27 August 2020

Manager of Company Announcements
ASX Limited
Level 6, 20 Bridge Street
SYDNEY NSW 2000

By E-Lodgement

Appendix 4E, Audited Financial Statements and Annual Report

Consolidated Operations Group Limited (ASX: COG) ("COG" or "the Company") attaches the following documents in relation to FY2020:

- Appendix 4E
- Audited Financial Statements and Annual Report

This release has been authorised by the COG Board.

For further information please contact:

Andrew Bennett	Cameron McCullagh
Chief Executive Officer	Executive Director
0405 380 241	0439 998 818

Who We Are

Consolidated Operations Group (COG) has two complementary businesses:

1. Asset Finance Broking. Through our membership group serving independent brokers and COG's equity owned brokers (brokers in which we have invested), we are Australia's largest asset finance group, representing over $[4] billion per annum of Net Asset Finance (NAF). We will grow NAF through organic growth and further equity investment in brokers.
2. Product. Through broker distribution, TL Rentals provide equipment finance to SMEs.

In both businesses we are small parts of large markets, with growth opportunities through consolidation and organic growth.

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 2020

Comparisons are to the year ended 30 June 2019

	30 June 2020 (1) $'000	30 June 2019 $'000	up/down	% movement
Revenue from continuing operations	218,548	217,447	up	1%
Net profit/(loss) from continuing operations	(5,371)	8,488	down	163%
Net profit/(loss) from continuing operations after tax, attributable to members	(10,046)	4,300	down	334%

	30 June 2020 (1) Cents	30 June 2019 Cents
Earnings/(loss) per share, attributable to members	(0.68)	0.32
	30 June 2020 (1) $'000	**30 June 2019 $'000**
Net assets	**192,387**	**198,974**
Less: Intangible assets	(141,698)	(159,129)
Non-controlling interests	(18,204)	(20,874)
Right-of-use lease assets	(5,524)	-
Net tangible assets	**26,961**	**18,971**
NTA per share (cents) (2)	**1.72**	**1.43**

Commentary and explanations of the results

The financial report of the Company for the financial year ended 30 June 2020 presents the consolidated financial performance for the Group. Additional Appendix 4E disclosure requirements, commentary, and explanation of the results for the financial year are contained in the Directors' Report and the accompanying Financial Report dated 27 August 2020.

Dividends

The Board has declared a final dividend of $2,386k (0.152 cents per fully paid ordinary share). This dividend will be paid on 23 October 2020 out of the Company's profit reserve at 30 June 2020 to all shareholders registered on the record date of 24 September 2020 and will be 100% franked. The ex-dividend date for entitlement will be 23 September 2020.

For the purpose of declaring a final dividend for the year ended 30 June 2020, the Board resolved to vary the Company's dividend policy, and to declare a dividend based on the Group's underlying profit after tax, attributable to members, after adjusting for certain non-recurring and non-cash items. The dividend will be paid out of prior years' profits appropriated to the Company's profit reserve (and not offset against accumulated losses).

Notes

(1) The Group has adopted **AASB 16 *Leases*** at 1 July 2019. Note F5 outlines the impact of adopting AASB 16 using the modified retrospective approach, under which comparative information is not restated.

(2) The increase in NTA per share (cents) reflects the Group's increase in participation in controlled entities during the year ended 30 June 2020, 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 2020 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

Appendix 4E & Preliminary Final Report

Results for announcement to the market
Year ended 30 June 2020

Dividends

The Company established a Dividend Reinvestment Plan (DRP) for its shareholders on 5 February 2020. The DRP will apply to the final dividend for the year ended 30 June 2020 and will remain in place until further notice. Participation in the DRP is optional and available to eligible shareholders of fully paid ordinary shares in the Company with a registered address in Australia or New Zealand as at the record date of 24 September 2020. Shareholders who successfully participate in the DRP for the final FY20 dividend will be issued shares at a share price determined in accordance with the DRP Rules based on the average daily volume weighted average price ("VWAP") during the period of 10 days commencing on 25 September 2020. The Board has determined that a discount of 5% on the Market Price will apply to new shares issued under the DRP.

Changes in control and significant influence

There were no changes in control or significant influence during the year ended 30 June 2020. The notes to the financial statements (see Note E1) outline controlled entities over which the Group has increased its participation during the year ended 30 June 2020.

Patrick Tuttle
27 August 2020

Consolidated Operations Group Limited
and its controlled entities

ABN 58 100 854 788

Annual Financial Report

For the year ended 30 June 2020

Contents

Chairman's Letter

I am pleased to present Consolidated Operations Group Limited's (COG or the Company) Annual Report for the year ended 30 June 2020. This is my second annual report as Independent Chair of the Board. I am excited to provide you with context on the Group's performance and an update on our future strategic priorities.

During 2020, COG has continued to successfully implement 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 Financing business; and
- expanding its lending into mid-prime lending products for distribution through its finance broking network.

The evolving implementation of these strategies is evident in our 2020 financial performance, with underlying net profit after tax and amortisation of intangibles arising from business combinations (NPATA) attributable to COG shareholders increasing by 6% on the prior year to $8.4m. This is a pleasing result in view of the year's challenging trading conditions, initially impacted by devastating drought and bushfires, and more recently by the unprecedented COVID-19 pandemic.

Highlights for FY20 included:

- Net Asset Finance (NAF) settled increased by 7% to $4.5b, representing circa 17% market share[1] of broker originated NAF;
- underlying NPATA (after non-controlling interests) increased by 6% to $8.4m (FY19: $7.9m), further demonstrating the resilience of the core finance broking business during a difficult trading environment;
- declaration of an inaugural fully-franked final dividend of 0.152 cents per fully paid ordinary share calculated with reference to normalised statutory Net Profit After Tax (after non-controlling interests), and to be paid out of the Company's profit reserve as at 30 June 2020;
- increased Management focus on cost synergies and coordinated Group support to enhance the delivery of services across COG's finance broker network;
- launch of a new chattel mortgage product which is expected to increase lending volumes over time;
- significant progress on the implementation of a new integrated IT lending system, which is expected to go live in the first half of FY21, allowing the Group to significantly enhance its product offering and deliver future growth in lending volumes; and
- Management's decisive response to the risks posed by the COVID-19 pandemic, with a core focus on employee well-being, cashflow and liquidity, cost management and ongoing customer support; and
- The Company's strategic intention to increase its investment in Westlawn Finance Limited.

Since commencing its Finance Broking & Aggregation services business in December 2015, COG has rapidly built its presence through an acquisition driven strategy. From December 2015 to date, COG has acquired aggregation platforms and finance brokers for a combined consideration of approximately $121.4m funded by a mix of new COG shares issued to vendors ($33.7m) and cash ($87.7m). During and subsequent to FY20, COG has completed three acquisitions of additional interests from minority shareholders in entities already controlled by the Group, as outlined in Notes E1 and F3 of the attached financial report.

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

COG currently has an estimated market share of 17% of annual net asset finance originated by finance brokers, making it Australia's largest aggregator of finance broker originated asset finance. In FY20, COG settled an aggregated $4.5b of NAF, up 7% from $4.2b in FY19. The asset finance broker market remains fragmented and COG retains its intent to achieve a 20% market share through further targeted acquisitions and organic growth.

COG's commercial lending business has experienced a year of significant change with a comprehensive restructure necessitated in direct response to the COVID-19 pandemic, the launch of a new brand (TL Commercial) and a new finance product (chattel mortgage), in addition to the ongoing implementation of an enhanced IT lending platform. COG reaffirms its strategy to deliver profitable lending growth commensurate with the Group's risk appetite, leveraging our market-dominant distribution network.

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

Review of operations - Group performance

The following table provides shareholders with a summary of COG's underlying and statutory results for the year ended 30 June 2020:

Year ended 30 June	Underlying (1)			Statutory		
$'m	2020	2019	Change %	2020	2019	Change %
Revenue	**222.2**	**217.2**	**2%**	**218.5**	**217.4**	**1%**
Finance Broking & Aggregation	194.0	184.4	5%	194.1	184.5	5%
Commercial Equipment Financing	21.1	23.9	-12%	17.2	23.9	-28%
Other	7.1	8.9	-20%	7.2	9.0	-20%
EBITDA	**31.2**	**29.9**	**4%**	**14.4**	**29.9**	**-52%**
EBITDA after non-controlling interests (NCI)	**21.3**	**21.8**	**-2%**	**4.8**	**21.8**	**-78%**
Profit attributable to NCI	**5.0**	**4.3**	**16%**	**4.7**	**4.2**	**12%**
Profit / (loss) after NCI	**5.2**	**5.4**	**-4%**	**-10.0**	**4.3**	**-333%**
NPATA (2) after NCI	**8.4**	**7.9**	**6%**	**-6.8**	**7.2**	**-194%**

(1) On an underlying basis excluding impairment charge (FY20 $12.0m, FY19 $0.8m), non-cash change in accounting estimate adjustment (FY20: $3.9m), redundancy and restructuring costs (FY20 $0.9m) and transaction costs (FY20 $0.7m, FY19 $0.9m)

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

For the year ended 30 June 2020:

- Revenue was $222.2m, an increase of 2% on the prior comparative period (pcp);
- Earnings before interest, taxes, depreciation and amortisation (EBITDA) from core operations, and before minority interests, was $31.2m, an increase of 4% on the pcp;
- Underlying profit after tax, attributable to members of the Group, was $5.2m, a decrease of 4% on the pcp; and
- Net profit after tax and amortisation of intangibles arising from business combinations (NPATA), attributable to members of the Group, was $8.4m, an increase of 6% on the pcp.

Depreciation and amortisation of $9.6m is a non-cash item and has increased by 38% on the pcp. This is primarily due to an increase of $1.6m in depreciation of right-of-use lease assets due to the first-time adoption of AASB 16 *Leases* during the financial year (refer Note B4 to the financial statements) as well as an increase in amortisation of acquired intangibles to $6.1m for the period, as compared to $5.4m in the pcp. Intangible assets recognised on the acquisition of businesses are amortised over their estimated useful life.

The Group's net asset position as at the end of the period was $192.4m (30 June 2019: $199.0m).

Proposed CML Merger

During the financial year COG entered into a Scheme Implementation Agreement with CML Group Limited (CML) (ASX:CGR), an ASX listed entity that provides finance to small and medium-sized enterprises (SME), for the purpose of merging the two companies and establishing a leading financial services group. Due to a counter-offer from another company deemed superior by the CML Board, the proposed COG merger with CML did not proceed.

