactions of businesses similar in size and nature to the business units within recent financial periods (based on information provided by external experts).

The resulting FVLCTS model is consistent with a level 3 instrument in the fair value hierarchy. No reasonably possible changes would unfavourably impact the model to the extent that the related goodwill would be impaired.

B - Intangibles (continued)

B2 IMPAIRMENT TESTING

Commercial Equipment Leasing segment

The value of goodwill for the Commercial Equipment Leasing segment is based on a VIU model comprising a ten year discounted cash flow model plus terminal value. The model includes the following key assumptions:

- A ten year discounted cashflow model is used to properly reflect the expected timing of residual value payments received on leasing activity written in year five of the model.
- Commercial equipment leasing activity growing at a rate lower than the compound annual growth rate of the segment between 1 July 2016 and 30 June 2019. The model assumes growth will decline to nil% between the final cash flow year and the terminal value.
- External funding mix, lease mix and lease profitability broadly consistent with actual performance between 1 January 2019 and 30 June 2019.
- Operational expenditure broadly increasing in line with lease activity growth, using normalised 2019 actual operational expenditure as a basis.
- Discount rate between 12.5% and 14.5% post-tax and terminal growth rate consistent with the Reserve Bank of Australia's long-term target consumer price index rate.

No reasonably possible changes would unfavourably impact the model to the extent that the related goodwill would be impaired.

B3 SIGNIFICANT ITEM - DISPOSAL OF NON-CORE ASSETS

The Group is actively seeking to divest its 100% owned, non-core, IT managed services business units, Hal IT, and Business Works based in Sydney and Melbourne respectively. Finalisation of these disposals is expected within 12 months. The divestment of these businesses will ensure there is ongoing focus on the Group's core businesses, as they provide the greatest opportunity for value accretion.

The change in the value of the business units that is expected to be realised requires the Group to write down assets and liabilities held in those business units to the lower of their cost and recoverable amount. This results in a one-off non-cash loss; which has been disclosed as a significant item in the Group's Statement of Comprehensive Income. The significant item of $794k is comprised of an impairment of goodwill held in relation to the business units of $885k offset by loan forgiveness benefit of $91k.

Subsequent to the write-down to the lower of cost and recoverable amount, consistent with accounting requirements, the Group has reclassified the assets and related liabilities of the business units whose value is intended to be realised through sale. The assets and liabilities reclassified as held for sale in the current year are as follows:

	2019 **$'000**
Cash and cash equivalents	148
Trade and other receivables	314
Other financial assets	43
Inventories	68
Deferred tax assets	68
Property, plant and equipment	35
Intangible assets	209
Assets classified as held for sale	**885**
Trade and other payables	(457)
Provisions	(228)
Liabilities directly associated with the assets held for sale	**(685)**

C - Working Capital

C1 TRADE AND OTHER RECEIVABLES

Key judgement - Terminated lease receivables
Terminated lease receivables represent lease arrangements where the Group has executed its rights under the lease contract to seek full repayment of all outstanding contractual amounts as at the termination date. Prior to termination these leases are treated as finance lease receivables (see note D1 for further information) and are discounted to present value to reflect the expected timing of receiving the recurring lease payments over the lease term. On termination the full value of all future repayments is recognised as due and payable at termination date ('grossed up'), with the uplift recognised in finance lease income.

A provision is then raised to the extent that each individual terminated lease is not considered recoverable. The assessment of recoverable amount is based on each individual arrangement including the counterparty, security held against the lessee and any related parties and the asset financed in the arrangement. This estimate involves significant judgement on the arrangements recoverability by management and is reassessed as the conditions related to the terminated lease arrangement progress.

The above gross up of the termination receivable asset results in:

- a significant increase in finance lease income in the period where the termination occurs; and
- a gross up of the related allowance for terminated leases through doubtful debts expense in the profit and loss to recognise a net recoverable value of the terminated lease.

	2019 $'000	2018 $'000
Current		
Terminated lease receivable	14,551	7,177
Less: Allowance for doubtful debts	(7,436)	(2,765)
	7,115	4,412
Trade receivables	2,302	4,588
Less: Allowance for doubtful debts	(196)	(324)
	2,106	4,264
Accrued income and other debtors	3,231	5,279
Other receivables	101	85
Provision for clawbacks	(204)	-
	12,349	**14,040**
Non-current		
Other receivables	163	-
	163	**-**

Financial exposures - Credit risk
Management believes that the amounts that are past due by more than 30 days are still collectable in full, based on historical payment behaviour and extensive analysis of customer credit risk, including underlying customers' credit scores if they are available. The ageing of the Group's trade receivables that were not impaired was as follows:

	2019 $'000	2018 $'000
Trade receivables		
Neither past due nor impaired	740	2,242
Past due 1 - 30 days	775	1,312
Past due 31 - 90 days	543	499
Past due 91 - 120 days	72	355
Past due 121+ days	172	180
Total	**2,302**	**4,588**

C - Working Capital (continued)

C1 TRADE AND OTHER RECEIVABLES

Financial exposures - Credit risk
The movement in the allowance for impairment in respect of trade and other receivables during the year was as follows:

	Trade receivables $'000	Terminated lease receivable $'000	Provision for clawbacks $'000
Balance at 1 July 2017	**539**	**2,122**	**-**
Provided for during the year less write-offs	(215)	643	-
Balance at 30 June 2018	**324**	**2,765**	-
Adoption of AASB 15	**-**	**-**	540
Provided for during the year less write-offs	(128)	4,671	(336)
Balance at 30 June 2019	**196**	**7,436**	**204**

Accounting policy
Trade and other receivables
See Accounting policy in note D3.

Provision for clawbacks
The provision for clawbacks is in relation to arrangements recognised under AASB 15 *Revenue from contracts with customers*. This reflects the risk that amounts previously recognised as revenue in relation to brokerage arrangements in the Finance Broking & Aggregation segment could be recovered by the financier should the underlying finance arrangement underperform against agreed thresholds. The provision recognised reflects the volume weighted historical clawback amounts calculated on an individual entity level within the Group.

More information on the initial recognition of the provision is outlined in note A2.

C2 TRADE AND OTHER PAYABLES

	2019 $'000	2018 $'000
Current		
Trade payables	2,184	3,623
Deferred consideration (1)	882	-
Salaries and bonuses	1,221	1,798
GST and other taxes	1,741	769
Other payables and accruals	6,070	6,162
	12,098	**12,352**
Non-current		
Trade payables	402	426
Deferred consideration (1)	806	-
	1,208	**426**

(1) Deferred consideration is in relation to 5.6% of QPF Holdings Pty Limited purchased from non-controlling shareholders on 30 June 2019. Amounts are payable in September 2019 and September 2020.

Financial exposures - Liquidity risk
Details of the liquidity risks associated with the Group's trade and other payables are outlined in note D2.

Accounting policy
See Accounting policy in note D3.

D - Financial Instruments

D1 FINANCE LEASE RECEIVABLES

Key judgement - Secondary income

The majority of the Group's lease arrangements where it acts as the lessor include contractual requirements whereby at the end of the initial contractual term the lessee can:

- continue to pay the Group for a right to use the asset,
- send the asset back to the Group in good working order,
- purchase the asset for the higher of a contractually specified amount or the fair value of the asset as determined at the end of the contractual term, or
- on occasion a specified purchase amount should the lessee have met its contractual requirements.

The mix of the above received for each lease arrangement is referred to as the Group's 'secondary income'.

An estimate of the secondary income amount is calculated at the commencement of each lease with the value of this recognised through profit and loss as part of finance lease income and on the statement of financial position as a finance lease receivable until the date where any secondary income is received and/or the Group's rights to this secondary income are extinguished.

The Group estimates the expected secondary income for each lease based on the above contractual factors specific to each lease and based on its prior experience for similar contracts. The return is estimated to be between 5% to 25% of the original cost paid to the supplier.

Key judgement - Expected credit loss provision

The intent of the expected credit loss (ECL) provision is to capture the risk of non-collectability of a financial asset from the date it is first originated. ECL provisions are required even if there is no evidence of that individual financial asset being impaired; rather it is a forward-looking provision designed to capture the risk of future losses and are a probability-weighted estimate of credit losses. Finance lease receivables where defaults have already occurred are outlined in note C1 and include terminated leases and leases with payments in arrears.

The provision for ECL for finance lease receivables is based on assumptions as to the risk of default and expected loss rates and reflects the expected losses over the entire life of the finance lease receivable. Management exercises judgement in making these assumptions and selecting model inputs for lease assets using a modified static loss pool basis, taking historical static loss pool data and modifying it for lease duration, any changes in credit risk assessed at the commencement of each lease and macro-economic factors which may impact future collectability. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Group expects to receive).

