RESIMAC GROUP LTD

Appendix 4E (rule 4.3A)

Preliminary final report
for the year ended 30 June 2020

ABN: 55 095 034 003

ASX CODE: RMC

APPENDIX 4E (rule 4.3A)

PRELIMINARY FINAL REPORT FOR THE YEAR ENDED 30 JUNE 2020

RESULTS FOR ANNOUNCEMENT TO THE MARKET

(All comparisons to year ended 30 June 2019)	FY20 $'000	Up/ down	Movement from FY19 %
Revenue from ordinary activities	**471,303**	Up	1%
Profit from ordinary activities after tax attributable to members	**55,908**	Up	18%
Net comprehensive income for the year attributable to members	**55,112**	Up	28%

DIVIDENDS	Amount per share (cents)	Franked amount per security (cents)
Final FY20 dividend declared (25 August 2020)	**1.80**	**1.80**
Interim FY20 dividend paid (27 March 2020)	**1.20**	**1.20**
	3.00	**3.00**
Previous corresponding period:		
Final FY19 dividend paid (30 September 2019)	1.50	1.50
Interim FY19 dividend paid (25 March 2019)	1.00	1.00
	2.50	2.50

Record date for determining entitlements to the dividend	28 August 2020
Date the final dividend is payable	25 September 2020

Dividend Reinvestment Plan

The Company's Dividend Reinvestment Plan (DRP) will apply to the final dividend payment. The allocation price for shares under the DRP will be calculated at the average of the daily volume weighted average price of Resimac Group Ltd ordinary shares traded on the ASX over the 5 day trading period commencing on the second business day after the record date. The shares will be issued at a discount of 2.5%. DRP elections can be made via the Computershare online portal.

APPENDIX 4E (rule 4.3A)

PRELIMINARY FINAL REPORT FOR THE YEAR ENDED 30 JUNE 2020

1) Previous corresponding period

The previous corresponding period is the year ended 30 June 2019.

2) Net tangible assets per security

Net tangible assets per security is $0.44 (FY19: $0.36).

3) Explanation of results

This information should be read in conjunction with any public announcements made in the period by the Group in accordance with the continuous disclosure requirements of the *Corporations Act 2001* and the ASX Listing Rules.

The information provided in this report contains all the information required by ASX Listing rule 4.3A.

Normalised earnings

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

	FY20 $'000
Statutory NPAT	**56,007**
Non-recurring other income - rebate	**(385)**
Tax effect of normalised items	**116**
Normalised NPAT	**55,738**

4) Details of entities over which control has been gained or lost during the year

Gained: International Acceptance Investment Pty Limited and its controlled entities (IA Group) - 1 January 2020

Lost: None

5) Details of associates and joint venture entities

The company does not have any associates and joint venture entities during the year.

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

The foreign entities of the company comply with Australian Accounting Standards (AASB).

7) Audit

This report is based on the financial report audited by Deloitte Touche Tohmatsu.

8) Commentary on results for the year

Commentary on results for the year are contained in the ASX release accompanying this statement.

Warren McLeland

Warren McLeland
Chairman

Sydney
25 August 2020

APPENDIX 4E (rule 4.3A)

PRELIMINARY FINAL REPORT FOR THE YEAR ENDED 30 JUNE 2020

CONTENTS

CONSOLIDATED STATEMENT OF PROFIT OR LOSS
FOR THE YEAR ENDED 30 JUNE 2020

	Note	**FY20 $'000**	FY19 $'000
Interest income	1	**459,305**	445,233
Interest expense	2	**(270,680)**	(327,380)
Net interest income		**188,625**	117,853
Fee and commission income	1	**11,340**	18,982
Fee and commission expense	2	**(36,088)**	(31,515)
De-recognition of investment in Associate (Finsure)		**-**	5,810
Gain on disposal of subsidiary (Paywise)		**-**	13,104
Other income	1	**658**	4,540
Employee benefits expense	2	**(35,886)**	(37,658)
Other expenses	2	**(26,358)**	(24,208)
Loan impairment expense	2	**(22,012)**	(2,966)
Profit before tax		**80,279**	63,942
Income tax expense		**(24,272)**	(16,757)
PROFIT AFTER TAX		**56,007**	47,185
Attributable to:			
Owners of the parent		**55,908**	47,185
Non-controlling interest		**99**	-
		56,007	47,185