On 6 December 2019, the Group issued 137,998,617 shares under a non-renounceable entitlement offer, raising proceeds of $12.4m. The Group also made a share placement for the shortfall under the entitlement offer, thereby raising an additional $7.8m from the issue of a further 86,412,925 shares. The funds raised from these share issues were used to acquire an interest in CML. These equity securities represent a strategic investment in CML that is not held for trading. Hence any changes to the fair value of these equity securities (except for interest or dividend income) are recognised in other comprehensive income (refer Note D4 to the financial statements). This has resulted in a other comprehensive loss of $13.1m in FY20 attributable to changes in the equity securities fair value. COG is now a substantial shareholder of CML and currently holds a 17.36% interest in that company (refer Note E6 to the financial statements).

COVID-19 Pandemic
The COVID-19 pandemic has led to an increasingly uncertain economic environment, which has caused significant volatility and disruption in both financial markets and across the wider Australian economy, mainly from March 2020 onwards. The main financial impacts of COVID-19 on the financial performance of the Group have been a $10.8m write-down in the value of goodwill for the Commercial Equipment Financing (CEF) segment, and a material increase to 4.5% (FY19: 3.4%) in the expected credit loss (ECL) provision held against our finance lease portfolio. Slower SME business activity combined with a decline in forecast cash flows and a more uncertain macro-economic outlook have contributed to the related write-downs of goodwill and finance lease receivables. The ongoing impact of the pandemic on COG will depend on a range of factors, including:

- duration and severity of the pandemic;
- nature and extent of Government stimulus measures; and
- the macro-economic environment and its effect on SMEs in Australia.

Review of operations - Segment performance
COG's business consists of three operating segments, with each segment's results from core operations, shown in the table above.

Finance Broking & Aggregation (FB&A)
The Finance Broking & Aggregation segment operations continued to grow with the net amount financed through COG's aggregation businesses totalling $4.5b in 2020, an increase of 7% on the prior year. The higher NAF is attributable to full year contributions from 2019 acquisitions, new 2020 acquisitions, and strong performances overall from businesses in this segment. Revenues increase by 5% to $194.0m, and EBITDA contribution attributable to COG shareholders slightly decreased by 2% to $11.1m in 2020.

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 performance across the segment. In the previous year, COG implemented a new IT platform acquired as part of Centrepoint Finance Group, known as "*BROOS"*. This, along with "*Platform Connect" (IT platform that replaced "Evolved")*, have been designed to interface directly with our finance 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 2020 COG acquired additional interests from minority shareholders in existing, Group-controlled entities, Platform Consolidated Group and Fleet Network. Since the end of the financial year COG has also acquired an additional interest in its controlled entity, Heritage Group.

Commercial Equipment Financing (CEF)
During the financial year ended 30 June 2020, the Group focused on the implementation of a new IT integrated lending system, whilst expanding its in-house product capability. The new integrated system is expected to go live in the first half of FY21 and will allow the Group to significantly enhance its product offering, paving the way for future growth in origination volumes.

In June 2020, the Company launched a new chattel mortgage product which is an equipment financing loan secured by a mortgage over the asset being financed. The number and value of chattel mortgage contracts is expected to increase over time due to certain Government tax write-off incentives favouring this form of asset financing. Management intends to leverage COG's finance broker network for the purpose of distributing this new product.

Due to the challenging trading conditions presented by the COVID-19 pandemic, the Group scaled back its direct lending operations in March 2020 to focus on the management and collection of its portfolio of lease receivables. As a result of this restructure, the Group incurred redundancy and restructuring costs of $678k (before tax). As previously noted, the ECL provision held against the portfolio was increased to 4.5% (FY19: 3.4%) of gross receivables. In FY20 the Group also reassessed the assumptions used to estimate unguaranteed secondary income recoverable against terminated finance lease receivables in the future, resulting in a $3.9 million non-cash reduction in finance lease receivables in the current year.

Commercial Equipment Financing (CEF)

Although a number of lessees have been granted financial hardship relief, the operations of the Commercial Equipment Financing business unit have now stabilised. The Group recommenced new lending activity with the launch of its chattel mortgage product in June 2020, which has been met with a positive response from brokers and their customers.

The impact of the COVID-19 pandemic on the Group's ECL estimates is disclosed and further explained in Note D1 to the financial statements.

COG continues to focus on the next steps of its strategy, being the expansion of its lending activities into mid-prime products for distribution through its finance broking network. In the medium-term, COG is targeting for around 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 2021 financial year.

Other

Disposal of non-core businesses

In March 2019, COG published an information memorandum for the sale of its 100% owned IT managed services business units, the Sydney-based Hal IT, and Business Works based in Melbourne. In 2020, the sale process was indefinitely postponed due to the COVID-19 pandemic. Until the economy stabilises, it is unlikely that a buyer for these businesses, on terms acceptable to COG, will be identified. The prospect of a sale transaction is therefore low.

During FY20, the IT managed services businesses performed well as compared to the prior year. Overall, the businesses operated more efficiently, achieving better margins. Savings in IT, telecommunication and personnel expenses also contributed to the favourable profit result for this division.

Dividend

Since the end of the financial year the Board declared a final dividend of $2,386k (0.152 cents per fully paid ordinary share). This dividend will be paid on 23 October 2020 out of the Company's profit reserve as at 30 June 2020 to all shareholders registered on the record date of 24 September 2020 and will be fully franked. The ex-dividend date for entitlement will be 23 September 2020.

For the purpose of declaring a final dividend for the year ended 30 June 2020, the Board resolved to vary the company's dividend policy, and to declare a dividend based on the Group's underlying profit after tax, attributable to members, after adjusting for certain non-recurring and non-cash items. The dividend will be paid out of prior years' profits appropriated to the Company's profit reserve (and not offset against accumulated losses).

The Company established a Dividend Reinvestment Plan (DRP) for its shareholders on 5 February 2020. The DRP will apply to the final dividend for the year ended 30 June 2020 and will remain in place until further notice. The Board has determined that a discount of 5% on the Market Price will apply to new shares issued under the DRP.

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 17% 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 continues to seek complementary acquisitions where the price and synergies available are appropriate
   - COG is targeting a minimum 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

Strategic Objectives

1. Establish a leading position in the equipment finance broking market

1.1. Organic growth of COG owned brokers

1.2. Expand membership revenue and deliver enhanced services in Member Broker Aggregation businesses (CFG, Platform and Centrepoint)

2. Expand in-house Commercial Equipment Financing products and operational capability

- Organic growth of commercial equipment financing portfolio
- Continue to enhance our integrated IT lending system to support increased portfolio size
- Expand product offering to include auto loans and equipment finance leases, utilising risk-based product pricing commensurate with our funding costs
- Leverage the Group's captive broker distribution network (equity owned brokers and independent aggregation services network partners)

3. Introduce new sources of diversified, low cost funding

- Establish capital-light sources of funding which minimise the Group's direct credit exposure, including managed investment schemes which deliver annuity-style management fee income
- This will further diversify the Group's earnings between broker, fee and commission income, coupled with management fee and net interest margin income from lending activities
- De-risk the Group's balance sheet and reduce direct economic exposure to ECL from future lending activities

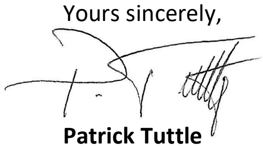
Director and Key Management Personnel changes

On 24 September 2019, Rohan Ford resigned as an Executive Director of the Company. I would like to personally thank Rohan for his valuable contribution to the Board, noting that his ongoing involvement and experience within the Group will be retained, as Rohan continues to hold the position of Chief Executive Officer of the Linx Australia Group, a 50% owned COG subsidiary.

On 15 November 2019, Mark Crain was appointed as an Executive Director of the Company. Mark has over 20 years' experience in banking and finance, with the last 15 years specialising in commercial asset finance. After completing his International Business degree, Mark held roles at National Australia Bank and Mercedes-Benz Finance. In 2008, Mark joined QPF (now a 56% owned COG subsidiary) and has since developed a strong client base and established a number of broker partnership models with national vendors and financiers. Mark has also been heavily involved in various acquisitions since QPF joined COG in 2016. His appointment has provided the Group with extensive commercial experience that will further support the successful execution of the Company's strategy.

Finally, on behalf of the Board, I would like to thank our staff, partners, funders, customers, and shareholders for your continued support. It is genuinely appreciated and never taken for granted. I would also like to record my thanks to our Board of Directors and our Management team, led by our CEO, Andrew Bennett, for their tremendous passion, commitment and hard work during the most challenging year in our Group's relatively short history. Rest assured we remain highly focused on the continued successful execution of the Group's strategy, managing growth and delivering enhanced value to all of our key stakeholders.

Yours sincerely,



Patrick Tuttle
Chairman
27 August 2020

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 2020.

Director details
The following persons were Directors of the Company during or since the end of the financial year:
Patrick Tuttle - Chairman
Bruce Hatchman - Non-executive Director
Steve White - Non-executive Director
Cameron McCullagh - Executive Director
Rohan Ford - Executive Director (resigned 24 September 2019)
Mark Crain - Executive Director (appointed 15 November 2019)

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 Group Limited (ASX: MQG), 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: Openpay Group Limited (Non-Executive Chairman)
- Previous Directorships (listed companies in the last 3 years): None
- Interests in shares: 2,650,046

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: 729,166
- Interests in debentures of a related entity (Secured Finance Limited): $85,331

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 Australian Financial Services Licence for 10 years. Steve continues to be engaged in 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: 3,757,083
- Interests in debentures of a related entity (Secured Finance Limited): $376,286

Cameron McCullagh
FCA, B. Bus

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

Cameron has over 40 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 AS White Global Pty Limited, which has over 1,000 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: 296,484,461
- Interests in debentures of a related entity (Secured Finance Limited): $65,802

Mark Crain
B. International Bus, Diploma Finance & Mortgage Broking Management

- Executive Director
- Director since 2019

Mark has over 20 years' experience in banking and finance, with the last 15 years specialising in commercial asset finance. After completing his International Business degree, Mark held roles at NAB and Mercedes-Benz Finance. In 2008, Mark joined QPF (now a 56% owned finance broking business of COG) and has since developed a strong client base and established a number of broker partnership models with national vendors and financiers. Mark has been heavily involved in various acquisitions since QPF joined COG in 2016 and has recently joined the COG Board as an Executive director.