Calculation of the ECL provision is based on the expected losses over the entire life of the finance lease receivable and is complex. It involves significant estimates and judgements in relation to:

- key lease characteristics such as; credit criteria which the deal is assessed under, lease term, asset type, lessee location and default security held,
- loss and prepayment curves for the lease portfolio,
- the extent to which historical loss rates are representative of expected future loss rates, and
- the impact of macro-economic factors on the creditworthiness of the Group's finance lease receivables.

Key inputs to the ECL provision calculation which varied between 30 June 2019 and 30 June 2018 included:

- changes in macro-economic factors including the unemployment rate and consumer and small business sentiment,
- industry specific regulatory considerations,
- growth in lease book which was subject to the recognition of an ECL provision, and
- changes in lease credit criteria at deal inception.

As at 30 June 2019 the ECL provision is comprised of 3% (2018: 3%) of the gross finance lease receivable.

D - Financial Instruments (continued)

D1 FINANCE LEASE RECEIVABLES

Finance lease receivables are comprised as follows:

	2019 $'000	2018 $'000
Current	36,088	35,620
Non-current	73,699	64,975
	109,787	**100,595**
Gross investment in finance lease receivables:		
Less than one year	44,894	39,352
Between one and five years	70,474	65,835
More than five years	6	-
Unguaranteed secondary income	28,500	25,570
Gross investment	**143,874**	**130,757**
Unearned finance income	(30,160)	(26,506)
Net investment in finance leases	**113,714**	**104,251**
Less expected credit loss provision	(3,927)	(3,656)
	109,787	**100,595**
The present value of minimum lease payment is as follows:		
Less than one year	33,079	33,603
Between one and five years	59,783	55,860
More than five years	3	-
	92,865	**89,463**

Financial exposures - Credit risk

The Group's exposure to credit risk relating to finance lease receivables arises from the potential failure by a lessee to meet their contractual obligations and is primarily due to individual characteristics of each lessee. Management also considers the factors that may influence the credit risk of its customer base, including the default risk associated with the lessee's industry, location and movements in macroeconomic factors.

The Group's lease arrangements include retention of title clauses, so that in the event of non-payment the Group have a secured claim. The Group has the following maximum exposure to credit risk associated with its operations in the Commercial Equipment Leasing segment:

- the full balance of finance lease assets disclosed above,
- trade receivables amounts for lease payments in arrears as disclosed in note C1, and
- terminated lease receivables amounts as disclosed in note C1.

To address the credit risks exposures noted above the Group recognises the following provisions for non-recoverability:

- the ECL provision as outlined above for leases that are currently trading as expected,
- a specific provision based on arrears ageing for lease payments in arrears included in note C1, and
- a specific provision based on lease by lease assessment of non-recoverability for terminated lease receivable amounts included in note C1.

D1 FINANCE LEASE RECEIVABLES

Accounting policy

The Group's contractual arrangements within the Commercial Equipment Leasing segment are classified as finance leases for accounting purposes. Under a finance lease, substantially all the risks and rewards incidental to the ownership of the leased asset are transferred by the Group to the lessee. The Group recognises at the beginning of the lease term as an asset an amount equal to the present value of the contractual lease payments plus any expected secondary income; these amounts are discounted at the interest rate under the terms of the lease arrangement. Any over or under in recovery of this secondary income is recognised directly in the profit or loss.

D2 INTEREST-BEARING LIABILITIES

	2019 $'000	2018 $'000
Current		
Corporate facility - Bendigo Bank Limited	3,000	3,000
Debenture funding - Secured Finance Limited [(1)]	22,976	13,589
Finance lease funding liabilities [(2)]	18,492	20,862
Other interest-bearing liabilities	98	60
	44,566	**37,511**
Non-current		
Corporate facility - Bendigo Bank Limited	3,750	6,000
Debenture funding - Secured Finance Limited [(1)]	23,828	30,757
Finance lease funding liabilities [(2)]	32,388	18,211
Other interest-bearing liabilities	49	109
	60,015	**55,077**

(1) Multiple debentures with contractual rights to specific repayment periods up to 36 months.

(2) Finance lease funding relates to the rights of the contractual cash flows which are associated with the related finance lease assets.

Financial exposures - Liquidity risk

The following are the remaining contractual maturities for the Group's financial liabilities and their related principal and interest cashflows:

	Carrying amount $'000	Contractual cash flows $'000	Less than 1 year $'000	1 to 2 years $'000	2 to 5 years $'000	More than 5 years $'000
30 June 2019						
Trade and other payables	13,306	(13,306)	(12,098)	(1,208)	-	-
Corporate facility	6,750	(7,177)	(3,285)	(3,892)	-	-
Debenture funding	46,804	(52,010)	(26,622)	(20,401)	(4,987)	-
Finance lease funding	50,880	(57,203)	(23,135)	(16,936)	(17,132)	-
Other	147	(261)	(261)	-	-	-
	117,887	**(129,957)**	**(65,401)**	**(42,437)**	**(22,119)**	**-**
30 June 2018						
Trade and other payables	12,778	(12,778)	(12,352)	(426)	-	-
Corporate facility	9,000	(9,815)	(3,439)	(3,272)	(3,104)	-
Debenture funding	44,346	(51,881)	(28,260)	(20,407)	(2,433)	(781)
Finance lease funding	39,073	(46,875)	(24,054)	(11,825)	(10,996)	-
Other	169	(449)	(340)	(109)	-	-
	105,366	**(121,798)**	**(68,445)**	**(36,039)**	**(16,533)**	**(781)**

D - Financial Instruments (continued)

D2 INTEREST-BEARING LIABILITIES

Variability of cashflows

The actual payment amounts differ from the above reported amounts due to:

- changes in market interest rates which impact variable rate loans and contingent consideration, and
- changes in expected performance of activities related to contingent consideration payments.

Covenants

The Group has a corporate facility that contains a loan covenant; a future breach of covenant may require the Group to repay the facility earlier than indicated in the above table. Under the agreement, the covenant is monitored on a regular basis by management to ensure compliance with the agreement. All covenants have been complied with as at 30 June 2019.

Fair value

The fair values of financial liabilities are consistent with their balances as disclosed above.

Accounting policy

See Accounting policy in note D3.

D3 FINANCIAL INSTRUMENTS

Adoption of AASB 9: Initial application of AASB 9 requirements

The Group has adopted AASB 9 Financial Instruments as at 1 July 2018 (the start of the current financial year) and has restated the 30 June 2018 performance and position and 30 June 2017 position consistent with the transitional requirements outlined in AASB 108 Accounting Policies, Changes in Accounting Estimates and Errors.

Revised accounting policies

Initial recognition

AASB 9 makes changes to the recognition and measurement requirements in AASB 139 Financial Instruments: Recognition and Measurement for the classification and measurement of financial liabilities. Notably, it eliminates the previous categories of financial assets held to maturity, loans and receivables, and available for sale.

On initial recognition, a financial asset is classified as measured at: amortised cost; or Fair Value through Profit & Loss (FVTPL). The classification of financial assets under AASB 9 is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. Financial liabilities under AASB 9 are also based on the business model and are classified and measured either at amortised cost or FVTPL.

Subsequent measurement

Financial assets at FVTPL	These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognised in profit or loss.
Financial assets at amortised cost	These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.
Lease assets	Lease assets are recognised, measured and presented in accordance with AASB 117 Leases, there has been no change in the accounting policies associated with these since the 30 June 2018 financial report. Lease asset derecognition and impairment requirements are addressed under the requirements of AASB 9.
Financial liabilities at amortised cost	These liabilities are subsequently measured at amortised cost using the effective interest method. Interest expense is recognised in profit or loss with any gain or loss on derecognition is recognised in profit or loss.

D3 FINANCIAL INSTRUMENTS

Impairment
AASB 9 replaces the 'incurred loss' model under previous accounting requirements (AASB 139) with an 'expected credit loss' (ECL) model under which credit losses are recognised earlier. The new impairment model applies to financial assets measured at amortised cost, contract assets and lease assets where the Group acts as lessor.

Under AASB 9, loss allowances are measured on either of the following bases:

- 12-month ECLs: these are ECLs that result from possible default events within the 12 months after the reporting date, and
- lifetime ECLs: these are ECLs that result from all possible default events over the expected life of a financial instrument.

The Group measures loss allowances at an amount equal to lifetime ECLs for all applicable assets. The Group considers amortised cost financial assets with the counterparty being 'investment grade' to have low credit risk when its credit risk rating is equivalent to be BBB or higher per Standard & Poor's.