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2020

	Note	FY20 $'000	FY19 $'000
PROFIT AFTER TAX		**56,007**	47,185
Other comprehensive income, net of income tax			
Items that will not be reclassified subsequently to profit or loss:			
Reversal of prior year reserve on trust wind up		**-**	(39)
Fair value movement on investment in BNK Banking Corporation Limited ("BNK") through OCI, net of tax		**(657)**	(2,065)
Items that may be reclassified subsequently to profit or loss:			
Changes in fair value of cash flow hedges		**522**	(3,995)
Tax effect		**(157)**	1,199
Currency translation differences		**(508)**	669
Other comprehensive income, net of tax		**(800)**	(4,231)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**55,207**	42,954
Attributable to:			
Owners of the parent		**55,112**	42,954
Non-controlling interest		**95**	-
		55,207	42,954

	Note	FY20 cents per share	FY19 cents per share
Earnings per share			
Basic	8	**13.75**	11.75
Diluted	8	**13.72**	11.75

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2020

	Note	**FY20 $'000**	FY19 $'000
ASSETS			
Cash and cash equivalents	3	**365,987**	224,790
Trade and other receivables		**5,974**	10,699
Loans and advances	4	**12,506,012**	10,341,913
Contract assets		**41,954**	48,648
Other financial assets		**7,181**	5,120
Derivative financial assets		**52,592**	56,575
Other assets		**3,627**	3,145
Plant and equipment		**2,192**	2,110
Right-of-use assets	5	**12,279**	-
Goodwill and intangible assets		**28,893**	23,457
		13,026,691	10,716,457
LIABILITIES			
Trade and other payables		**25,891**	25,294
Current tax payable		**24,293**	6,690
Provisions		**4,630**	4,050
Interest-bearing liabilities	6	**12,685,616**	10,450,621
Lease liabilities	7	**13,622**	-
Other financial liabilities		**20,797**	22,901
Derivative financial liabilities		**3,277**	1,565
Other liabilities		**3,339**	2,907
Deferred tax liabilities		**3,540**	6,305
		12,785,005	10,520,333
NET ASSETS		**241,686**	196,124
EQUITY			
Share capital		**181,895**	180,548
Reverse acquisition reserve		**(61,541)**	(61,541)
Total issued capital		**120,354**	119,007
Reserves		**(7,556)**	(7,197)
Retained earnings		**128,694**	84,314
Equity attributable to owners of the parent		**241,492**	196,124
Non-controlling interest		**194**	-
		241,686	196,124

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2020

	Share capital	Reverse acquisition reserve[1]	Total issued capital	Reserves[2]	Retained earnings	Attributable to owners of the parent	Non-controlling interest	Total
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Balance as at 1 July 2019	**180,548**	**(61,541)**	**119,007**	**(7,197)**	**84,314**	**196,124**	**-**	**196,124**
Adoption of AASB 16, net of income tax	**-**	**-**	**-**	**-**	**(339)**	**(339)**	**-**	**(339)**
Adjusted Balance as at 1 July 2019	**180,548**	**(61,541)**	**119,007**	**(7,197)**	**83,975**	**195,785**	**-**	**195,785**
Profit for the year	**-**	**-**	**-**	**-**	**55,908**	**55,908**	**99**	**56,007**
Other comprehensive income, net of income tax	**-**	**-**	**-**	**(796)**	**-**	**(796)**	**(4)**	**(800)**
Total comprehensive income for the year	**-**	**-**	**-**	**(796)**	**55,908**	**55,112**	**95**	**55,207**
Transactions with owners in their capacity as owners								
Acquisition of non-controlling interest	**-**	**-**	**-**	**-**	**-**	**-**	**99**	**99**
Option to acquire the shares of subsidiary	**-**	**-**	**-**	**(188)**	**-**	**(188)**	**-**	**(188)**
Issue of shares under the Dividend Reinvestment Plan	**1,017**	**-**	**1,017**	**-**	**-**	**1,017**	**-**	**1,017**
Exercise of share options	**330**	**-**	**330**	**-**	**-**	**330**		**330**
Equity dividends	**-**	**-**	**-**	**-**	**(10,966)**	**(10,966)**	**-**	**(10,966)**
Share-based payments	**-**	**-**	**-**	**402**	**-**	**402**	**-**	**402**
Reallocation	**-**	**-**	**-**	**223**	**(223)**	**-**	**-**	**-**
Balance at 30 June 2020	**181,895**	**(61,541)**	**120,354**	**(7,556)**	**128,694**	**241,492**	**194**	**241,686**