- Interests in shares: 13,156,349
- Other Directorships: None
- Previous Directorships: None

Rohan Ford
B. Bus (Accounting)

- Executive Director
- Director since 2017 (Mr Ford ceased to be a COG director on 24 September 2019)

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 $550m 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: None
- Interests in shares: 56,599,748 (at time of resignation)

Company Secretary
David Franks - BEc, CA, F Fin, JP
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 a number of ASX listed and unlisted public and private companies.

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 earnings per share by investing in complementary entities and growing existing businesses that specialise in equipment financing, broking, and aggregation.

Review of operations and financial results

The financial report for the year ended 30 June 2020 presents the consolidated financial performance for the Group.

Profit/(loss) after tax, attributable to members of the Group for the year ended 30 June 2020 was a loss of $10.0m (2019: profit of $4.3m). Earnings per share, attributable to members from continuing operations was a loss of 0.68 cents per share for the year (2019: profit of 0.32 cents per share).

The Group's net asset position as at the end of the financial year was $192.4m (2019: $199.0m).

Likely developments

As previously announced to the market, the Company intends to continue acquiring equipment finance broking entities where there is a strategic, cultural, and commercial fit, and is committed to a broker accumulation strategy.

In assessing future business acquisitions, strict acquisition criteria will be applied, including the requirement that an acquisition is earnings per share accretive for the Group within 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 Financing (CEF) segment is to increase value by selectively writing leases and loans of sub to mid prime credit quality and with a focus on growing the new product offering for chattel mortgages. During the year ended 30 June 2020, COG recognised a goodwill impairment and an increase in expected credit losses within CEF. This is mainly due to the expected change in mix of new business lending, which will shift away from sub-prime operating lease products to lower margin, lower risk chattel mortgage products, coupled with lower projected volumes in new CEF lending as the Australian economy recovers from the effects of the COVID-19 pandemic in FY21 and beyond. The Directors are also focused on the development of additional sources of funding, additional sales resources and alliances with vendors.

COG has also announced its strategic intention to increase its investment in Westlawn Finance Limited (Westlawn), and to make it the main funding vehicle for its lending activities within FB&A. Westlawn's funding activities will be expanded to include the establishment of a managed investment scheme, which will increase the amount of funds under management, and also enable its future lending activities to progress in a capital efficient manner.

Dividends

Since the end of the financial year the Board of COG declared a final dividend of $2,386k (0.152 cents per fully paid ordinary share). This dividend will be paid on 23 October 2020 out of the Company's profit reserve at 30 June 2020 to all shareholders registered on the record date of 24 September 2020 and will be 100% franked. The ex-dividend date for entitlement will be 23 September 2020.

For the purpose of declaring a final dividend for the year ended 30 June 2020, the Board resolved to vary the company's dividend policy, and to declare a dividend based on the Group's underlying profit after tax, attributable to members, after adjusting for certain non-recurring and non-cash items. The dividend will be paid out of prior years' profits appropriated to the Company's profit reserve (and not offset against accumulated losses).

The Company established a Dividend Reinvestment Plan for its shareholders on 5 February 2020. The DRP will apply to the final dividend for the year ended 30 June 2020 and will remain in place until further notice.

Events subsequent to reporting date

On 12 August 2020, Linx Group Holdings Pty Limited (LGH) (50% owned by COG) acquired an additional 13.33% equity interest in Heritage Group for total cash consideration of $639.9k, resulting in LGH's ownership increasing to 63.33%, and COG's indirect ownership increasing to 31.7%, effective 1 July 2020.

Apart from the 2020 final dividend declared on the date of this report, no other matter or circumstance has arisen since 30 June 2020 that has significantly affected the Group's operations, results or state of affairs, or may do so in future years.

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	11	11	2	2	2	2
Bruce Hatchman	11	11	2	2	2	2
Steve White	11	11	2	2	2	2
Cameron McCullagh	11	11	-	-	-	-
Rohan Ford	9	9	-	-	-	-
Mark Crain	7	7	-	-	-	-

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, and
- to ensure remuneration is competitive in the relevant employment marketplace 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 based on earnings growth and increases in share price. Non-executive directors are remunerated through fixed fees only.

Remuneration report - audited

b. Remuneration structure

Executive Remuneration

Appropriate fixed remuneration and variable short and long-term remuneration have been determined based on market competitive rates and benchmarking.

Short term incentives

The Short-term Incentive (STI) scheme is designed to link management outcomes to the financial results of the Group, which in turn drive shareholder returns.

The STI scheme for Andrew Bennett and John McRae (Group CFO), were granted effective 1 July 2019 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 2020. For all STIs there was no minimum incentive, all STI that does not vest is forfeited, and STI payment is contingent upon continued employment with the Group until payment date.

The STI for Mr Bennett and Mr McRae were based on an annual assessment of performance, with the maximum STI payable for 2020 being $100,000 and $50,000, respectively.

Long term incentives

The Group has granted the following options under its Long-term Incentive (LTI) plan to Andrew Bennett, as part of his remuneration package:

- 6,857,143 equity-settled share options were granted on 25 July 2018, and entitle Mr Bennett to acquire one share in COG for each option held, at a strike price of 10.5 cents per share
- 3,225,806 equity-settled share options were granted on 25 July 2019, and entitle Mr Bennett to acquire one share in COG for each option held, at a strike price of 10.5 cents per share

All of the above options have vested and remain outstanding at 30 June 2020. The options will lapse if not exercised on the earlier of the date of termination of his employment, and the date three years subsequent to the option grant date.

Under the terms of his employment contract, Mr Bennett is entitled to receive a further grant of options with a grant date value of $100,000. As at the date of this report, those options have not been granted to him.

No other KMP were eligible to participate in the LTI plan in 2020. No options have been granted over unissued shares during or since the end of the financial year.

Remuneration report - audited

b. Remuneration structure

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.

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

	1 July 2019 to 31 March 2020 $	1 April 2020 to 30 June 2020(1) $
Base fees		
Chairman	150,000	112,500
Other directors	65,000	52,000
Additional fees		
Audit committee - Chairman	10,000	8,000

(1) Reflects temporary 25% decrease in Chairman's fee and 20% decrease in Other directors fees due to impact of COVID-19 pandemic.

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 2020.

	Fixed remuneration %	Variable remuneration short-term %	Variable remuneration long-term %
Executive Directors			
Cameron McCullagh - Executive Director	100%	nil	nil
Mark Crain - 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	66%	17%	17%
John McRae - Group Chief Financial Officer	87%	13%	nil

The above table does not include disclosures for non-continuing KMP, Rohan Ford (former Executive Director).

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:

	2020 (1)	2019	2018	2017	2016
Net profit/(loss) after tax ($'000)	(10,046)	4,300	3,833	(1,732)	14,208
Dividends paid (cents per share)	0.152	-	-	-	-
Share price at 30 June (cents)	5.6	9.6	10.0	13.0	12.5
EPS (cents per share)	(0.7)	0.3	0.3	(0.2)	2.9
Total KMP Remuneration ($'000)	1,536	1,646	1,564	1,880	1,078

(1) The 2020 financial performance includes several non-cash and non-recurring items, as disclosed in the *Review of operations and financial results* section of the Directors Report, and the adoption of AASB 16 *Leases* by the Group in the FY20 financial year (see Note F5 to the financial statements). The 2020 results are therefore not directly comparable to prior years.

Remuneration report - audited

d. Key Management Personnel remuneration

The remuneration of KMP of COG during the year is set out in the following table and reflects temporary decreases in fixed remuneration from 1 April 2020 due to the impact of the COVID-19 pandemic:

			Short-term benefits		Post-			Share-based		Performance
		Fixed remuneration	STI cash bonus	Non-cash benefits	employment benefits (1)	Termination	Other long-term benefits (2)	payments (equity)	Total	based remuneration
		$	$	$	$	$	$	$	$	%
Executive Directors										
Cameron McCullagh (3)	2020	86,282	-	325	7,125	-	(565)	-	93,167	0.0%
	2019	108,396	-	585	9,297	-	2,225	52,083	172,586	0.0%
Rohan Ford (4)	2020	58,184	-	-	5,661	-	2,315	-	66,160	0.0%
	2019	228,022	-	-	20,493	-	3,112	-	251,627	0.0%
Mark Crain (5)	2020	168,131	-	-	14,989	-	16,834	-	199,954	0.0%
Non-executive Directors (6)										
Patrick Tuttle (7)	2020	128,425	-	-	12,200	-	-	-	140,625	0.0%
	2019	70,256	-	-	6,674	-	-	-	76,930	0.0%
Bruce Hatchman (7)	2020	60,500	-	-	5,748	-	-	-	66,248	0.0%
	2019	71,750	-	-	6,816	-	-	-	78,566	0.0%
Steve White (7)	2020	56,393	-	-	5,357	-	-	-	61,750	0.0%
	2019	49,605	-	-	4,713	-	-	-	54,318	0.0%
Senior executives										
Andrew Bennett (8)	2020	365,520	75,000	1,299	21,003	-	2,327	100,000	565,149	31.0%
	2019	341,885	100,000	1,169	20,531	-	817	240,000	704,402	48.3%
John McRae (11)	2020	296,250	25,000	-	21,003	-	680	-	342,933	7.3%
Former KMP										
Nathan Thomas (9)	2019	230,658	37,500	1,883	18,820	-	-	-	288,861	13.0%
David Gray (10)	2019	16,667	-	-	1,583	-	-	-	18,250	0.0%
Total	**2020**	**1,219,685**	**100,000**	**1,624**	**93,086**	**-**	**21,591**	**100,000**	**1,535,986**	**13.0%**
Total	**2019**	**1,117,239**	**137,500**	**3,637**	**88,927**	**-**	**6,154**	**292,083**	**1,645,540**	**22.9%**

(1) Post-employment benefits are wholly comprised of Superannuation
(2) Other long-term benefits are wholly comprised of Long service leave
(3) Reflects a temporary decrease in Mr McCullagh's fixed remuneration to $39,000 per annum effective from 1 April 2020
(4) Mr Ford ceased to be a KMP on 24 September 2019
(5) Mr Crain commenced as a KMP on 15 November 2019. Fixed remuneration for services as a COG director reflects a temporary 20% decrease effective from 1 April 2020
(6) Total remuneration paid to COG Non-executive Directors in 2020 amounts to $268,623 and is within the cap of $400,000 per annum
(7) Fixed remuneration reflects a temporary decrease (25% Chairman and 20% Other directors) effective from 1 April 2020
(8) Fixed remuneration reflects a temporary decrease of 25% effective from 1 April 2020
(9) Mr Thomas ceased as a KMP on 31 May 2019
(10) Mr Gray ceased as a KMP on 16 November 2018
(11) Mr McRae commenced as a KMP on 1 July 2019. Fixed remuneration reflects a temporary 25% decrease effective from 1 April 2020