Measurement of ECLs
ECLs are a probability-weighted estimate of credit losses with the key exposure being in relation to lease assets. ECLs for lease assets are determined using a modified static loss pool basis, taking historical static loss pool data and modifying it for lease duration, changes in credit criteria the leases were assessed under at the commencement of each lease and macro-economic factors which may impact future collectability. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Group expects to receive).

Presentation of impairment
Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets.

Impact of the new impairment model
The impact of the application of ECL requirements is outlined in the Measurement of financial instruments section.

Derecognition
AASB 9 requires derecognition of a financial asset or lease asset where the Group is acting as a lessor when one of the following criteria has been met:

- the asset has been modified to the extent that it does not meet modification criteria and as such needs to be derecognised and recognised as a new financial asset,
- the rights to the cashflows associated with the asset have expired, or
- the Group has transferred its rights to receive the cashflows from the asset and has transferred substantially all risks and rewards.

Financial liabilities are derecognised when the liability is extinguished, which can include:

- the liability has been modified to the extent that it does not meet modification criteria and as such needs to be derecognised and recognised as a new financial liability,
- repurchase of existing financial liability, or
- the cashflows associated with the liability have been repaid or expired.

Any gain or loss on derecognition (being the difference between the carrying value and the consideration received, if any) is recognised in profit or loss.

D - Financial Instruments (continued)

D3 FINANCIAL INSTRUMENTS

Classification of financial instruments

The classification of the Group's financial instruments prior to and on adoption of AASB 9 are as follows:

Financial instrument	Previous classification	Revised AASB 9 classification
Cash and cash equivalents	Held to maturity	Amortised cost
Trade and other receivables - Trail income receivable	Loans and receivables	Accounted for under AASB 15 *Revenue* as a contract asset
- All other trade and other receivables	Loans and receivables	Amortised cost
Financial assets - lease receivables	Accounted for under AASB 117 *Leases*	Accounted for under AASB 117 *Leases*
Other financial assets	Loans and receivables	Amortised cost
Trade and other payables	Amortised cost	Amortised cost
Interest-bearing liabilities	Amortised cost	Amortised cost

Measurement of financial instruments

The changes to financial performance and position identified during the adoption of AASB 9 are as follows:

(a) ***ECL impairment***: AASB 9 replaces the 'incurred loss' model under previous accounting requirements with an ECL model. The new impairment model applies to financial assets measured at amortised cost, contract assets and lease assets. Under AASB 9, credit losses are recognised earlier than under previous accounting standards. The Group recognises as a provision the expected credit losses for the entire lifetime of financial assets measured at amortised cost, contract assets and lease assets where the Group acts as lessor which are outlined in the Classification of financial instruments section above.

(b) ***Derecognition***: The Group's funding arrangements within the Commercial Equipment Leasing segment which were previously accounted for as a Sale of receivables (derecognition of the finance lease asset upon funding), have been reviewed under the requirements of AASB 9. When applying the requirements of AASB 9 it was noted they do not qualify for derecognition and nor would they have under AASB 139, as a result:

- additional Financial assets - lease receivables and related interest-bearing liabilities have been recognised on the Statement of Financial Position as the funding of these lease assets do not meet the derecognition criteria of AASB 9,
- Sale of receivables income (previously within Finance lease income in Revenue from continuing operations) is no longer recognised in the Statement of Comprehensive Income as the funding of the related Financial assets - lease receivables does not meet the derecognition criteria of AASB 9. Instead the Sale of receivables income is replaced by Interest income (included within Finance lease income in Revenue from continuing operations) and Finance costs as the Financial assets - lease receivables and related interest-bearing liabilities remain recognised on the Statement of Financial Position, and
- the taxation consequences of the above changes in recognition, measurement and presentation as a result of the application of AASB 9.

D - Financial Instruments (continued)

D3 FINANCIAL INSTRUMENTS

Measurement of financial instruments

The above changes in measurement have been adopted retrospectively with the following prior year comparative information provided to aid users in understanding the changes implemented when transitioning from existing accounting to the requirements of AASB 9.

	30 June 2018 Reported $'000	(a) ECL impairment $'000	(b) Derecognition $'000	30 June 2018 Restated $'000
Revenue from continuing operations	161,047	-	3,902	164,949
Administration expenses	(11,255)	(882)	-	(12,137)
Finance costs	(4,119)	-	(4,354)	(8,473)
Depreciation and amortisation	(5,630)	-	(48)	(5,678)
Income tax expense	(3,119)	264	149	(2,706)
Profit after tax attributable to:				
Members of Consolidated Operations Group Limited	4,802	(618)	(351)	3,833
Non-controlling interests	3,656	-	-	3,656
	8,458	**(618)**	**(351)**	**7,489**
Total comprehensive income attributable to:				
Members of Consolidated Operations Group Limited	4,695	(618)	(351)	3,726
Non-controlling interests	3,656	-	-	3,656
	8,351	**(618)**	**(351)**	**7,382**
Basic and diluted earnings per share from continuing operations, attributable to members (cents):	0.40			0.29

D - Financial Instruments (continued)

D3 FINANCIAL INSTRUMENTS

Measurement of financial instruments

	30 June 2018 Reported $'000	(a) ECL impairment $'000	(b) Derecognition $'000	30 June 2018 Restated $'000	30 June 2017 Reported $'000	(a) ECL impairment $'000	(b) Derecognition $'000	30 June 2017 Restated $'000
Assets								
Current								
Financial assets - lease receivables	21,794	(116)	13,942	35,620	11,296	(618)	12,534	23,212
Non-current								
Financial assets - lease receivables	51,898	(2,765)	15,842	64,975	31,103	(1,381)	16,092	45,814
Property, plant and equipment	1,383	-	-	1,383	2,337	-	48	2,385
Total assets	**286,217**	**(2,881)**	**29,784**	**313,120**	**250,395**	**(1,999)**	**28,674**	**277,070**
Liabilities								
Current								
Interest bearing liabilities	22,771	-	14,740	37,511	16,658	-	13,315	29,973
Non-current								
Interest bearing liabilities	36,866	-	18,211	55,077	12,557	-	18,026	30,583
Deferred tax liabilities	9,356	(864)	(949)	7,543	10,577	(600)	(800)	9,177
Total liabilities	**92,103**	**(864)**	**32,002**	**123,241**	**61,352**	**(600)**	**30,541**	**91,293**
Net assets	**194,114**	**(2,017)**	**(2,218)**	**189,879**	**189,043**	**(1,399)**	**(1,867)**	**185,777**
Equity								
Reserves	41,341	(618)	(351)	40,372	36,437	-	-	36,437
Accumulated loses	(78,103)	(1,399)	(1,867)	(81,369)	(78,103)	(1,399)	(1,867)	(81,369)
Equity	**194,114**	**(2,017)**	**(2,218)**	**189,879**	**189,043**	**(1,399)**	**(1,867)**	**185,777**

E - Group Structure

E1 BUSINESS COMBINATIONS

Key judgement - fair value of assets acquired

When the Group obtains control over a new acquisition (acquiree) it is required to determine the value of assets and liabilities it has acquired. This value is based upon assessment of the fair value of the rights and obligations transferred to the Group and involves estimates and judgements in relation to the:

- date control was obtained over the acquiree by the Group (acquisition date),
- the acquisition price paid, including any non-cash or deferred consideration,
- assets and liabilities already recognised by the acquiree,
- amounts recognised by the acquiree and whether they are representative of the fair value of the assets and liabilities, and
- fair value of assets and liabilities not previously recognised including internally generated intangible assets.

These factors are complex and the determination of key assumptions requires a high degree of judgement. Where appropriate, such as large or complex business combinations, external specialists are used to assist in determining the fair value of assets and liabilities resulting from the business combination.

If new information obtained within one year from the acquisition date about facts and circumstances that existed at the acquisition date, identified adjustments to the fair value, then the amounts recognised as at the acquisition date are retrospectively revised.

Centrepoint Finance

Effective 1 September 2018, the Group acquired 100% of Centrepoint Finance Pty Limited (Centrepoint) for $6,634k net consideration which includes contingent consideration of between $nil and $1,900k lower and upper band limits payable within three months subsequent to the end of the financial year ending 30 June 2020. The contingent consideration is based on EBITDA performance over the next two financial years. Centrepoint operates as an equipment finance broker within an established corporate model providing compliance and support services to its employee brokers and Business Partner Brokers in New South Wales, Queensland, Victoria and Western Australia including the use of a common proprietary Equipment Finance software system - BROOS.

The acquired business contributed revenues of $11,916k and net profit after tax of $434k to the Group for the period from 1 September 2018 to 30 June 2019; if Centrepoint had been held for the entire year it would have contributed revenue and net profit after tax of $14,426k and $492k respectively. Total expenses of $84k were included in acquisition-related expenses in relation to the Centrepoint business combination.