1. As a result of reverse acquisition accounting, an equity account was created as a component of equity. This account called 'Reverse acquisition reserve' is similar in nature to share capital. The Reverse acquisition reserve is not available for distribution.
2. Comprises cash flow hedge reserve, foreign currency translation reserve, fair value reserve, share-based payments reserve and other reserves.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2020

	Share capital	Reverse acquisition reserve[1]	Total issued capital	Reserves[2]	Retained earnings	Attributable to owners of the parent	Non-controlling interest	Total
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Balance as at 1 July 2018	177,340	(61,541)	115,799	(3,011)	49,937	162,725	-	162,725
Adoption of AASB 9, net of income tax	-	-	-	-	(5,213)	(5,213)	-	(5,213)
Adjusted balance as at 1 July 2018	177,340	(61,541)	115,799	(3,011)	44,724	157,512	-	157,212
Profit for the year	-	-	-	-	47,185	47,185	-	47,185
Other comprehensive income, net of income tax	-	-	-	(4,231)	-	(4,231)	-	(4,231)
Total comprehensive income for the year	-	-	-	(4,231)	47,185	42,954	-	42,954
Transactions with owners in their capacity as owners								
Issue of shares under the Dividend Reinvestment Plan	3,208	-	3,208	-	-	3,208	-	3,208
Equity dividends	-	-	-	-	(7,595)	(7,595)	-	(7,595)
Share-based payments	-	-	-	45	-	45	-	45
Balance at 30 June 2019	180,548	(61,541)	119,007	(7,197)	84,314	196,124	-	196,124

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2020

	Note	FY20 $'000	FY19 $'000
Cash flows from operating activities			
Interest received		**471,027**	452,335
Interest paid		**(263,991)**	(318,583)
Receipts from loan fees and other income		**46,728**	51,674
Payments to suppliers and employees		**(154,961)**	(150,270)
Payments of net loans to borrowers		**(3,573,593)**	(1,713,838)
Income tax paid		**(9,079)**	(9,736)
Net cash used in operating activities		**(3,483,869)**	(1,688,418)
Cash flows from investing activities			
Payment for plant, equipment and intangible assets		**(279)**	(2,456)
Repayment of loans to related parties		**(2,408)**	(6)
Payments for new investments		**(3,000)**	(2,000)
Acquisition of subsidiary (IA Group)		**(6,000)**	-
Cash acquired on acquisition of subsidiary (IA Group)		**1,087**	-
Proceeds on disposal of Paywise		**250**	12,000
Cash on disposal of Paywise		**-**	(9,994)
Net cash used in investing activities		**(10,350)**	(2,456)
Cash flows from financing activities			
Proceeds from borrowings		**9,560,872**	8,748,825
Repayment of borrowings		**(7,364,980)**	(7,027,463)
Proceeds of loans sold to external party (Athena)		**1,453,212**	-
Proceeds from exercise of options		**330**	-
Payment of lease liabilities		**(1,671)**	-
Swap payments		**(2,090)**	(949)
Payment of dividends		**(9,949)**	(4,387)
Payment of finance lease		**-**	(252)
Net cash provided by financing activities		**3,635,724**	1,715,774
Net increase in cash and cash equivalents		**141,505**	24,900
Cash and cash equivalents at the beginning of the financial year (1 July)		**224,790**	198,905
Effects of exchange rate changes on cash balances held in foreign currencies		**(308)**	985
Cash and cash equivalents at end of year	3	**365,987**	224,790