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 2018	On market purchase	Off market transfer	KMP change (1)	30 June 2019	On market purchase	On market sale	KMP change (1)	30 June 2020 (2)
Executive Directors									
Cameron McCullagh	**249,631,001**	3,275,799	-	-	**252,906,800**	43,577,661	-	-	**296,484,461**
Rohan Ford	**58,433,585**	-	(1,833,837)	-	**56,599,748**	-	-	(56,599,748)	**-**
Mark Crain	**-**	-	-	-	**-**	-	-	13,156,349	**13,156,349**
Non-executive Directors									
Patrick Tuttle	**-**	2,271,468	-	-	**2,271,468**	378,578	-	-	**2,650,046**
Bruce Hatchman	**625,000**	-	-	-	**625,000**	104,166	-	-	**729,166**
Steve White	**3,643,750**	-	-	-	**3,643,750**	308,333	(195,000)	-	**3,757,083**
Senior Management									
Andrew Bennett	**-**	-	-	700,000	**700,000**	-	-	-	**700,000**
John McRae	**-**	-	-	-	**-**	-	-	-	**-**
Former KMPs									
David Gray	**1,678,409**	400,000	-	(2,078,409)	**-**	-	-	-	**-**
Nathan Thomas	**100,000**	-		(100,000)	**-**	-	-	-	**-**
	314,111,745	**5,947,267**	**(1,833,837)**	**(1,478,409)**	**316,746,766**	**44,368,738**	**(195,000)**	**(43,443,399)**	**317,477,105**

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

Details of options issued to Andrew Bennett under his employment contract are shown above in the *Long term incentives* section of this report (Andrew Bennett is the only KMP granted options).

There were no shares issued on the exercise of options granted as remuneration during the financial year (2019: 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	$109,500	No set term	12 weeks	12 weeks
Mark Crain	$219,000	No set term	2 months	2 months
Andrew Bennett	$385,471	No set term	3 months	3 months (4)
John McRae	$300,000	No set term	3 months	3 months (4)

(1) Fixed Remuneration includes statutory Superannuation contributions, and is before the temporary remuneration decreases attributable to the impact of the COVID-19 pandemic, as disclosed elsewhere in this report
(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) In the event of redundancy due to a take-over or merger of COG, a severance package of 12 months base salary including notice period and any redundancy entitlements will apply

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 (rounded up to the nearest whole number), to retire from office and if eligible seek re-election at each annual general meeting.

g. Other Key Management Personnel transactions

Indemnification for vendor program losses

During the 2019 and 2018 financial years the Group's CEF segment was party to 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 settled these lessee obligations for a lower value than the amount it was contractually entitled to receive over the term of the lease. Cameron McCullagh, Executive Director, indemnified the Group for the majority of this loss. As part of this indemnity, Mr McCullagh paid an amount of $1,023,160 in June 2019 to the Group to offset the net cash loss incurred in settling these obligations in the previous financial year. The indemnification is included in Other Operating Revenue in Note A2 to the financial report, and the vendor program partner loss recorded in Administration expenses in the Consolidated Statement of Comprehensive Income.

Loans from Key Management Personnel and their related entities

During 2020, KMP invested $450,000 (2019: $4,194,000) in fixed interest debentures issued by Secured Finance Limited, a COG controlled entity. Interest is payable on an arms-length basis ranging from 8% to 10% (2019: 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 2019	Amount advanced during the year	Interest payment	Principal repayment	Balance at 30 June 2020
	$	$	$	$	$
KMP (and related entities):					
Bruce Hatchman	63,243	100,000	8,600	77,912	85,331
Cameron McCullagh	2,486,711	-	119,318	2,420,909	65,802
Steve White	139,852	350,000	29,252	113,566	376,286
Andrew Bennett	594,000	-	54,210	85,299	508,701
Total	**3,283,806**	**450,000**	**211,380**	**2,697,686**	**1,036,210**

End of audited remuneration report.

Environmental legislation
The Group's operations are not regulated by any significant environmental regulation under a law of the Commonwealth or of a State or Territory in Australia.

Options
Details of options issued to Andrew Bennett under his employment contract are shown above in the *Long term incentives* section of this report. 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 by an officer or auditor.

Non-audit services
No non-audit services were provided by COG's auditor, BDO Audit Pty Limited, during the year.

A copy of the auditor's independence declaration as required under S307C of the *Corporations Act 2001* is included on page 19 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 27 August 2020.

Patrick Tuttle
Chairman

Cameron McCullagh
Executive Director

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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 2020, 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
Director

BDO Audit Pty Ltd

Sydney, 27 August 2020

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 the financial year ended 30 June 2020 is dated as at 27 August 2020 and was approved by the Board on 27 August 2020. The Corporate Governance Statement is available on COG's website at www.coglimited.com.au.

Consolidated Statement of Comprehensive Income

For the year ended 30 June 2020

	Notes	2020 [1] $'000	2019 $'000
Revenue from continuing operations	A2	218,548	217,447
Cost of sales		(58,889)	(60,632)
Commissions paid		(76,703)	(71,749)
Employee benefits expense	A3	(36,523)	(35,909)
Administration expenses		(17,828)	(15,489)
Occupancy expenses		(1,355)	(3,151)
Finance costs	A4	(8,577)	(9,531)
Depreciation and amortisation		(9,560)	(6,914)
Acquisition-related expenses		(702)	(862)
Impairment	B1, B2, C3	(12,009)	-
Disposal of non-core assets	B3	-	(794)
Other expenses		(396)	(392)
Share of results from associates	E2	642	(24)
Profit/(loss) before income tax		**(3,352)**	**12,000**
Income tax expense	A5	(2,019)	(3,512)
Profit/(loss) after tax for the year		**(5,371)**	**8,488**
Other comprehensive income/(loss):			
Items that may be reclassified subsequently to the statement of profit or loss:			
Foreign currency translation	E2	-	67
Revaluations by associate	E2	(740)	24
Changes in equity securities fair value	E6	(13,139)	-
Total comprehensive income/(loss) for the year		**(19,250)**	**8,579**
Profit/(loss) after tax attributable to:			
Members of Consolidated Operations Group Limited		(10,046)	4,300
Non-controlling interests		4,675	4,188
Total profit/(loss) after tax for the year		**(5,371)**	**8,488**
Total comprehensive income/(loss) attributable to:			
Members of Consolidated Operations Group Limited		(23,925)	4,391
Non-controlling interests		4,675	4,188
Total comprehensive income/(loss) for the year		**(19,250)**	**8,579**
Basic and diluted earnings/(loss) per share from continuing operations, attributable to members (cents):	A6	**(0.68)**	**0.32**

1. The Group has adopted AASB 16 *Leases* at 1 July 2019. Note F5 outlines the impact of adopting AASB 16 using the modified retrospective approach, under which comparative information is not restated.

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

Consolidated Statement of Financial Position

As at 30 June 2020

	Notes	2020 (1) $'000	2019 $'000
Assets			
Current			
Cash and cash equivalents	A7	34,691	26,037
Trade and other receivables	C1	12,719	12,349
Contract assets	C3	2,553	2,647
Financial assets - lease receivables	D1	34,057	36,088
Financial assets - loans	D2	470	-
Other financial assets		1,338	1,361
Inventories		51	13
Assets classified as held for sale	B3	-	885
Total current assets		**85,879**	**79,380**
Non-current			
Contract assets	C3	6,551	6,402
Trade and other receivables	C1	-	163
Financial assets - lease receivables	D1	55,326	73,699
Financial assets - loans	D2	1,824	-
Other financial assets		3,193	3,003
Financial assets at fair value through other comprehensive income	E6	8,876	-
Equity accounted associates	E2	16,194	15,536
Property, plant and equipment		1,094	1,155
Intangible assets	B1	141,698	159,129
Right-of-use lease assets	B4	5,524	-
Total non-current assets		**240,280**	**259,087**
Total assets		**326,159**	**338,467**
Liabilities			
Current			
Trade and other payables	C2	14,562	12,098
Customer salary packaging liability		5,932	5,131
Interest bearing liabilities	D3	45,283	44,566
Current tax liabilities		3,054	1,903
Provisions		4,538	3,480
Other liabilities		105	-
Lease liabilities	D5	1,616	-
Liabilities directly associated with the assets held for sale	B3	-	685
Total current liabilities		**75,090**	**67,863**
Non-current			
Trade and other payables	C2	1,001	1,208
Interest bearing liabilities	D3	45,750	60,015
Deferred tax liabilities	A5	6,876	9,884
Lease liabilities	D5	4,401	-
Provisions		654	523
Total non-current liabilities		**58,682**	**71,630**
Total liabilities		**133,772**	**139,493**
Net assets		**192,387**	**198,974**
Equity			
Share capital	E3	241,179	220,905
Accumulated losses		(91,415)	(81,369)
Reserves	E3	24,419	38,564
Non-controlling interests		18,204	20,874
Total equity		**192,387**	**198,974**

1. The Group has adopted AASB 16 *Leases* at 1 July 2019. Note F5 outlines the impact of adopting AASB 16 using the modified retrospective approach, under which comparative information is not restated. Note B4 and Note D5 also outlines the impact on Right-of-use lease assets and Lease liabilities as at 30 June 2020. The above Consolidated Statement of Financial Position should be read in conjunction with the accompanying notes.