Heritage Group

On 2 November 2018, the Group acquired 50% of the Heritage Group through its 50% owned subsidiary Linx Group Holdings Pty Limited (Linx) for $4,851k net consideration. The Heritage Group has two primary business operations:

- Heritage Finance is an equipment finance broker specialising in arranging asset finance for commercial clients particularly in the transport services sector and forestry and infrastructure services sectors.
- Heritage Corporate specialises in advising private companies on the sale of their business or acquisition of competitors (primarily in the transport services sector).

The Heritage Group comprises two operating partnerships (Heritage Finance Partnership and Heritage Corporate Partnership) which are managed by related management companies (Heritage Finance Management Pty Limited and Heritage Corporate Management Pty Limited), collectively referred to as the 'Heritage Group'. Linx has an option between 1 July and 31 July each year into perpetuity to acquire the remaining 50% of the Heritage Group for five-times the average of the preceding three years normalised EBITDA, additional rights of first refusal are available to Linx should any of the non-controlling shareholders transition out of the business.

The acquired business contributed revenues of $2,856k and net profit after tax of $1,276k to the Group for the period from 2 November 2018 to 30 June 2019. Total expenses of $140k were included in acquisition-related expenses in relation to the Heritage Group business combination.

E - Group Structure (continued)

E1 BUSINESS COMBINATIONS

Sovereign Tasmania

On 8 February 2019 the Group acquired 50% of Sovereign Tasmania Pty Limited (Sovereign Tasmania) through its 50% owned subsidiary Linx Group Holdings Pty Limited (Linx) for $2,025k net consideration. Sovereign is a leading finance broker in Tasmania. Sovereign specialises in arranging asset finance for commercial clients primarily in the agriculture, civil construction, forestry and transport sectors. Linx has an option between 1 July and 31 July each year into perpetuity to acquire the remaining 50% for 4.25 times normalised EBITDA for the most recently completed financial year, additional rights of first refusal are available to Linx should any of the non-controlling shareholders transition out of the business.

The acquired business contributed revenues of $989k and net profit after tax of $458k to the Group for the period from 1 February 2019 to 30 June 2019; if Sovereign had been held for the entire period it would have contributed revenue and loss after tax of $1,581k and $6k respectively. Total expenses of $94k were included in acquisition related costs in relation to the Sovereign business combination.

Acquisition values

For the acquisitions outlined above:

- goodwill associated with the acquisitions primarily relates to synergies due to scale and operational efficiencies through the sharing of operational expertise throughout the Group and is not expected to be tax deductible,
- acquired receivables are recorded at their contractual cashflow amounts which are consistent with their fair values at acquisition date,
- non-controlling interests are measured at their proportion of ownership of the fair value of net assets at acquisition date, and
- acquisition accounting remains provisional.

The values identified for the above acquisitions as at 30 June 2019 are as follows:

	Centrepoint $'000	Heritage Group $'000	Sovereign Tasmania $'000
Purchase consideration			
Cash consideration	7,544	4,962	1,670
Shares in Consolidated Operations Group Limited	769	-	557
Less: Cash and cash equivalents acquired	(1,679)	(111)	(202)
	6,634	**4,851**	**2,025**
Fair value of net assets acquired			
Trade and other receivables	443	872	136
Other financial assets	981	78	-
Property, plant and equipment	63	169	120
Intangible assets	7,785	2,777	1,744
Goodwill recognised on acquisition by the Group	1,830	3,538	1,581
Deferred tax liabilities	(1,879)	(1,046)	(523)
Trade and other payables	(1,997)	-	(294)
Interest bearing liabilities	(108)	-	-
Provisions	(484)	(149)	(93)
Non-controlling interests	-	(1,388)	(646)
	6,634	**4,851**	**2,025**

In addition, the Group has also undertaken other immaterial business combinations that generated goodwill of $256k for $250k net consideration.

E1 BUSINESS COMBINATIONS

Consolidated Finance Group

In October 2016 the Group acquired an 80% equity interest in Consolidated Finance Group Pty Limited (CFG) for consideration of $14,703k settled via 60% cash and 40% Consolidated Operations Group Limited shares. The shareholders' agreement included put and call options over the outstanding 20% exercisable in July 2018 based on a price of 8 times normalised EBITDA for the financial year ended 30 June 2018. The Group exercised call options it held with minority holders of CFG and thus moved to 100% ownership effective 1 July 2018. The consideration for the outstanding 20% interest was $4,210k cash and the issue of $22k of new Consolidated Operations Group Limited shares.

As the Group already controls CFG the additional 20% acquisition is treated as a transaction between owners and does not generate any additional goodwill or other acquisition adjustments.

Accounting policy

Principles of consolidation

Business combinations

The Group accounts for business combinations using the acquisition method when control is transferred to the Group. The consideration transferred for the acquisition is measured at fair value, as are the identifiable net assets acquired. The excess of the consideration transferred over the fair value of identifiable net assets acquired and non-controlling interests is recorded as goodwill. Acquisition-related expenses are expensed as incurred, except if they are related to the issue of equity securities, in which case they are recognised in equity.

Subsidiaries

Subsidiaries are all entities controlled by the Group. The Group controls an entity when 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 over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

Non-controlling interests

Non-controlling interests (NCI) are measured at their proportionate share of the acquired subsidiaries' identifiable net assets at the date of acquisition. The term 'NCI' is used to describe that portion not owned by the parent entity, the NCI share of the consolidated profit and net assets is disclosed separately in the consolidated statement of other comprehensive income, the consolidated statement of financial position and the consolidated statement of changes in equity.

The Group treats transactions with non-controlling interests that do not result in a loss of control as transactions with equity owners of the Group. For purchases from non-controlling interests, the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is deducted from equity.

Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated in full.

E - Group Structure (continued)

E2 EQUITY ACCOUNTED ASSOCIATES

Westlawn Finance

On 28 September 2018 the Group acquired a 32% investment in Westlawn Finance Limited (Westlawn). The acquisition which totalled $14,306k comprised $10,000k of cash and $4,306k of Consolidated Operations Group Limited shares as consideration.

This initial acquisition and subsequent changes in the Group's share of Westlawn's financial position and performance are included in *Equity accounted associates* in the Statement of Financial Position and *Share of results from associates* in the Statement of Comprehensive Income, respectively.

Westlawn is an investment entity primarily based in Northern NSW which utilises funds from debenture holders and its own equity and investments primarily in fixed interest securities. Westlawn has a well-diversified portfolio with exposure to property development representing less than 3% of total assets and no material exposure to any single borrower or industry.

The table below provides summarised financial information for the material associate of the Group.

	2019 $'000
Current assets	41,049
Non-current assets	195,714
Current liabilities	(199,805)
Non-current liabilities	(4,063)
Net assets (100%)	32,895
Group's share of net assets (32%)	10,467
Carrying amount of investment in associate	**14,787**
Revenue	9,398
Profit from continuing operations (100%)	3,438
Other comprehensive income (100%)	74
Total comprehensive income (100%)	3,512
Total comprehensive income (32%)	1,118
Elimination of downstream interest paid	(397)
Group's share of total comprehensive income	**721**

Other equity accounted associates

The Group also has other equity interests in a number of individually immaterial associates, Riverwise Pty Limited (33%) and Simply Finance Group (25%), respectively.

The table below provides financial information for the Group's interest in its equity accounted associates:

Year ended 30 June	**2019 $'000**	**2018 $'000**
Westlawn	721	-
Other immaterial associates	(654)	37
Group's share of total comprehensive income	**67**	**37**

As at 30 June	**2019 $'000**	**2018 $'000**
Westlawn	14,787	-
Other immaterial associates	749	1,487
Carrying amount of interests in associates	**15,536**	**1,487**

E2 EQUITY ACCOUNTED ASSOCIATES

Related party transactions with associates

The Group had the following related party transactions with its equity accounted associates:

Transactions with associates	2019 $	2018 $
Receipts for administrative services	28,231	49,732
Receivables at 30 June	-	4,107
Director fees	82,500	-
Payments for goods and administrative services	(2,225,738)	(1,156,057)
Finance costs paid on the finance lease portfolio	(1,364,061)	-
Payables at 30 June	(30,254,889)	(149,924)

Westlawn held 35,883,428 shares in COG at 30 June 2019.

Accounting policy

Interests in equity-accounted associates

Associates are those entities in which the Group has significant influence, but not control or joint control. Interests in associates are accounted for using the equity method and are initially recognised at cost and adjusted thereafter to recognise the Group's share of the post-acquisition profit or loss of associates in the Group's profit or loss.