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

	AUSTRALIAN LENDING		**NEW ZEALAND LENDING**		**PAYWISE[1]**		**CONSOLIDATED**	
	FY20	FY19	**FY20**	FY19	**FY20**	FY19	**FY20**	FY19
	$'000	$'000	**$'000**	$'000	**$'000**	$'000	**$'000**	$'000
Revenue from external customers	**447,982**	439,646	**23,321**	22,056	**-**	7,053	**471,303**	468,755
Total segment revenue	**447,982**	439,646	**23,321**	22,056	**-**	7,053	**471,303**	468,755
Segment results before tax, depreciation, amortisation, finance costs and impairment	**106,740**	69,498	**3,227**	2,834	**-**	432	**109,967**	72,764
Depreciation and amortisation	**(1,021)**	(1,090)	**(11)**	(11)	**-**	(158)	**(1,032)**	(1,259)
Loan impairment	**(21,653)**	(3,041)	**(359)**	75	**-**	-	**(22,012)**	(2,966)
Finance costs	**(6,283)**	(4,334)	**(361)**	(263)	**-**	-	**(6,644)**	(4,597)
Segment results before income tax	**77,783**	61,033	**2,496**	2,635	**-**	274	**80,279**	63,942
Income tax expense [2]							**(24,272)**	(16,757)
PROFIT AFTER TAX							**56,007**	47,185

1. FY19 includes Paywise segment for the period from 1 July 2018 to 30 April 2019.
2. Income tax expense is grouped on a consolidated basis, not by reportable operating segment.

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

	AUSTRALIAN LENDING		**NEW ZEALAND LENDING**		**PAYWISE**		**CONSOLIDATED**	
	FY20	FY19	**FY20**	FY19	**FY20**	FY19	**FY20**	FY19
	$'000	$'000	**$'000**	$'000	**$'000**	$'000	**$'000**	$'000
Segment assets	**12,444,285**	10,210,822	**582,406**	505,635	**-**	**-**	**13,026,691**	10,716,457
	12,444,285	10,210,822	**582,406**	505,635	**-**	**-**	**13,026,691**	10,716,457
Segment liabilities	**(12,201,825)**	(10,019,239)	**(555,347)**	(488,099)	**-**	**-**	**(12,757,172)**	(10,507,338)
Net assets excl. tax	**242,460**	191,583	**27,059**	17,536	-	-	**269,519**	209,119
Tax liabilities [3]							**(27,833)**	(12,995)
NET ASSETS							**241,686**	196,124

3. Tax liabilities are grouped on a consolidated basis, not by reportable operating segment.

1. Income

	AUSTRALIAN LENDING		NEW ZEALAND LENDING		PAYWISE		CONSOLIDATED	
	FY20	FY19	**FY20**	FY19	**FY20**	FY19	**FY20**	FY19
	$'000	$'000	**$'000**	$'000	**$'000**	$'000	**$'000**	$'000
Primary geographical markets								
Australia	**10,934**	13,130	**-**	-	**-**	5,557	**10,934**	18,687
New Zealand	**-**	-	**406**	295	**-**	-	**406**	295
	10,934	13,130	**406**	295	**-**	5,557	**11,340**	18,982
Major service lines								
Mortgage origination	**-**	2,532	**-**	-	**-**	-	**-**	2,532
Loan management	**7,307**	7,150	**-**	-	**-**	-	**7,307**	7,150
Salary packaging	**-**	-	**-**	-	**-**	2,679	**-**	2,679
Vehicle financing commission	**-**	-	**-**	-	**-**	2,878	**-**	2,878
Net loan fees	**3,627**	3,448	**406**	295	**-**	-	**4,033**	3,743
	10,934	13,130	**406**	295	**-**	5,557	**11,340**	18,982
Timing of revenue recognition								
Service transferred at a point in time	**10,934**	13,130	**406**	295	**-**	5,557	**11,340**	18,982
Revenue from contracts with customers	**10,934**	13,130	**406**	295	**-**	5,557	**11,340**	18,982
Interest income	**434,497**	422,305	**24,808**	22,756	**-**	172	**459,305**	445,233
Other income	**2,551**	4,211	**(1,893)**	(995)	**-**	1,324	**658**	4,540
External revenue as reported in segment information	**447,982**	439,646	**23,321**	22,056	**-**	7,053	**471,303**	468,755