Consolidated Statement of Changes in Equity

For the year ended 30 June 2020

	Notes	Share capital $'000	Accumulated losses $'000	Reserves [1] $'000	Non-controlling interests [1] $'000	Total equity $'000
Balance at 1 July 2019 as originally reported		**220,905**	**(81,369)**	**38,564**	**20,874**	**198,974**
Adjustment on adoption of AASB 16 *Leases* (net of tax)	F5	-	-	(222)	(131)	**(353)**
Adjusted balance at 1 July 2019		**220,905**	**(81,369)**	**38,342**	**20,743**	**198,621**
Net profit/(loss) for the year, after tax		-	(10,046)	-	4,675	**(5,371)**
Changes in equity securities fair value		-	-	(13,139)	-	**(13,139)**
Movements in reserves		-	-	(740)	-	**(740)**
Total comprehensive income/(loss) for the year		**-**	**(10,046)**	**(13,879)**	**4,675**	**(19,250)**
Transactions with owners:						
Share based payment expense		-	-	100	-	**100**
Non-controlling interests acquired		-	-	(144)	(1,958)	**(2,102)**
Dividends		-	-	-	(5,559)	**(5,559)**
Issue of share capital		20,753	-	-	-	**20,753**
Non-controlling interest acquisition contribution		-	-	-	303	**303**
Costs of raising capital, net of tax		(479)	-	-	-	**(479)**
Balance at 30 June 2020	E3	**241,179**	**(91,415)**	**24,419**	**18,204**	**192,387**
Balance at 1 July 2018 as originally reported		**215,670**	**(81,369)**	**40,372**	**15,206**	**189,879**
Adjustment on adoption of AASB 15 *Revenue* (net of tax)	A2	-	-	(74)	310	**236**
Adjusted balance at 1 July 2018		**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**

1. The Group has adopted AASB 16 *Leases* at 1 July 2019. Note F5 outlines the impact of adopting AASB 16 using the modified retrospective approach, under which comparative information is not restated.

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

Consolidated Statement of Cash Flows

For the year ended 30 June 2020

	Notes	2020 $'000	2019 $'000
Cash flows from operating activities			
Receipts from customers		284,632	278,182
Payments to suppliers and employees		(209,869)	(210,894)
Finance costs paid		(8,659)	(9,169)
Income taxes paid		(3,284)	(4,534)
Net cash inflow from operating activities	A7	**62,820**	**53,585**
Cash flows from investing activities			
Payments for investments		(23,540)	(26,642)
Payments for deferred consideration		(188)	(100)
Payments for equipment - finance leases		(29,076)	(51,805)
Payments for equipment - loan receivables		(2,340)	-
Payments for property, plant and equipment		(695)	(368)
Payments for intangibles		(982)	(1,739)
Proceeds from sale of property, plant and equipment		-	1
Loan repayments received		89	99
Net cash (outflow) from investing activities		**(56,732)**	**(80,554)**
Cash flows from financing activities			
Proceeds from issue of shares		20,197	-
Costs of raising capital		(479)	(174)
Proceeds from interest bearing liabilities		42,539	65,775
Repayments of interest bearing liabilities		(52,421)	(47,886)
Repayment of lease liabilities - right-of-use lease assets		(2,014)	-
Dividends paid by subsidiaries to non-controlling interests		(5,559)	(4,278)
Non-controlling interest acquisition contribution		303	3,323
Net cash inflow from financing activities		**2,566**	**16,760**
Net increase/(decrease) in cash and cash equivalents		8,654	(10,209)
Cash and cash equivalents, beginning of the financial year		26,037	36,246
Cash and cash equivalents, end of the financial year	A7	**34,691**	**26,037**
Non-cash investing and financing activities:			
Scrip consideration issued for acquisitions of investments		556	5,409

The above Consolidated 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 focused on the equipment finance sector. The investment objective of the Company is to grow earnings per share by investing in complementary entities and growing existing businesses that specialise in equipment financing, broking, and aggregation.

COG is the ultimate parent company 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 27 August 2020.

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 2020 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 thousand dollars unless otherwise stated, in accordance with ASIC Legislative Instrument 2016/191.

The Company's principal place of business is Level 1, 72 Archer Street, Chatswood, NSW 2067.

The registered office is Level 5, 126 Phillip Street, Sydney, NSW, 2000.

Key judgements and estimates

Due to the dynamic and evolving nature of the COVID-19 pandemic, limited recent experience of the economic and financial impacts, and short duration between the declaration of the pandemic and the reporting date, certain changes have been applied to key judgements and estimates to reflect the increased estimation uncertainty in the preparation of the Annual Financial Report.

Key judgements, accounting estimates and assumptions, including any significant changes to those applied in the preparation of the 2020 Annual Financial Report, are shown in the relevant notes. The accounting policies adopted have been consistently applied to all years presented, unless otherwise stated.

In the process of applying the Group's accounting policies, Management have also made judgements 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
- C3 Contract assets
- D1 Financial assets - lease receivables
- D2 Financial assets - loans
- E1 Business combinations

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 the aggregation of broker volumes to maximise profitability through scale, and finance broking focused on a range of products finance and asset types,
- *Commercial Equipment Financing* activities are focused on providing bespoke financing arrangements to commercial customers for essential business assets, and
- *All Other / Intersegment* activities include:
    - managed IT services provided by Hal Group Pty Limited, and
    - corporate office function provided by the ultimate parent entity.

30 June 2020	**Finance Broking and Aggregation $'000**	**Commercial Equipment Financing $'000**	**All Other / Intersegment $'000**	**Total $'000**
Revenue	194,021	21,121	7,091	222,233
Underlying EBITDA from core operations (1)	**21,055**	**12,101**	**(1,925)**	**31,231**
Impairment	(1,071)	(10,827)	(111)	(12,009)
Change in accounting estimate	-	(3,898)	-	(3,898)
Redundancy and restructuring costs	(192)	(678)	(58)	(928)
EBITDA from core operations	**19,792**	**(3,302)**	**(2,094)**	**14,396**
Interest income				212
Acquisition-related expenses				(702)
Depreciation and amortisation				(9,323)
Finance costs				(8,577)
Share of results from associates				642
Profit/(loss) before tax				**(3,352)**
Income tax expense				(2,019)
Profit/(loss) after tax				**(5,371)**
Non-controlling interests				(4,675)
Profit/(loss) after tax, attributable to members				**(10,046)**

30 June 2019	**Finance Broking and Aggregation $'000**	**Commercial Equipment Financing $'000**	**All Other / Intersegment $'000**	**Total $'000**
Revenue	184,439	23,864	8,935	217,238
Underlying EBITDA from core operations (1)	**19,437**	**13,615**	**(3,136)**	**29,916**
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**

(1) Excludes non-recurring items

A2 REVENUE

Key judgement - Trail commissions
The Group receives trail commission from lenders as a percentage of the principal outstanding for several of its financing arrangements, subject to the continuation of the financing 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.

	2020 $'000	2019 $'000
Commission, trail, fee, and volume bonus income	132,132	124,617
Sale of goods	64,645	66,611
Finance lease income	16,870	22,752
Interest income	212	209
Government grants	2,690	-
Other operating revenue	1,999	3,258
	218,548	**217,447**

Accounting policy

Revenue recognition

Revenue is recognised at an amount that reflects the consideration to which the Group is expected to be entitled in exchange for transferring goods or services to a customer. For each contract with a customer, the Group: identifies the relevant contract with the customer; identifies the performance obligations in the contract; determines the transaction price, which takes into account estimates of variable consideration and the time value of money (excluding credit risk); allocates the transaction price to the separate performance obligations on the basis of the relative stand-alone selling price of each distinct good or service to be delivered; and recognises revenue when or as each performance obligation is satisfied in a manner that depicters the transfer to the customer of the goods or services promised.

Variable consideration within the transaction price, if any, reflects concessions provided to the customer such as discounts, rebates and refunds, any potential bonuses receivable from the customer and any other contingent events. Such estimates are determined using either the 'expected value' or 'most likely amount' method. The measurement of variable consideration is subject to a constraining principle whereby revenue will only be recognised to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur. The measurement constraint continues until the uncertainty associated with the variable consideration is subsequently resolved. Amounts received that are subject to the constraining principle are recognised as a refund liability.

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 Financing segment and most transactions within this segment are outside the scope of AASB 15.

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).

A2 REVENUE

Accounting policy

Revenue recognition

Trail income

Trail income is recognised when all the required documentation has been received by the financier and the Group's obligations under the financing arrangement have been completed. The Group 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 the Finance Broking and Aggregation segment and in relation to hardware sales in the All Other segment.

Government grants

Government grants are recognised when there is reasonable assurance that the grant will be received, and all attached conditions will be complied with. Where the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the related costs, for which it is intended to compensate, are expensed. The Group has chosen to present cash grants relating to JobKeeper and payroll tax refunds within Other operating revenue in the Consolidated Statement of Comprehensive Income. The Group has not received any other grants related to assets.

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 or secondary income. Initial direct costs incurred in the origination of leases are included as part of the receivables in the Consolidated Statement of Financial Position.

A3 EMPLOYEE BENEFITS EXPENSE

	Note	2020 $'000	2019 $'000
Salaries and wages expense		30,293	28,551
Superannuation expense		2,806	2,843
Equity-settled share-based payments expense	A3.1	100	240
Payroll tax		1,590	1,730
Other employee benefits expense		1,734	2,545
		36,523	**35,909**

A3 EMPLOYEE BENEFITS EXPENSE

A3.1 SHARE BASED PAYMENTS

Options

Andrew Bennett

The Group has issued share options to Andrew Bennett who commenced as a member of key management personnel in the previous financial year. These share options, which were issued as part of Mr Bennett's remuneration package, entitle him to acquire one share in COG at the option strike price at any time between the grant and expiry dates, as set out below:

Grant date	Expiry date	Exercise price	Fair value of the option at grant date	Balance at the beginning of the year	Granted	Exercised	Expired/ Forfeited	Balance at the end of the year
25 July 2018	25 July 2021	$0.105	$0.031	-	6,857,143	-	-	6,857,143
25 July 2019	25 July 2022	$0.105	$0.036	6,857,143	3,225,806	-	-	10,082,949

A3.1 SHARE BASED PAYMENTS

The options have the following characteristics:

Option valuation - method	Black-Scholes
Market conditions	None
Service conditions	None
Nature of settlement	Equity settled

The valuation model inputs for options granted during the year ended 30 June 2020 included:

Grant date	25 July 2019
Expiry date	25 July 2022
Option valuation - grant date share price	$0.097 per share
Option valuation - grant date risk free rate	0.85%
Option valuation - historical volatility	54.0% as the same duration as the option term
Option valuation - historical dividend yield	Nil%
Option valuation - early exercise	Assumes early exercise at 2x option exercise price

The valuation model inputs for options granted during the year ended 30 June 2019 included:

Grant date	25 July 2018
Expiry date	25 July 2021
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% as the same duration as the option term
Option valuation - historical dividend yield	Nil%
Option valuation - early exercise	Assumes early exercise at 2x option exercise price

All of the above options have vested and are exercisable at 30 June 2020. The above options do not have an impact on diluted earnings per share at 30 June 2020. There were no other options issued, or share based payments made, by the Group during the current financial year or prior comparative financial year.