Elimination of transactions with associates

As outlined in note A4, the Group incurs finance costs in relation to its finance lease portfolio. The Group eliminates a share of the downstream financing costs paid to Westlawn consistent with its ownership percentage of Westlawn; this in effect reduces interest expense on finance lease portfolio costs and decreases share of associates profit from Westlawn by corresponding amounts.

E3 SHARE CAPITAL AND RESERVES

E3.1 ORDINARY SHARES

	2019 $'000	2018 $'000	2019 No. of shares '000	2018 No. of shares '000
Shares issued and fully paid				
Balance at the beginning of the financial year	215,670	216,216	1,295,967	1,301,219
Shares issued in business combinations (1)	5,409	787	45,330	6,292
On market share buyback and share cancellation	-	(1,149)	-	(11,544)
Costs of raising capital, net of tax	(174)	(184)	-	-
Balance at the end of the financial year	**220,905**	**215,670**	**1,341,297**	**1,295,967**

(1) See Note E1 for further details.

Ordinary shares participate in the dividends and the proceeds on winding up of the Company in proportion to the number of shares held and are entitled to one vote per share at general meetings of the Company. In the event of winding up of the Company, ordinary shareholders rank after unsecured creditors. As at 30 June 2018 and 2019:

- All shares issued are fully paid,
- The Company does not have a maximum value of shares authorised,
- Company shares do not have a par value,
- There are no treasury shares held, and
- No shares are reserved for issue under options or other contracts.

Refer note A3.1 for potential ordinary shares relating to options issued.

E - Group Structure (continued)

E3 SHARE CAPITAL AND RESERVES

E3.2 DIVIDENDS

There were no dividends paid in or declared to be paid during the year ended 30 June 2019 (2018: nil).

As at the end of the financial year, the franking credits available for subsequent financial periods based on a tax rate of 30% was $7,275k (2018: $5,051k). The franking credit amounts are based on the balance of the dividend franking account at year-end adjusted for total tax losses not brought to account of $9,499k (2018: $11,778k).

The ability to utilise the franking credits is dependent upon there being sufficient available net assets to declare dividends, and the payment of dividends not prejudicing Consolidation Operations Group Limited's ability to pay its creditors.

E3.3 RESERVES

The movement in reserves is as follows:

	Profit reserve $'000	Foreign currency translation reserve $'000	Share based payments reserve $'000	Non-controlling interests reserve $'000	Total $'000
Balance at 1 July 2017	36,806	24	-	(393)	36,437
Non-controlling interest acquired	-	-	-	209	209
Transfer to reserves	3,833	-	-	-	3,833
Foreign currency translation	-	(107)	-	-	(107)
Balance at 30 June 2018	**40,639**	**(83)**	**-**	**(184)**	**40,372**
Balance at 1 July 2018	40,639	(83)	-	(184)	40,372
Adjustment on initial adoption of AASB 15	(74)	-	-	-	(74)
Non-controlling interest acquired	-	-	-	(6,365)	(6,365)
Share-based payments expense	-	-	240	-	240
Transfer to reserves	4,324	-	-	-	4,324
Foreign currency translation	-	67	-	-	67
Balance at 30 June 2019	**44,889**	**(16)**	**240**	**(6,549)**	**38,564**

Reserve characteristics

Profit reserve

The Profit reserve was established by the Board by allocating the profits from previous profitable years for the purpose of considering the payment of dividends in a future financial period.

Foreign currency translation reserve

This reserve is used to recognise exchange differences arising from translation of the financial statements of foreign operations to Australian Dollars. The reserve is recognised in profit or loss when the net investment is disposed of.

Share-based payments reserve

The Share-based payment reserve is used to recognise:

- the fair values of options and rights issued to executives,
- variances between the fair value of shares issued to executives and the value the related shares are issued for.

Non-Controlling Interests reserve

This reserve is used to record the differences which may arise as a result of transactions with non-controlling interests that do not result in a loss of control.

E - Group Structure (continued)

E3 SHARE CAPITAL AND RESERVES

Capital management policy
Management utilises the existing share capital of the Company to ensure there is sufficient funding to manage day-to-day working capital, service debt arrangements and fund minor business acquisitions while ensuring the Group continues as a going concern.

Alterations to the Group's capital are undertaken primarily to provide funding for additional acquisitions in the Finance Broking & Aggregation and Commercial Equipment Leasing segments consistent with the Group's communicated strategy.

Careful consideration of the existing capital structure and additional capital requirements are undertaken when examining proposed acquisitions; with the cost of capital and utilisation of debt funding weighed up to ensure an appropriate mix of funding to support on-going capital management requirements.

At all times during the financial year, the Group was in compliance with externally imposed capital requirements on its secured loan facility. Consistent with the capital structure requirements, all proposed capital structure changes are discussed with the counterparty to the secured loan facility prior to enactment.

Accounting policy
Share capital
Share capital represents the fair value of shares that have been issued. Any transaction costs directly associated with the issuing of shares are deducted from share capital, net of any related income tax benefits. All transactions with owners of the parent are recorded separately within equity.

E4 RELATED PARTY TRANSACTIONS

Transactions with Key Management Personnel and related parties
Key Management Personnel compensation
Key Management Personnel compensation is comprised as follows:

	2019 $	2018 $
Short-term employee benefits	1,258,376	1,252,869
Termination benefits	-	154,976
Post-employment benefits	88,927	112,734
Other long-term benefits	6,154	43,161
Share-based payments	292,083	-
	1,645,540	**1,563,740**

Other Key Management Personnel transactions
During the 2019 and 2018 financial years the Group's Commercial Equipment Leasing segment undertook a number of transactions with an equipment finance vendor program partner. During the 2019 financial year the vendor partner entered into voluntary liquidation. While the Group considered the underlying lease arrangements with lessees introduced as part of the program were enforceable the Group took the action to settle these lessee obligations for a lower value than our contractual rights. Cameron McCullagh, one of the Group's Executive Directors, chose to indemnify the Group for the majority of this loss. As part of this indemnification Mr McCullagh paid an amount of $1,023,160 to the Group to offset the net cash loss incurred by the Group. The indemnification is included in Other Operating Revenue in note A2 to the financial report, with the vendor programme partner loss recorded in Administration expenses in the Statement of Comprehensive Income.

Loans from Key Management Personnel and their related entities
During 2019, KMP invested $4,194,000 (2018: $2,600,000) in fixed interest debentures issued by Secured Finance Limited (SFL), a COG controlled entity. Interest is payable on an arms-length basis at 10% (2018: 10%) and the loans are repaid in cash on average 17 months after the issue date. The interest and principal repayments on debenture investments during the year are outlined in the table on the next page.

E - Group Structure (continued)

E4 RELATED PARTY TRANSACTIONS

Transactions with Key Management Personnel and related parties

KMP (and related entities)	Balance at 1 July 2018 $	Amount advanced during the year $	Commission received $	Interest payment $	Principal repayment $	Balance at 30 June 2019 $
Bruce Hatchman	285,279	-	-	17,918	222,036	63,243
Cameron McCullagh	-	3,600,000	-	258,695	1,113,289	2,486,711
Steve White	200,000	-	-	17,567	60,148	139,852
Andrew Bennett (1)	-	594,000	9,520	29,953	-	594,000
Nathan Thomas (2)	12,971	-	-	217	12,971	-
Total	**498,250**	**4,194,000**	**9,520**	**324,350**	**1,408,444**	**3,283,806**

KMP (and related entities)	Balance at 1 July 2017 $	Amount advanced during the year $	Commission received $	Interest payment $	Principal repayment $	Balance at 30 June 2018 $
Bruce Hatchman	68,854	400,000	-	28,692	183,575	285,279
Steve White	-	200,000	-	-	-	200,000
Nathan Thomas	-	50,000	875	2,533	37,029	12,971
Andrew Grant (3)	1,306,695	1,750,000	30,625	88,057	1,727,406	1,329,289
Raylee Carruthers (4)	240,895	200,000	7,000	23,872	271,937	168,958
Total	**1,616,444**	**2,600,000**	**38,500**	**143,154**	**2,219,947**	**1,996,497**

(1) Mr Bennett commenced as a KMP on 1 July 2018.
(2) Represents transactions between 1 July 2018 and 31 May 2019, being the date Mr Thomas ceased to be a KMP.
(3) Represents transactions between 1 July 2017 and 30 April 2018, being the date Mr Grant ceased to be a KMP.
(4) Represents transactions between 1 July 2017 and 4 May 2018, being the date Ms Carruthers ceased to be a KMP.