2. Expenses

	FY20 $'000	FY19 $'000
Interest		
Bond and warehouse facilities	**259,467**	317,198
Amortisation – bond issue costs	**8,517**	6,987
Discount unwind on NPV of trail commission	**1,311**	1,525
Corporate facility	**767**	1,670
Interest on lease liabilities	**618**	-
	270,680	327,380
Fee and commission		
Mortgage origination	**434**	1,788
Loan management	**22,898**	19,353
Borrowing costs	**6,730**	5,777
Other financing costs	**6,026**	4,597
	36,088	31,515
Employee benefits		
Remuneration, bonuses, superannuation and on-costs	**35,305**	37,614
Share-based payments	**581**	44
	35,886	37,658
Other		
Marketing	**3,277**	3,570
IT	**6,561**	4,826
Audit and other professional fees	**5,719**	3,745
Rent and occupancy costs	**1,395**	4,011
Insurance	**1,369**	1,017
Depreciation and amortisation	**1,032**	1,259
Depreciation charge of right-of-use assets	**1,920**	-
Other	**5,085**	5,780
	26,358	24,208
Loan impairment	**22,012**	2,966
	391,024	423,727

3. Cash and cash equivalents

	FY20 $'000	FY19 $'000
Cash at bank and on hand	**27,757**	10,566
Cash collections account [1]	**336,730**	212,723
Restricted cash [2]	**1,500**	1,501
	365,987	224,790

1. Cash collections account includes monies in the Special Purpose Vehicles and securitisation trusts on behalf of members in those Trusts and various clearing accounts. These funds are not available for operational use.
2. Cash held in trust as collateral.

4. Loans and advances

	FY20 $'000	FY19 $'000
Gross loans and advances		
Loans and advances	**12,518,394**	10,337,020
Capitalised incentive costs	**41,624**	35,263
Capitalised mortgage insurance costs	**94**	214
Deferred mortgage fee	**(17,400)**	(14,137)
Loans from related parties	**(2)**	(2)
	12,542,710	10,358,358
Less: allowance for impairment	**(36,698)**	(16,445)
	12,506,012	10,341,913

5. Non-current assets – right-of-use assets

	FY20 $'000	FY19 $'000
Balance at the beginning of the period	**-**	-
Additions[1]	**14,015**	-
Acquisition of IA Group	**191**	
Depreciation	**(1,920)**	-
Foreign exchange	**(7)**	
Balance at 30 June 2020	**12,279**	-
Right-of-use assets at cost	**14,256**	-
Less: accumulated depreciation	**(1,977)**	-
Total right-of-use assets	**12,279**	-

1. Includes the right-of-use assets on transition to AASB 16 *Leases* as at 1 July 2019 and the additions during the year.