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 the prior year if the actual and estimated amount of share-based payments 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

	2020 $'000	2019 $'000
Interest on finance lease portfolio	7,902	8,969
Interest on corporate facility	310	483
Other finance costs	365	79
	8,577	**9,531**

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 2020 the Group had a deferred tax asset of $1,217k recognised in relation to historical tax losses (2019: $2,146k). 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 2020 the Group had $9,499k of gross unrecognised tax losses ($2,850k tax effected), (2019: $9,499k of gross unrecognised tax losses ($2,850k tax effected)). Management will continue to monitor expected future taxable profits of the Group to determine the extent that these tax losses should be recognised 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:

	2020 $'000	2019 $'000
Accounting profit/(loss) before income tax	(3,352)	12,000
Prima facie tax payable on profit/(loss) before income tax at 30% (2019: 30%)	(1,006)	3,600
Add/(deduct):		
Share of associates results	-	213
Franking credits applied	(3,553)	(3,011)
Other non-deductible expenses	3,557	1,047
Other assessable income	3,439	2,857
(Over)/under provision from prior years	(250)	75
Allowable deduction for capital raising costs recognised in equity	(158)	(158)
Initial recognition of deferred tax assets on tax losses	(10)	(828)
Other items	-	(283)
	2,019	**3,512**

A5 TAXATION

A5.2 DEFERRED TAX LIABILITIES

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

	2020 $'000	2019 $'000
Property, plant, and equipment	10,191	18,439
Lease receivables	(13,312)	(21,916)
Contract assets	(3,457)	(2,852)
Intangible assets	(9,117)	(10,909)
Employee benefits	1,380	1,387
Tax losses	1,217	2,146
Other items	6,222	3,821
	(6,876)	**(9,884)**

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.

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.

	2020	2019
Profit/(loss) after income tax, attributable to members ($'000)	(10,046)	4,300
Basic and diluted earnings/(loss) per share (cents)	**(0.68)**	**0.32**
Weighted average number of ordinary shares outstanding during the year used in calculating basic and diluted earnings per share ('000)	1,470,740	1,329,452
Closing number of ordinary shares on issue at the end of the year ('000)	1,571,736	1,341,297

There are no outstanding securities that if they were able to be exercised by the holders as at 30 June 2020 would reduce earnings per share to other shareholders (potentially dilutive) in nature for the Company.

A7 RECONCILIATION OF CASH FLOWS FROM OPERATING ACTIVITIES

	2020 $'000	2019 $'000
Profit/(loss) from ordinary activities after income tax	**(10,046)**	**4,300**
Adjustments for non-cash items included in profit or loss:		
Amortisation	7,191	6,097
Depreciation	2,369	817
Impairment	12,009	-
Change in accounting estimate	3,898	-
Significant item - disposal of non-core assets	-	794
Share based payment	(100)	(240)
Share consideration	(556)	(244)
Profit on sale of property, plant and equipment	-	(1)
Share of equity accounted results (less dividend received)	657	(9)
Profit after tax attributable to non-controlling interests	4,675	4,188
Finance lease income - unguaranteed secondary income	(1,548)	(1,843)
Changes in assets and liabilities:		
Movement in trade and other receivables	(207)	2,504
Movement in contract assets	388	(3,016)
Movement in other financial assets	2,191	(4,226)
Movement in inventories	(38)	178
Movement in trade and other payables	(3,898)	(569)
Movement in current and deferred tax liabilities	(1,857)	(1,139)
Movement in other liabilities	(158)	(589)
Movement in provisions	(1,188)	(676)
Movement in financial assets - lease receivables	49,082	47,259
Movement in financial assets - loans	(44)	-
Net cash inflow from operating activities	**62,820**	**53,585**

Cash and cash equivalents
This is comprised of cash at bank and on hand. Included in cash at bank and on hand are amounts of $2,833k (2019: $3,056k) 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 and Lease Assets

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 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**
Balance at 1 July 2019	119,876	3,072	30,603	4,460	1,118	159,129
Acquisition through business combinations	24	-	-	-	-	24
Additions	-	982	-	-	-	982
Impairment	(10,827)	(628)	-	-	-	(11,455)
Intangible assets previously classified as held for sale	209	-	-	-	-	209
Amortisation	-	(1,295)	(5,136)	(633)	(127)	(7,191)
Balance at 30 June 2020	**109,282**	**2,131**	**25,467**	**3,827**	**991**	**141,698**

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.

Impairment

Other intangible assets including software, customer relationships, supplier agreements and other intellectual property are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use.

During the year ended 30 June 2020, the Group has identified that the capitalised software is currently not being utilised as it has been replaced with an enhanced software solution. As a result, the identified software has been fully impaired and a one-off impairment loss of $0.6m has been recognised by the Group.

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.

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.

Management have incorporated the impact of the ongoing COVID-19 pandemic into the assumptions used in its forecast. Assumptions used in impairment testing reflect management's view and best estimate of the likely scenario based on current available information.

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 2020:

	2020 $'000	2019 $'000
Segment		
Finance Broking and Aggregation	72,650	72,626
Commercial Equipment Financing	36,632	47,250
	109,282	**119,876**

Finance Broking and Aggregation segment
The value of goodwill for the Finance Broking and 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 2020.
- EBITDA multiples ranging from 6.3x to 7.2x for arm's length transactions of businesses of similar in size and nature to the CGU 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.

B2 IMPAIRMENT TESTING

Commercial Equipment Financing segment

The value of goodwill for the Commercial Equipment Financing (CEF) 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 contracts 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 2017 and 30 June 2020. The model assumes growth will decline to nil% between the final cash flow year and the terminal value.
- The model includes projections for the new product offering, chattel mortgage, which is expected to grow reasonably with certain Government tax write-off incentives applying to these assets. Margins are expected to be slightly lower than the existing finance leasing product.
- External funding costs and lease profitability slightly lower than the prior year, consistent with a decline observed in market rates.
- Operational expenditure broadly increasing in line with lending activity growth, using normalised 2020 actual operational expenditure as a base.
- Discount rate between 12.7% and 16.3% post-tax (FY19: 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.

The annual impairment review considered forward looking macro-economic information and assumptions in relation to the COVID-19 pandemic, including the pandemic's impact on small to medium-sized enterprises, and resulting impact on the financial performance of CEF segment. The forecast indicates that CEF will be adversely impacted by the pandemic by a decline in its forecast cash flows over the next three years, followed by a year on year improvement in net cash flows generated. Consequently, this has led to an impairment of the goodwill allocated to the CGU, and an impairment loss of $10.8m has been recognised in the Consolidated Statement of Comprehensive Income for the year ended 30 June 2020.

B3 DISPOSAL GROUP HELD FOR SALE

The IT Managed Services division supplies IT equipment and consulting services to small and medium-sized enterprises.

The Group was actively seeking to divest its 100% owned IT managed services business units Hal IT, based in Sydney and Business Works based in Melbourne. However, in the current year, the sale process was indefinitely postponed due to the economic shock of the COVID-19 pandemic. Until such time as the economy stabilises, it is unlikely that a buyer for either business, on terms acceptable to the ultimate parent company, Consolidated Operations Group Limited ('COG'), will be identified. The prospect of a sale transaction is therefore low.

Consequently, in the financial year ending 30 June 2020, HAL IT and Business Works are reported as part of continuing operations in the Statement of Financial Position and Statement of Comprehensive Income. Discontinuing operations for the comparative period have been reclassified to continuing operations in the Statement of Comprehensive Income whereas 'Assets classified as held for sale' and 'Liabilities directly associated with the assets held for sale' remained unchanged for the comparative period, as required under AASB 5 - *Non-current Assets Held for sale and Discontinued operations*

B - Intangibles and Lease Assets (continued)

B3 DISPOSAL GROUP HELD FOR SALE

The Group reclassified the following assets and related liabilities as being held for sale as at 30 June 2019:

	2020	2019
Assets	**$'000**	**$'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 held for sale	**-**	**885**
Liabilities		
Trade and other payables	-	(457)
Provisions	-	(228)
Liabilities directly associated with the assets held for sale	**-**	**(685)**
Net assets directly associated with disposal group	**-**	**200**

B4 RIGHT-OF-USE LEASE ASSETS

	2020 $'000	2019 $'000
Right-of-use lease assets - at cost	7,117	-
Less: Accumulated depreciation	(1,593)	-
Net carrying amount	**5,524**	**-**

Reconciliation of carrying amount

Carrying amount	**Office premises $'000**	**Motor Vehicles $'000**	**Total $'000**
Adoption of AASB 16 at 1 July 2019	3,315	70	3,385
Additions	3,586	150	3,736
Disposals	(4)	-	(4)
Depreciation	(1,518)	(75)	(1,593)
Balance at 30 June 2020	**5,379**	**145**	**5,524**

Accounting policy

AASB 16 Leases

The Group has adopted AASB 16 *Leases* in the current financial year, consistent with the mandatory adoption date, 1 July 2019.

Group as lessee

At contract inception, the Group assesses whether a contract is, or contains, a lease based on whether the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration, and the Group obtains substantially all the economic benefits of the use of the assets.

B4 RIGHT-OF-USE LEASE ASSETS

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 Consolidated Statement of Comprehensive Income.

Recognition and measurement
Right-of-use lease assets
At lease commencement date, the Group recognises a right-of-use (ROU) lease asset and a lease liability in the Consolidated Statement of Financial Position. ROU lease asset is initially measured at cost, which is made up of the initial measurement of the lease liability, any initial direct costs incurred by the Group, an estimate of any costs to dismantle and remove the asset at the end of the lease, and any lease payments made in advance of the lease commencement date (net of any incentives received).

The Group depreciates the ROU lease assets on a straight-line basis from the lease commencement date to the earlier of the end of the useful life of the ROU lease asset or the end of the lease term. The Group also assesses the ROU lease asset for impairment when such indicators exist.

The lease term represents the non-cancellable period of the lease and includes periods covered by an option to extend if the Group is reasonably certain to exercise that option. Lease terms shall only be revised if there is a change in the non-cancellable period or there is a reassessment upon a significant event or a change in circumstances that is both within the control of the lessee and affects whether or not the lessee is reasonably certain to exercise an option. Lease terms range from 1 to 5 years.

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) and are discounted to present value based on the expected timing of 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 being financed. This estimate involves significant judgement by Management on the arrangement's recoverability and is reassessed as the conditions relating to the terminated lease arrangement progress.