Key Management Personnel share and option transactions

The movement during the year in the number of ordinary shares held, directly or indirectly, by each of the KMP, including their related parties, is as follows:

KMP shareholdings	30 June 2018 No. of shares	On market purchase No. of shares	Off market transfer No. of shares	KMP change (1) No. of shares	30 June 2019 (2) No. of shares
Executive Directors					
Cameron McCullagh	249,631,001	3,275,799	-	-	252,906,800
Rohan Ford	58,433,585	-	(1,833,837)	-	56,599,748
Non-executive Directors					
Patrick Tuttle (3)	-	2,271,468	-	-	2,271,468
Bruce Hatchman	625,000	-	-	-	625,000
Steve White	3,643,750	-	-	-	3,643,750
David Gray (4)	1,678,409	400,000	-	(2,078,409)	-
Senior Management					
Andrew Bennett (5)	-	-	-	700,000	700,000
Nathan Thomas (6)	100,000	-	-	(100,000)	-
	314,111,745	**5,947,267**	**(1,833,837)**	**(1,478,409)**	**316,746,766**

E - Group Structure (continued)

E4 RELATED PARTY TRANSACTIONS

Transactions with Key Management Personnel and related parties

Key Management Personnel share transactions

KMP shareholdings	30 June 2017 No. of shares	On market purchase No. of shares	KMP change (1) No. of shares	30 June 2018 (2) No. of shares
Executive Directors				
Cameron McCullagh	237,233,001	12,398,000	-	249,631,001
Rohan Ford	58,433,585	-	-	58,433,585
Andrew Grant (7)	4,630,000	-	(4,630,000)	-
Non-executive Directors				
Bruce Hatchman	625,000	-	-	625,000
Steve White	3,593,750	50,000	-	3,643,750
David Gray	1,278,409	400,000	-	1,678,409
Senior Management				
Nathan Thomas	-	100,000	-	100,000
	305,793,745	**12,948,000**	**(4,630,000)**	**314,111,745**

(1) Represents their holdings at the point they commenced / ceased to be a KMP.
(2) KMP shareholdings remain consistent at annual report issue date.
(3) Mr Tuttle commenced as a KMP on 3 October 2018.
(4) Represents transactions between 1 July 2018 and 16 November 2018, being the date Mr Gray ceased to be a KMP.
(5) Mr Bennett commenced as a KMP on 1 July 2018.
(6) Represents transactions between 1 July 2018 and 31 May 2019, being the date Mr Thomas ceased to be a KMP.
(7) Ceased as a KMP on 30 April 2018.

Key Management Personnel option transactions

Andrew Bennett

On 25 July 2018 the Group issued 6,857,143 share options to Andrew Bennett who commenced as a member of key management personnel in the current financial year. All of these options have vested and are exercisable at 30 June 2019.

Further details on the below share options are outlined in note A3.1.

Cameron McCullagh

On 31 January 2019 Cameron McCullagh's revised executive services agreement (ESA) became effective with his transition to Head of Financing Broking & Aggregation. The ESA provides for $125,000 of Mr McCullagh's salary to be received as shares subject to shareholder approval. This approval will be sought at the Group's Annual General Meeting in November 2019, as this approval is yet to be received the current financial year amount of $53,083 is included in trade and other payables until the shareholder vote at the AGM. Subject to shareholder approval, in subsequent periods this will be recorded as an equity settled share-based payment expense.

Apart from the options issued above the Group did not have any options or share based payments issued, vested or exercised during the year ended 30 June 2019 (2018: nil).

E - Group Structure (continued)

E5 PARENT ENTITY DISCLOSURES

E5.1 SUMMARY FINANCIAL INFORMATION

As at, and throughout, the financial year ended 30 June 2019 the parent entity of the Group was Consolidated Operations Group Limited.

	2019 $'000	2018 $'000
Results of parent entity		
Profit for the year after tax	5,240	6,175
Other comprehensive income	-	-
Total comprehensive income for the year	**5,240**	**6,175**
Financial position of the parent entity at year end		
Current assets	6,889	17,731
Non-current assets	197,518	175,538
Total assets	**204,407**	**193,269**
Current liabilities	5,355	3,483
Non-current liabilities	4,561	6,011
Total liabilities	**9,916**	**9,494**
Net assets of the parent entity at year end	**194,491**	**183,775**
Total equity of the parent entity comprising of:		
Share capital	220,905	215,670
Accumulated losses	(76,371)	(76,371)
Reserves	49,957	44,476
Total equity	**194,491**	**183,775**

Parent entity contingencies and commitments are outlined in note F1.

E5.2 INTERESTS IN OTHER ENTITIES

The consolidated financial statements incorporate the assets, liabilities and results of the following key subsidiaries. The below list excludes entities which are dormant and have not traded during the year ended 30 June 2019.

Name of entity	Direct equity interest	Indirect equity interest[1]
Consolidated Finance Group Pty Limited	100%	
CFG (Qld) Pty Limited		100%
QPFCFG Pty Limited		100%
Hal Group Pty Limited	100%	
BEN Leasing Portfolio Pty Limited		100%
Number Rentals Pty Limited		100%
Secured Finance Limited		100%
TL Rentals Pty Limited		100%
TL Rentals SPV NO 1 Pty Limited		100%
Centrepoint Finance Pty Limited	100%	
EF Systems Pty Limited		100%
Finance 2 Business Pty Limited		100%

E - Group Structure (continued)

E5 PARENT ENTITY DISCLOSURES

E5.2 INTERESTS IN OTHER ENTITIES

Name of entity	Direct equity interest	Indirect equity interest[1]
Platform Consolidated Group Pty Limited	66%	
Advance Car Loans Pty Limited		66%
Beinformed Group Pty Limited		66%
Melbourne Finance Broking Pty Limited		66%
Mildura Finance Pty Limited		66%
Platinum Direct Finance Australia Pty Limited		66%
Platinum Direct Finance (Central Coast) Pty Limited		33%
Platinum Fleet Pty Limited		46%
Consolidated Platform Aggregation Pty Limited		50%
Consolidated Platform Aggregation Unit Trust		63%
Fleet Avenue Pty Limited		33%
Fleet Network Pty Limited		53%
Vehicle and Equipment Finance Pty Limited		33%
Geelong Financial Group Vehicle and Equipment Finance Pty Limited		17%
Linx Group Holdings Pty Limited	50%	
Linx Finance Australia Pty Limited		50%
Linx Insurance Australia Pty Limited		50%
Linx Mortgage Australia Pty Limited		50%
Linx HF Pty Limited		50%
Linx HC Pty Limited		50%
Heritage Finance Management Pty Limited		25%
Heritage Finance Partnership		25%
Heritage Corporate Management Pty Limited		25%
Heritage Corporate Partnership		25%
Sovereign Tasmania Pty Limited		25%
QPF Holdings Pty Limited	56%	
Qld Pacific Finance Pty Limited		56%
QPF Insurance Pty Limited		42%
QPF Mortgages Pty Limited		56%
Security Allied Finance Pty Limited		56%
DLV (QLD) Pty Limited		28%

(1) Indirect equity interests represent the beneficial interest in entities which are non-wholly owned but are controlled entities of direct equity interests.

F - Other

F1 CONTINGENCIES AND COMMITMENTS

Deferred consideration
As outlined in note E1 effective 1 September 2018, the Group acquired 100% of Centrepoint Finance Pty Limited (Centrepoint) for $6,634k net consideration which includes contingent consideration of between $nil and $1,900k payable within three months subsequent to the end of the financial year ending 30 June 2020. The contingent consideration is based on EBITDA performance for the years ending 30 June 2019 and 30 June 2020.

The Group considers it highly probable that $nil deferred consideration will be payable, nonetheless the $1,900k should be considered a contingent liability at 30 June 2019.

Commitments
The Group has commitments to acquire share capital of various subsidiaries. The following commitments are based upon multiples of future financial years' normalised EBITDA and include an option for a one-year deferral by either party:

- Fleet Network Pty Limited (20% of share capital in the year ending 30 June 2020),
- Linx Group Holdings Pty Limited (5% of share capital in each of the years ending 30 June 2020, 2021 and 2023),
- Platform Consolidated Group Pty Limited (19% of share capital in each of the years ending 30 June 2020 and 2021),
- QPF Holdings Pty Limited (5% of share capital in each of the years ending 30 June 2020, 2021 and 2023).
- DLV (Qld) Pty Limited (from 1 July 2020 onwards up to 18% per annum solely at non-controlling shareholder discretion), and
- Vehicle and Equipment Finance Pty Limited (8.3% of VEF every 24 months (to up a maximum of 25%) solely at non-controlling shareholder discretion).