6. Interest-bearing liabilities

	FY20 $'000	FY19 $'000
Debt securities on issue	**12,421,861**	10,232,170
Corporate debt facility	**5,000**	30,000
Issuance facilities	**258,755**	186,051
Debt securities on issue - related parties	**-**	2,400
	12,685,616	10,450,621

7. Lease liabilities

Lease liabilities included in the Statement of Financial Position	**FY20 $'000**	FY19 $'000
Balance as at 1 July 2019	**-**	-
Addition[1]	**14,803**	
Acquisition of IA Group	**497**	
Interest incurred	**618**	-
Payment of lease liabilities	**(2,289)**	-
Foreign exchange	**(7)**	
Balance as at 30 June 2020	**13,622**	-

1. Includes the lease liabilities on transition to AASB 16 *Leases* as at 1 July 2019 and the additions during the year.

Current	**1,566**	-
Non-current	**12,056**	
	13,622	-

8. Earnings per share

	FY20	FY19
Profit attributable to ordinary equity holders of the parent ($'000)	**55,908**	47,185
WANOS [1] used in the calculation of basic EPS (shares, thousands)	**406,536**	401,433
Dilutive effect of share options	**1,100**	241
WANOS [1] used in the calculation of diluted EPS (shares, thousands)	**407,636**	401,674
Earnings per share		
Basic (cents per share)	**13.75**	11.75
Diluted (cents per share)	**13.72**	11.75

1. Weighted average number of shares

Calculation of earnings per share

8.1 Basic earnings per share

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

8.2 Diluted earnings per share

Diluted earnings per share is calculated by:

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

8. Earnings per share (continuation)

8.3 Calculation of WANOS

Twelve months to 30 June 2020

The number of Resimac Group shares issued:

- **From 1 July 2019 to 29 September 2019 (100,893,180)**
  The number of Resimac ordinary shares on issue of 405,790,153 multiplied by the ratio of days outstanding (91/366); plus

- **From 30 September 2019 to 26 March 2020 (198,845,864)**
  - The number of Resimac shares on issue (405,790,153) at 29 September 2019; plus
  - Additional shares issued on 30 September 2019 under the DRP (788,540) multiplied by the ratio of days outstanding (179/366).

- **From 27 March 2020 to 11 May 2020 (51,134,070)**
  - The number of Resimac shares on issue (406,578,693) at 26 March 2020; plus
  - Additional shares issued on 27 March 2020 under the DRP (270,644) multiplied by the ratio of days outstanding (46/366).

- **From 12 May 2020 to 30 June 2020 (55,662,478)**
  - The number of Resimac shares on issue (406,849,337) at 11 May 2020; plus
  - Additional shares issued on 27 March 2020 under the LTI (600,000) multiplied by the ratio of days outstanding (50/366).

Twelve months to 30 June 2019

The number of Resimac Group shares issued:

- **From 1 July 2018 to 11 October 2018 (112,692,648)**
  The number of Resimac ordinary shares on issue of 399,347,732 multiplied by the ratio of days outstanding (103/365); plus

- **From 12 October 2018 to 24 March 2019 (179,788,553)**
  - The number of Resimac shares on issue (399,347,732) at 12 October 2018; plus
  - Shares issued on 12 October 2018 under the DRP (791,425) multiplied by the ratio of days outstanding (164/365).

- **From 25 March 2019 to 30 June 2019 (108,951,877)**
  - The number of Resimac shares on issue (400,139,157) at 25 March 2019; plus
  - Additional shares issued on 25 March 2019 under the DRP (5,650,996) multiplied by the ratio of days outstanding (98/365).

9. Acquisition of subsidiary

On 1 January 2020 Resimac acquired 60% of the issued share capital of IA Group for $6.0m, with an option to acquire the remaining 40% for $8.0m expiring on 31 December 2021. IA Group is a finance company participating in both secured commercial and consumer lending. IA Group has an on balance sheet portfolio of over $50 million and is involved in all aspects of the lending cycle including origination, underwriting, servicing, treasury and collections. The investment is in line with Resimac's diversification strategy and facilitates expansion into new secured asset classes.

The fair value of the purchase consideration is $6.0m which resulted in the acquisition of two instruments:

- 60% interest in the equity interest in the IA Group; and
- An option to acquire the remaining 40% for additional consideration of $8.0m

Purchase consideration

	$'000
Base equity value for 60% of issued shares	**5,812**
Option to acquire remaining 40%	**188**
Consideration paid for shares and option	**6,000**

Consideration for option

The option that entitles Resimac to acquire the remaining 40% for $8.0m is recognised within equity at the fair value of the option in the consolidated financial statements. The option does not give rise to deferred or contingent consideration.