The above accounting treatment for the terminated lease receivable asset results in:

- an increase in finance lease income in the period in which the termination occurs,
- an increase in the related allowance for terminated leases through doubtful debts expense, and
- terminated leases being recognised in the Statement of Financial position at net recoverable value .

	2020 $'000	2019 $'000
Current		
Terminated lease receivable	19,681	14,551
Less: Allowance for doubtful debts	(11,475)	(7,436)
	8,206	7,115
Trade receivables	848	2,302
Less: Allowance for doubtful debts	(365)	(196)
	483	2,106
Accrued income and other debtors	4,221	3,231
Other receivables	62	101
Provision for clawbacks	(253)	(204)
	12,719	**12,349**
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 collectable, 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:

	2020 $'000	2019 $'000
Trade receivables		
Neither past due nor impaired	17	740
Past due 1 - 30 days	491	775
Past due 31 - 90 days	162	543
Past due 91 - 120 days	146	72
Past due 121+ days	32	172
Total	**848**	**2,302**

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 2018	**324**	**2,765**	**-**
Adoption of AASB 15	-	-	540
Terminated and provided for during the year less write-offs	(128)	4,671	(336)
Balance at 30 June 2019	**196**	**7,436**	**204**
Terminated and provided for during the year less write-offs	169	4,039	49
Balance at 30 June 2020	**365**	**11,475**	**253**

Accounting policy

Trade and other receivables

See Accounting policy in Note D4.

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.

C2 TRADE AND OTHER PAYABLES

	2020 $'000	2019 $'000
Current		
Trade payables	3,748	2,184
Deferred consideration (1)	900	882
Salaries and bonuses	961	1,221
GST and other taxes	2,900	1,741
Other payables and accruals	6,053	6,070
	14,562	**12,098**
Non-current		
Trade payables	284	402
Deferred consideration (1)	717	806
	1,001	**1,208**

(1) Deferred consideration is in relation to 5.6% of QPF Holdings Pty Limited purchased from non-controlling shareholders on 30 June 2019. Amounts were originally payable in September 2019 and September 2020, however, these have been agreed during the year ended 30 June 2020, to be settled on August 2020 and August 2021, respectively.

Financial exposures - Liquidity risk

Details of the liquidity risks associated with the Group's trade and other payables are outlined in Note D3.

Accounting policy

See Accounting policy in Note D4.

C3 CONTRACT ASSETS

Key judgement - Contract asset (trail commissions)
See key judgment in A2.

	2020 $	2019 $
Current		
Trail receivable	2,553	2,647
	2,553	**2,647**
Non-current		
Trail receivable	6,551	6,402
	6,551	**6,402**

During the financial year ended 30 June 2020, the Group replaced one of its financiers, which is also a source of trail income. The agreement with this financier stipulates that trail income is subject to a certain volume of new assets being financed each year. As the financier's volume threshold is not expected to be achieved going forward, the trail commission receivable was deemed uncollectable and an impairment loss of $442,423 was recognised in the current year.

Accounting policy
See Accounting policy in Note A2.

D - Financial Instruments

D1 FINANCIAL ASSETS - LEASE RECEIVABLES

Key judgment - Secondary income

The Group's lease arrangements include conditions whereby at the end of the initial contract term the lessee can:

- continue to pay the Group for a right to use the asset,
- return the asset 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 contract term, or
- acquire the asset for an agreed purchase amount (but only in cases where the lessee has met all contractual requirements).

Amounts received under the above arrangements are referred to as 'secondary income'.

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

The Group estimates the expected secondary income based on the above contract requirements for each lease and prior experience with similar contracts. The level of secondary income return is estimated to be between 5% and 25% of the original equipment cost paid to the supplier.

Change in accounting estimate

During the year ended 30 June 2020, the Group reassessed the assumptions used to estimate secondary income based on current circumstances, including the impact of the COVID-19 pandemic. The reassessment was based on the historical secondary income recovery rates and forecast secondary income recoverability for each type of contract, taking into consideration specific characteristics such as asset type and the existence of purchase option agreements. As a result of this change in accounting estimate, the Group recognised a reduction of $3.9m in Finance lease receivables (unguaranteed secondary income), and a corresponding expense in the current year profit and loss.

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, as it is a forward-looking provision designed to capture the risk of future losses and represents 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 relating 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 by 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 (being 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. It involves significant estimates and judgements in relation to:

- key lease characteristics such as credit criteria on which the deal is initially assessed, lease term, asset type, industry 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,
- the impact of macro-economic factors on the creditworthiness of the finance lease receivables; and
- the increased credit risk resulting from the COVID-19 pandemic on the active lease portfolio.

D1 FINANCIAL ASSETS - LEASE RECEIVABLES

Key judgement - Expected credit loss provision
Key inputs to the ECL provision calculation for 30 June 2020 that reflect some level of variation on the criteria adopted in the previous year include:

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

The overall severity and duration of the COVID-19 pandemic is not known at the reporting date. In determining the ECL provision, forward looking macro-economic information and assumptions relating to the pandemic and other economic indicators have been considered, including the potential impacts of the pandemic on industry and asset types most likely to be affected. Both forward looking information, and analysis based on the Group's historical loss experience, have been used to determine the ECL provision.

The performance of the finance lease portfolio will continue to be impacted by the COVID-19 pandemic, and more relevant data will become available in the future to better understand the underlying credit risks and loss implications of the pandemic (which may be mitigated in part, by Government stimulus and regulatory measures).

As at 30 June 2020 the ECL provision represents 4.5% (2019: 3.4%) of gross finance lease receivables.

Finance lease receivables are comprised as follows:

	2020 $'000	2019 $'000
Current	34,057	36,088
Non-current	55,326	73,699
	89,383	**109,787**
Gross investment in finance lease receivables:		
Less than one year	44,489	44,894
Between one and five years	49,874	70,474
More than five years	-	6
Unguaranteed secondary income	22,094	28,500
Gross investment	**116,457**	**143,874**
Unearned finance income	(22,826)	(30,160)
Net investment in finance leases	**93,631**	**113,714**
Less: expected credit loss provision	(4,248)	(3,927)
	89,383	**109,787**
The present value of minimum lease payment is as follows:		
Less than one year	31,904	33,079
Between one and five years	44,796	59,783
More than five years	-	3
	76,700	**92,865**

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 including those resulting from the COVID-19 pandemic.

D1 FINANCIAL ASSETS - LEASE RECEIVABLES

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

- the full balance of finance lease assets disclosed above,
- trade receivable 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.

Accounting policy
The Group's contractual arrangements within the CEF 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 FINANCIAL ASSETS - LOANS

The chattel mortgage is an equipment financing loan, secured by a mortgage over the asset being financed.

Finance loans receivable are as follows:

	2020 $'000	2019 $'000
Current	470	-
Non-current	1,824	-
Total	**2,294**	**-**

Financial exposures - Credit risk
The Group's exposure to credit risk relating to loans arises from the potential failure by a customer to meet their contractual obligations and is primarily due to individual characteristics of each customer. Management also considers the factors that may influence the credit risk of its customer base, including the default risk associated with the customer's industry, location and movements in macroeconomic factors including those resulting from the COVID-19 pandemic.

Accounting policy
See Accounting policy in Note D4.

D - Financial Instruments (continued)

D3 INTEREST-BEARING LIABILITIES

	2020 $'000	2019 $'000
Current		
Corporate facility - Bendigo Bank Limited	3,000	3,000
Debenture funding - Secured Finance Limited (1)	16,155	22,976
Funding liabilities - Finance leases and loans (2)	25,775	18,492
Other interest-bearing liabilities	353	98
	45,283	**44,566**
Non-current		
Corporate facility - Bendigo Bank Limited	1,500	3,750
Debenture funding - Secured Finance Limited (1)	8,985	23,828
Funding liabilities - Finance leases and loans (2)	34,991	32,388
Other interest-bearing liabilities	274	49
	45,750	**60,015**

(1) Multiple debentures with contractual rights with specific repayment periods up to 36 months.
(2) Finance leases and loans funding relates to the rights of the contractual cash flows that are associated with the related lease receivables and loans.

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 2020						
Trade and other payables	15,563	(15,563)	(14,562)	(1,001)	-	-
Corporate facility	4,500	(4,652)	(3,130)	(1,522)	-	-
Debenture funding	25,140	(27,414)	(17,884)	(7,385)	(2,145)	-
Finance lease funding	60,766	(70,002)	(32,070)	(22,885)	(15,047)	-
Other	627	(715)	(422)	(293)	-	-
	106,596	**(118,346)**	**(68,068)**	**(33,086)**	**(17,192)**	**-**
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)**	**-**

Variability of cashflows

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

- changes in market interest rates that impact variable rate loans and contingent consideration, and
- changes in expected performance of activities in relation 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 2020.

Fair value

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

Accounting policy

See Accounting policy in Note D4.

D4 FINANCIAL INSTRUMENTS

Accounting policy

Recognition and Measurement

Under AASB 9, a financial asset shall be measured at amortised cost; Fair Value through Profit & Loss (FVTPL); or Fair Value through Other Comprehensive Income (FVOCI) as classification of financial assets is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. Financial liabilities 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 FVOCI	These assets are subsequently measured at fair value. Net gains and losses are recognised in other comprehensive income, except for interest or dividend income, which 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 16 *Leases*, there has been no material changes that have resulted since the 30 June 2019 financial report, other than the change in accounting estimate included in Note D1. 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.

Impairment

Impairment requirements use an ECL model under which credit losses are recognised earlier than incurred. The impairment model applies to financial assets measured at amortised cost, contract assets and lease assets where the Group acts as lessor.

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.

<u>Measurement of ECLs</u>

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 on 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 at the commencement of each lease and macro-economic factors that 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.

<u>Presentation of impairment</u>

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

D4 FINANCIAL INSTRUMENTS

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.