Contingencies
Corporate Facility - Bendigo Bank Limited
Bendigo Bank Limited (BEN) holds a registered security interest over certain assets of various subsidiaries of the Group. These security interests secure repayment of monies loaned by BEN to the Group; see note D2 for further information. Guarantees have also been provided by various subsidiaries of the Group with respect to the repayment of monies owing under the Corporate Facility. Amounts owed under this facility are outlined in note D2.

TL Rentals SPV No.1 Pty Limited
TL Rentals SPV No.1 Pty Limited (TLR SPV) is a 100% owned subsidiary of the Group funded primarily by an external party, Lease Collateral Pty Limited (LCL). TLR SPV borrows money from LCL to write new leases and acquire the underlying equipment under a principal and agency agreement with TL Rentals Pty Limited. To secure this facility, LCL holds a registered general security interest over the whole of the assets and undertakings of TLR SPV, together with guarantees from various entities within the Group. Amounts owed under this facility are included in Finance lease funding liabilities as outlined in note D2.

Debenture funding - Secured Finance Limited
The Group has granted to the Trustee of Secured Finance Limited (SFL), Australian Executor Trustees, a guarantee of the obligations of SFL to the debenture holders in SFL. The guarantee is secured by a limited recourse first ranking specific security interest over the leases written, including the underlying physical assets, using funds provided by the debenture holders in SFL only. The Trustee of SFL does not hold any security interest over the other assets of the Group. Amounts owed under this facility are outlined in note D2.

Westlawn Finance Limited guarantee
The Group has provided a guarantee to Westlawn Finance Limited in relation to finance lease funding arrangements provided to the Group's 100% owned subsidiary, TL Rentals Pty Limited. Amounts owed under this arrangement are included in Finance lease funding liabilities as outlined in note D2.

There are no other material contingencies or commitments at the end of the reporting period.

F - Other (continued)

F2 FINANCIAL RISK MANAGEMENT

The Group is exposed to various risks in relation to financial instruments. The main types of risks are credit risk and liquidity risk which are outlined in the following sections:

Credit risk:

- Note A7 Cash and cash equivalents
- Note C1 Trade and other receivables
- Note D1 Finance lease receivables

Liquidity risk:

- Note C2 Trade and other payables
- Note D2 Interest bearing liabilities

The Group's contract and other financial assets held at amortised cost are not exposed to credit risk arising from expected credit losses due to the high quality of counterparty and the lack of history of losses and non-recovery. The Group has an immaterial exposure to market risks.

The Board has overall responsibility for the establishment and oversight of the risk management framework. The Board oversees how management monitors compliance with the Group's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Group.

F3 OPERATING LEASE COMMITMENTS

Operating leases as lessee
The Group leases a number of office premises, motor vehicles and other equipment.

Future minimum lease payments
At 30 June 2019, the future minimum lease payments under non-cancellable leases were payable as follows:

	2019 $'000	2018 $'000
Future minimum lease payments		
Less than one year	1,853	2,177
Between one and five years	2,586	2,403
	4,439	**4,580**

Amounts recognised in profit or loss

	2019 $'000	2018 $'000
Lease expense	2,708	2,198

Accounting policy
Payments made under operating leases are recognised in the profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised as an integral part of the total lease expense, over the term of the lease. Associated costs, such as maintenance and insurance, are expensed as incurred.

F4 SUBSEQUENT EVENTS
There were no events that occurred after the end of the financial year that would materially affect the reported results or would require disclosure in this report.

F - Other (continued)

F5 AUDITOR'S REMUNERATION

	2019 $	2018 $
Audit services		
BDO East Coast Partnership	473,400	435,600
	473,400	**435,600**
Non-audit services		
BDO East Coast Partnership - financial model review	8,000	-
	8,000	**-**

F6 NEW OR AMENDED ACCOUNTING STANDARDS AND INTERPRETATIONS ADOPTED

Standards adopted in the current financial year

The Group has adopted all of the new or amended Accounting Standards and Interpretations issued by the Australian Accounting Standards Board that are mandatory for the current reporting period. The Group has initially applied AASB 15 and AASB 9 at 1 July 2018.

Note A2 outlines the impact of adopting AASB 15 using the cumulative effect method, under which the comparative information is not restated.

Note D3 outlines the impact of implementing AASB 9 to the Group's existing financial performance and position; including restatement of the prior period comparative information presented above. Note D3 also includes information as at 30 June 2017 to aid the users of the financial report to understand the impact on prior comparative periods.

Standards to be adopted in future financial years

AASB 16 Leases

The Group will adopt AASB 16 using the modified retrospective approach on 1 July 2019 consistent with the mandatory adoption date. The cumulative effect of adopting AASB 16 will be recognised as an adjustment to the opening balance of retained earnings at 1 July 2019, with no restatement of comparative information. The standard replaces AASB 117 *Leases* and will eliminate the classifications of operating leases and finance leases where the Group is a lessee (for example, office premises and motor vehicles).

Under AASB 16, the Group's accounting for operating leases as a lessee will result in the recognition of a right-of-use (ROU) asset and an associated lease liability in the Statement of Financial Position. The lease liability represents the present value of future lease payments. An interest expense will be recognised on the lease liabilities and a depreciation charge will be recognised for the ROU assets. The Group's accounting for leases as a lessor remains largely unchanged under AASB 16.

Transition

Management have completed an initial assessment of the potential impact on the Group's financial statements for the year ended 30 June 2019. The actual impact will depend on future economic conditions, including:

- the Group's borrowing rate,
- the composition of the Group's lease portfolio, and
- the Group's latest assessment of whether it will exercise any lease renewal options.

The Group has assessed the estimated impact that AASB 16 would have had on the Statement of Financial Position and the Statement of Comprehensive Income for the year ended 30 June 2019, using the modified retrospective approach noted below:

- new lease liabilities of $3,700k,
- new right-of-use assets of $3,200k,
- increase in depreciation expense of $1,400k,
- increase in interest expense of $200k, and
- reduction in occupancy expense of $1,600k.

The above are disclosures of potential impact and are not included in the reported Statement of Comprehensive Income or Statement of Financial Position for the year ended 30 June 2019.

Non-lease components of property leases

Under AASB 16, payments for non-lease components (such as property outgoings and taxes), are excluded from the lease liability unless an election is made to combine lease and non-lease components. A small portion of the Group's leased property portfolio has non-lease components embedded within their respective contract.

The Group has not elected to combine lease and non-lease components for its property leases. The expense related to the non-lease component continues to be recognised as an occupancy expense in the Statement of Comprehensive Income.

Directors’ Declaration

1. In the opinion of the Directors of Consolidated Operations Group Limited (the Company):

   a) the consolidated financial statements and notes of the Company and its controlled entities (the Group), are 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 performance for the financial year ended on that date; and

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

   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.

2. 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 for the financial year ended 30 June 2019.

3. The Directors draw attention to the Preface to the Notes to the to the consolidated financial statements, which includes a statement of compliance with International Financial Reporting Standards.

This declaration is made in accordance with a resolution of the Directors.

Patrick Tuttle
Chairman

Cameron McCullagh
Executive Director

20 August 2019

Tel: +61 2 9251 4100
Fax: +61 2 9240 9821
www.bdo.com.au

Level 11, 1 Margaret St
Sydney NSW 2000
Australia

INDEPENDENT AUDITOR'S REPORT

To the members of Consolidated Operations Group Limited

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Consolidated Operations Group Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 30 June 2019, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial report, including a summary of significant accounting policies, and the directors' declaration.

In our opinion the accompanying financial report of the Group, is in accordance with the *Corporations Act 2001*, including:

(i) Giving a true and fair view of the Group's financial position as at 30 June 2019 and of its financial performance for the year ended on that date; and

(ii) Complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Group in accordance with the *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 of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Expected credit loss - lease receivables

Key Audit Matter	*How addressed during audit*
The Group's disclosures in respect to the expected credit loss provision required under AASB 9 Financial Instruments are included note D1 of the financial statements. The calculation of the expected loss rate on the lease book required a significant amount of judgment and estimation by Management, in the determination of the impact of present conditions, as well as the macro-economic environment in the future. The critical assumptions used by Management are disclosed in note D1. This is a key audit matter because it was the first period of reporting under AASB 9 and there was a large degree of subjectivity in judgements and complexity of calculations.	Our procedures included but were not limited to: • Critically evaluating whether the model prepared by Management comply with the requirements of AASB 9 Financial Instruments. • Evaluating the completeness and accuracy of the historical data used in calculating the underlying loss rate. • Recalculating the mathematical accuracy of the impairment model and verifying the integrity of data inputs. • Assessing the reasonableness of key judgements and estimates made in relation to the current lease book and future economic conditions. • Applying a sensitivity analysis to Management's key assumptions to ensure the provision is materially correct. • We also assessed the adequacy of the Group's disclosures in relation to expected credit losses and Impairment.