The assets and liabilities recognised as a result of the acquisition are as follows:

	Fair value $'000
Assets	
Cash at bank	**1,087**
Trade and other receivables	**175**
Loans and advances	**54,085**
Other assets	**73**
Plant and equipment	**494**
Right-of-use assets	**191**
Intangible assets	**114**
Total assets	**56,219**
Liabilities	
Trade and other payables	**(1,295)**
Provisions	**(75)**
Interest-bearing liabilities	**(54,001)**
Lease liability	**(497)**
Deferred tax liability	**(104)**
Total liabilities	**(55,972)**
Fair value of identified net assets	**247**
Less: Non-controlling interest	**(99)**
Add: goodwill	**5,664**
Cash consideration	**5,812**

9. Acquisition of subsidiary (continuation)

Subsequent to the acquisition accounting, goodwill becomes subject to impairment tests which are undertaken at least annually, or if and when there are indicators that goodwill may be impaired.

Acquired loans receivable

The fair value of acquired loans receivables is $54,085,000. The gross contractual amount for loans receivable due is $54,580,000, with a loan loss provision of $495,000 recognised on acquisition.

Accounting policy choice for non-controlling interests

The Group recognises non-controlling interests in an acquired entity either at fair value or at the non-controlling interest's proportionate share of the acquired entity's net identifiable assets. This decision is made on an acquisition-by-acquisition basis. For the non-controlling interests in IA Group, the Group elected to recognise the non-controlling interests at its proportionate share of the acquired net identifiable assets.

Revenue and profit contribution

IA Group contributed revenue of $3,096,837 and net profit of $247,940 to the Group for the period from 1 January to 30 June 2020.

If the acquisition had occurred on 1 July 2019, consolidated pro-forma revenue and profit for the year ended 30 June 2020 would have been $6,242,015 and $747,263 respectively.

Acquisition-related costs

Acquisition-related costs of $134,975 not directly attributable to the acquisition are included in other expenses in the statement of profit or loss, and in operating cash flows in the statement of cash flows.

10. Subsequent events

10.1 Final dividend declared

The Board of Resimac Group Ltd declared a fully-franked final dividend of $0.018 per share. The Record Date is 28 August 2020. The payment date will be 25 September 2020. The dividend has not been provided for in this financial report.

Other than the above, there have been no circumstances arising since 30 June 2020 that have significantly affected or may significantly affect:

(a) The operations

(b) The results of those operations, or

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

10.2 Funding programmes

The RESIMAC Bastille 2020-1NC transaction was settled on 30 July 2020 and is a domestic non-conforming issue with a total issuance size of $1 billion equivalent.

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The Board of Directors
Delarey Nell
Partner
Chartered Accountants

25 August 2020

Dear Board Members

Auditor's Independence Declaration to Resimac Group Limited

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

As lead audit partner for the audit of the financial report of Resimac for the year ended 30 June 2020, I declare that to the best of my knowledge and belief, there have been no contraventions of:

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

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

Yours faithfully

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

Delarey Nell
Partner
Chartered Accountants

Deloitte.

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

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Resimac Group Limited (the "Entity") and its subsidiaries (the "Group") which comprises the consolidated statement of financial position as at 30 June 2020, the consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information, and the directors' declaration.

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

(i) giving a true and fair view of the Group's financial position as at 30 June 2020 and of their financial performance for the year then ended; and

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

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Report section of our report. We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional & Ethical Standards Board's *APES 110 Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of the Company, would be in the same terms if given to the directors as at the time of this auditor's report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report for the 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.

Key Audit Matter	How the scope of our audit responded to the Key Audit Matter
Loan Loss Provisioning under AASB 9 Financial Instruments As at 30 June 2020 the Group has recognised provisions amounting to $36.7m for impairment losses on loans and	Our procedures in conjunction with our specialists included, but were not limited to: - Assessing whether the model adequately addresses the requirements of the relevant accounting standard;

<table>
<tr><td>advances held at amortised cost in accordance with the Expected Credit Loss (ECL) model as disclosed in note 6.

Significant management judgement was necessary in determining expected credit losses, including:
- Assumptions used in the ECL model such as the identification of exposures with a significant movement in credit quality to determine whether 12-month or lifetime ECL should be recognised, probability of default, loss given default and other macroeconomic factors disclosed in Note 22 and 23; and
- The application of the requirements of AASB 9 as reflected in the Group's ECL model particularly in light of the current economic environment following the outbreak of COVID-19.</td><td>- Evaluating management's assessment of the impact of COVID-19 on the loan portfolio and hence the estimate of ECL;
- Testing, on a sample basis, individual exposures to determine if they are classified into appropriate default stages and aging buckets for the purpose of determining impairment loss provision;
- Independently develop a model, using inputs and assumptions applied by management, to assess the reasonableness of assumptions driving probabilities of default (PD), Loss Given Default (LGD) and Exposure at Default (EAD); and
- Assessing reasonableness of management overlays to the modelled collective provision by taking into account recent history and performance of the relevant portfolios.

We also assessed the appropriateness of the disclosures within notes 6, 22 and 23 of the financial statements.</td></tr>
<tr><td>Goodwill Impairment Assessment

As at 30 June 2020, the group has a goodwill balance of $27.4 million as disclosed in note 11.

In accordance with AASB 136 Impairment of Non-Current Assets, cash-generating units (CGU) to which goodwill is allocated are required to be tested for impairment at least annually by comparing the CGU's carrying value with its recoverable amount.

Significant management judgement is required in determining recoverable amount of the CGU including, but not limited to the:
- Identification of appropriate Cash Generating Units (CGU) to which goodwill is allocated for the purpose of impairment testing;
- Selection of appropriate valuation methodology; and
- Determination of assumptions and estimates in the valuation methodology, in particular those affected by current economic conditions following the outbreak of COVID-19 such as control premium and price-earnings multiples.</td><td>In conjunction with our valuation specialists, our procedures included, but were not limited to:

- Evaluating the appropriateness of management's identification of the Group's CGUs and testing of key controls over the impairment assessment process, including the identification of indicators of impairment such as the carrying value exceeding the market capitalisation;
- Assessing appropriateness of the valuation methodology applied in determining the recoverable amount of the CGU;
- Assessing the reasonableness of the key assumptions used by management in the impairment model and whether they are suitably adjusted to reflect the current economic environment especially in light of COVID-19; and
- Testing the mathematical accuracy of the impairment model.

We also assessed the appropriateness of the disclosures in note 11 in the financial statements.</td></tr>
<tr><td>Future trailing commissions

As at 30 June 2020, the net present value of future trailing commissions receivable (contract asset) and payable by the Group is $41.9 million and $20.8 million respectively as disclosed in Note 1 and 15.

The determination of the net present value</td><td>Our procedures included, but were not limited to:

- Challenging the reasonableness of management's assumptions applied, including discount rate and the run-off; and
- Independently recalculating the NPV model using the inputs and assumptions applied by management, to recalculate the valuation of trail commission receivable and payable. This was compared to management's valuation, in</td></tr>
</table>

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of trailing commissions required management to exercise judgement with regard to the selection of the discount rate, run off rates applied to the model.	order to test the integrity and mathematical accuracy of management's model; We also assessed the appropriateness of the notes 1 and 15 of the financial statements

Other Information

The directors are responsible for the other information. The other information comprises the information included in the Group's annual report for the year ended 30 June 2020 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.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

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

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the Group's audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial report of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 12 to 24 of the Directors' Report for the year ended 30 June 2020.

In our opinion, the Remuneration Report of the Resimac Group Limited, for the year ended 30 June 2020, 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.

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

Delarey Nell
Partner
Chartered Accountants
Sydney, 25 August 2020