Goodwill impairment assessment

Key Audit Matter	*How addressed during audit*
As required by AASB 136 Impairment of Assets, indefinite life intangible assets are required to be valued and assessed by Management annually. Impairment testing requires significant judgment and estimation by Management, in the determination of Cash Generating Units, cash flows, growth rates and discount rates. The critical assumptions used by Management are disclosed in note B2. The assumptions and complexity of the calculations, along with the quantum of the balance, have made the impairment assessment of goodwill a key audit matter.	In order to evaluate and challenge key assumptions used by Management in their impairment analysis, our procedures included but were not limited to: • Evaluating the appropriateness of Management's identification of the Group's cash generating units. • Critically evaluating whether the models prepared by Management comply with the requirements of AASB 136 Impairment of Assets. • Recalculating the mathematical accuracy of the impairment models. • Comparing the projected cash flows, including assumptions relating to revenue growth rates and operating margins, against historical performance to testing the accuracy of Management's projections. • In conjunction with our valuation specialists, assessing the discount rates and EBITDA multiples utilised in the recoverable amount calculations. • Applying a sensitivity analysis to Management's key assumptions. • We also assessed the adequacy of the Group's disclosures in relation to Goodwill and Impairment.

Lease receivables - carrying value

Key Audit Matter	*How addressed during audit*
AASB 117 Leases required finance leases to be recognised as a receivable at an amount equal to the net investment in the lease. There are a number of critical judgements and estimates required in determining the cash flows of the lease including the timing and amount of secondary income, terminations and losses. The disclosure and management's key estimates in relation to lease receivables can be found in D1 and D3.	Our procedures included but were not limited to: • Understanding and testing the internal control environment around the initial recognition and measurement of lease receivables. • Testing a sample of lease receivables to ensure that the balance at year end complies with the requirements of AASB 117 Leases. • Assessing the mathematical accuracy of the calculations performed to value the lease receivables at year end, ensuring that the implicit

The carrying value of lease receivables is a key audit matter due to the complexity involved in the lease calculations and judgements made by Management.	interest rate in the lease is used to calculate the present value. • Performing analytical procedures to understand movements and trends in lease receivables over the financial year. • Assessing the reasonableness of capitalised direct costs as well as the secondary income assumed to be earned at the end of the lease based on available historical data. • Critically evaluating the expected credit loss model required under AASB 9 Financial Instruments, including the key judgements disclosed above. • We also assessed the adequacy of the Group's disclosures in relation to lease receivables.

Other information

The directors are responsible for the other information. The other information comprises the information in the Company's annual report for the year ended 30 June 2019, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors for the Financial Report

The directors of the 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 the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the ability of the Group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website (http://www.auasb.gov.au/Home.aspx) at:

http://www.auasb.gov.au/auditors_files/ar1.pdf.

This description forms part of our auditor's report.

Report on the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in the directors' report for the year ended 30 June 2019.

In our opinion, the Remuneration Report of Consolidated Operations Group Limited, for the year ended 30 June 2019, complies with section 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 section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

BDO East Coast Partnership

BDO

Gareth Few

Gareth Few
Partner

Sydney, 20 August 2019

ASX Additional Information

Additional information required by the ASX Limited Listing Rules and not disclosed elsewhere in the report is set out below. The information is effective 13 August 2019.

Substantial Shareholders
The number of substantial shareholders and their associates, based on the latest Form 604 lodged, are set out below:

Shareholder	No. of ordinary shares (1)	% of Total
NAOS ASSET MANAGEMENT LIMITED	317,091,896	23.64%
GEGM INVESTMENTS PTY LIMITED	248,431,001	19.00%
SANDON CAPITAL INV LTD A/C	95,917,445	9.20%

Distribution of equity securities
There were 158 holders of less than a marketable parcel of ordinary shares.

Range	No. of ordinary shares	%	No. of holders	%
100,001 and Over	1,322,758,223	98.62	401	40.38
10,001 to 100,000	17,654,242	1.32	367	36.96
5,001 to 10,000	553,799	0.04	68	6.85
1,001 to 5,000	314,086	0.02	101	10.17
1 to 1,000	16,906	0.00	56	5.64
Total	**1,341,297,256**	**100.00**	**993**	**100.00**

All ordinary shares carry one vote per share and carry rights to dividends.

Range	No. of options	%	No. of holders	%
100,001 and Over	6,857,143	100.00	1	100.00
10,001 to 100,000	0	0.00	0	0.00
5,001 to 10,000	0	0.00	0	0.00
1,001 to 5,000	0	0.00	0	0.00
1 to 1,000	0	0.00	0	0.00
Total	**6,857,143**	**100.00**	1	**100.00**

Options do not carry the right to vote or to dividends until exercised.

(1) All information as provided by shareholder in the Substantial Shareholder lodgement notices.

ASX Additional Information (continued)

Twenty largest holders of quoted equity securities

Rank	Twenty largest shareholders	A/C designation	No. of shares held	% of total
1	NATIONAL NOMINEES LIMITED		383,447,253	28.59
2	GEGM INVESTMENTS PTY LTD		235,272,303	17.54
3	ONE MANAGED INVT FUNDS LTD	SANDON CAPITAL INV LTD A/C	74,227,890	5.53
4	UBS NOMINEES PTY LTD		58,180,381	4.34
5	LINX HOLDINGS PTY LTD	LINX FINANCE HOLDINGS A/C	55,067,958	4.11
6	WESTLAWN FINANCE LIMITED		35,883,428	2.68
7	AUST EXECUTOR TRUSTEES LTD	GFFD	23,897,957	1.78
8	AUSTRALIAN EXECUTOR TRUSTEES LIMITED	NO 1 ACCOUNT	20,207,813	1.51
9	C-FLAG PTY LTD		14,358,698	1.07
10	FIDUCIO PTY LTD	LE A/C	13,962,387	1.04
11	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED		13,031,028	0.97
12	ROSEMARY LAURENCE PTY LTD	ROSEMARY LAURENCE S/F A/C	9,750,000	0.73
13	MATTSALL PTY LTD	MATTSALL A/C	9,600,000	0.72
14	MR ANGUS MCCULLAGH		8,050,587	0.60
15	MARKSUE CRAIN PTY LTD	MARKSUE CRAIN SUPER FUND A/C	8,000,000	0.60
16	A & M CRAIN SUPER PTY LTD	CRAIN SUPER FUND A/C	7,947,826	0.59
17	MELBOURNE FINANCE BROKING (HOLDINGS) PTY LTD	MELB FIN BROKING UNIT A/C	7,837,480	0.58
18	MR PETER JOHN SCHAMPERS	PJS FAMILY A/C	7,771,312	0.58
19	LEZAK NOMINEES PTY LTD	LEZAK NOMINEES S/F A/C	7,718,409	0.58
20	MFB INVESTMENTS NO 2 PTY LTD	MELB FIN INV UNIT NO 2 A/C	7,590,350	0.57
		Total	**1,001,803,060**	**74.69**
		Balance of register	**339,494,196**	**25.31**
		Grand total	**1,341,297,256**	**100.00**

Option holders greater than 20%	No. of options held	% of total
Andrew Bennett	6,857,143	100.00

Securities exchange
COG is listed on the Australian Securities Exchange under ASX code COG.

ASX Additional Information (continued)

Listing Rule 3.13.1 and 14.3

Further to Listing Rule 3.13.1 and Listing Rule 14.3, the Annual General Meeting of COG is scheduled for 15 November 2019

DIRECTORS

Patrick Tuttle - Independent Non-executive Chairman
Bruce Hatchman - Non-executive Director
Steve White - Non-executive Director
Cameron McCullagh - Executive Director
Rohan Ford - Executive Director

SECRETARY

David Franks

SENIOR MANAGEMENT

Andrew Bennett - Chief Executive Officer

REGISTERED OFFICE

C/O David Franks
Level 5, 129 Phillip Street
Sydney NSW 2000
Phone 1300 288 664

AUDITORS

BDO East Coast Partnership
1 Margaret Street
Sydney NSW 2000
Phone: 1300 138 991
Internet: https://www.bdo.com.au/en-au/sydney

SHARE REGISTRY

Link Market Services Limited
Locked Bag A14
Sydney South NSW 1235
Phone: (02) 8280 7111
Fax: (02) 9287 0303
Email: registrars@linkmarketservices.com.au
Internet: www.linkmarketservices.com.au

KEY DATES

Annual General Meeting Date: 15 November 2019