Classification of financial instruments
The Group classifies its financial instruments as follows:

Financial instrument	**AASB 9 classification**
Cash and cash equivalents	Amortised cost
Trade and other receivables	
- Trail income receivable	Accounted for under AASB 15 *Revenue* as a contract asset
- All other trade and other receivables	Amortised cost
Financial assets - lease receivables	Accounted for under AASB 16 *Leases*
Financial assets - loans	Amortised cost
Financial assets at fair value through other comprehensive income	FVOCI
Other financial assets	Amortised cost
Trade and other payables	Amortised cost
Interest bearing liabilities	Amortised cost

D5 LEASE LIABILITIES

	2020 $'000	**2019 $'000**
Lease liabilities	**6,017**	-
Maturity analysis		
Current	1,616	-
Non-current	4,401	-
	6,017	-

D5 LEASE LIABILITIES

Reconciliation of lease liabilities at the beginning and end of financial year are set out below:

	2020 $'000
Adoption of AASB 16 at 1 July 2019	3,996
Additions	3,798
Disposals	(104)
Interest on lease liabilities	341
Repayment of lease liabilities	(2,014)
Balance at 30 June 2020	**6,017**

Adoption of AASB 16

The Group has adopted AASB 16 *Leases* in the current financial year, consistent with the mandatory adoption date, 1 July 2019, as disclosed in Note F5.

Accounting policy

Recognition and measurement

Group as lessee

On commencement date, the Group recognises lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of AASB 117 *Leases*. These liabilities are initially measured at the present value of the future lease payments, discounted using the Group's incremental borrowing rate as at 1 July 2019.

Lease payments mainly comprise fixed lease payments less incentives receivable, variable lease payments based upon an index or rate, any amounts expected to be payable under a residual value guarantee and payments arising from options reasonably certain to be exercised.

After initial measurement, the lease liability will be reduced for payments made and increased for interest. It is remeasured to reflect any reassessment or modification, or if there are changes in fixed lease payments.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the ROU lease asset, or to the profit or loss to the extent that the carrying amount has been reduced to zero. Interest on the lease liability and variable lease payments not included in the measurement of the lease liability are recognised in profit or loss.

The Group has elected to apply the practical expedient not to recognise ROU lease assets and lease liabilities for short term leases that have a lease term of 12 months or less and leases of low-value assets. The lease payments associated with these leases are recognised as an expense on a straight-line basis over the lease term with an aggregate expense of $1,355k being recognised during the year.

The Group does not face any significant liquidity risk with regards to its lease liabilities.

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 Consolidated Statement of Comprehensive Income.

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. In the case of 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.

Acquisition values
During the year ended 30 June 2020, there were no acquisitions that resulted in the Group obtaining a controlling interest.

For the year ended 30 June 2019, the acquisitions that resulted in the Group obtaining a controlling interest were as follows:

	Centrepoint $'000	Heritage $'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**

For the prior year 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 in the prior year and there has been no change in the current year.

E1 BUSINESS COMBINATIONS

Transactions between owners

During the year ended 30 June 2020, the Group has undertaken acquisitions of additional interests from minority shareholders in the following entities which were already controlled by the Group:

- **Platform Consolidated Group Pty Limited (PCG)**
  In December 2015 the Group acquired a 60% equity interest in PCG for consideration of $22,918k comprised of $17,528k in cash and $5,390k in COG shares. The shareholders' agreement included put and call options whereby COG could require the original shareholders to sell 50% of their remaining shares in August 2018 (first tranche) and in August 2020 (second tranche). The original shareholders have the equivalent right to require COG to purchase 50% of their shares. Each party has the right to defer such an offer for 12 months. Purchase consideration for both exercise dates is based on a price of eight times normalised Earnings Before Interest, Tax, Depreciation and Amortisation (EBITDA). A minority shareholder exercised their put option for the first tranche, which COG deferred for 12 months. The total consideration for the transaction was $1,130k where $575k was paid in cash and the remaining through the issue of 6,027,325 new COG shares. As a result of the transaction, COG's ownership percentage of PCG increased to 69.73% effective 31 October 2019.

- **Fleet Network Pty Limited (FN)**
  On 31 March 2017 PCG acquired an 80% equity interest in FN for consideration of $6,382k comprised of $4,616k in cash and $1,766k in COG shares. The shareholders' agreement included put and call options over the remaining 20% exercisable in September 2019 based on a price of 4.1537 times normalised EBITDA for the financial year ended 30 June 2019. As such, 15.8% of the original shareholders exercised their put options resulting in PCG's ownership increasing to 95.8% and increasing COG's indirect ownership to 66.80% effective 1 November 2019. The total consideration for the 15.8% interest was $999k of which $696k was paid in cash by the Group and the remaining $303k was contributed in cash by the minority shareholders.

As the Group already controls PCG and FN, the additional acquisitions have been treated as a transaction between owners and consequently do 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.

E2 EQUITY ACCOUNTED ASSOCIATES

Westlawn Finance Limited
The Group owns a 32% (2019: 32%) investment in Westlawn Finance Limited (Westlawn).

The Group's share of Westlawn's financial position and performance are included in *Equity accounted associates* in the Consolidated Statement of Financial Position and *Share of results from associates* in the Consolidated 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.

	2020 $'000	2019 $'000
Current assets	44,401	41,049
Non-current assets	204,409	195,714
Current liabilities	(212,653)	(199,805)
Non-current liabilities	(2,396)	(4,063)
Net assets (100%)	33,761	32,895
Group's share of net assets (32%)	10,743	10,467
Carrying amount of investment in associate	**15,439**	**14,787**
Revenue	15,359	9,398
Profit from continuing operations (100%)	4,854	3,438
Other comprehensive income/(loss) (100%)	(1,639)	74
Total comprehensive income (100%)	3,215	3,512
Total comprehensive income (32%)	1,023	1,118
Adjustment on finalisation of prior period associates results	(218)	-
Elimination of downstream director fee income	100	-
Elimination of downstream interest paid	(1,049)	(397)
Group's share of total comprehensive income/(loss)	**(144)**	**721**

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

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

Year ended 30 June	2020 $'000	2019 $'000
Westlawn	(144)	721
Other associates	46	(654)
Group's share of total comprehensive income	**(98)**	**67**
Share of results from associates	642	(24)
Foreign currency translation	-	67
Revaluations by associate	(740)	24
Group's share of total comprehensive income	**(98)**	**67**

As at 30 June	2020 $'000	2019 $'000
Westlawn	15,439	14,787
Other immaterial associates	755	749
Carrying amount of interests in associates	**16,194**	**15,536**

E2 EQUITY ACCOUNTED ASSOCIATES

Related party transactions with associates

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

Amounts owing by / (to) associates	**2020 $'000**	**2019 $'000**
Receivables at 30 June	2	-
Payables at 30 June	(82)	(30,255)
Transactions with associates		
Dividends income	333	664
Receipts for administrative services	2	28
Director fees	110	83
Payments for goods and administrative services	(2,124)	(2,226)
Finance costs paid on the finance lease portfolio	(2,804)	(1,364)
Interest income on intercompany loan	25	-

Westlawn held 35,883,428 shares in COG at 30 June 2020 (2019: 35,883,428 shares).

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

	2020 $'000	**2019 $'000**	**2020 No. of shares '000**	**2019 No. of shares '000**
Shares issued and fully paid				
Balance at the beginning of the financial year	220,905	215,670	1,341,297	1,295,967
Shares issued via rights issue (1)	12,420	-	137,999	-
Shares issued via placement (1)	7,777	-	86,413	-
Shares issued in business combinations (2)	556	5,409	6,027	45,330
Costs of raising capital, net of tax	(479)	(174)	-	-
Balance at the end of the financial year	**241,179**	**220,905**	**1,571,736**	**1,341,297**

(1) On 6 December 2019, the Group issued 137,998,617 shares under a non-renounceable entitlement offer (including shareholder shortfall facility), raising $12,420k. The Group also made a share placement for the shortfall under the entitlement offer, thereby raising an additional $7,777k from the issue of a further 86,412,925 shares.

(2) As part consideration for the acquisition of an additional 3.62% in PCG, on 31 October 2019 the Group issued 6,027,325 shares amounting to $556k to minority shareholders (see Note E1).

E3.1 ORDINARY SHARES

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 2019 and 2020:

- 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 granted to KMP.

E3.2 DIVIDENDS

On 15 October 2019, the Company adopted a dividend policy, targeting a dividend payout ratio of up to 50% of statutory net profit after tax, after non-controlling interests, per annum.

The Company also implemented a Dividend Reinvestment Plan (DRP). The DRP rules are disclosed on the company's website www.coglimited.com.au. Under the DRP, holders of ordinary shares can elect to have all or part of their dividend entitlements satisfied by the issue of new ordinary shares rather than being paid in cash. Shares issued under the DRP may be subject to a discount of up to 5% of the market price, or a higher percentage determined by the Board.

Dividends not recognised at the end of the reporting period
Since year end the Board has declared a final dividend of 0.152 cents per fully paid ordinary share (2019: nil cents). The aggregate amount of the proposed dividend expected to be paid on 23 October 2020 out of the Company's profits reserve at 30 June 2020, but not recognised as a liability at year end, is $2,386k.

The final dividend declared after 30 June 2020 will be fully franked out of existing franking credits, or out of franking credits arising from the payment of income tax in the year ending 30 June 2020.

Franked dividends
As at the end of the financial year, the franking credits available for subsequent financial periods based on a tax rate of 30% was $9,294k (2019: $7,275k).

The above available amounts are based on the balance of the dividend franking account at end of the period adjusted for:

- franking credits that will arise from the payment of the current tax liability,
- franking debits that will arise from the payment of dividends recognised as a liability at period end,
- franking credits that will arise from the receipt of dividends recognised as receivables at period end, and
- franking credits that the entity may be prevented from distributing in subsequent years.

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 COG's ability to pay its creditors.

E3.3 RESERVES

The movement in reserves is as follows:

	Profits reserve $'000	Foreign currency translation reserve $'000	Equity securities at FVOCI reserve $'000	Share based payments reserve $'000	Non-controlling interests reserve $'000	Total $'000
Balance at 1 July 2018	40,639	(83)	-	-	(184)	40,372
Adjustment on 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**
Balance at 1 July 2019	44,889	(16)	-	240	(6,549)	38,564
Adjustment on adoption of AASB 16	(222)	-	-	-	-	(222)
Non-controlling interest acquired	-	-	-	-	(144)	(144)
Share-based payments expense	-	-	-	100	-	100
Changes in equity securities fair value	-	-	(13,139)	-	-	(13,139)
Movement in reserves from associates	-	-	(740)	-	-	(740)
Balance at 30 June 2020	**44,667**	**(16)**	**(13,879)**	**340**	**(6,693)**	**24,419**

Reserves

Profits reserve

The Profits reserve was established to accumulate profits relating to previous financial years for the purpose of facilitating the payment of dividends in future financial years.

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.

Equity securities at FVOCI reserve

This reserve comprises the cumulative net change in the fair value of equity securities designated at FVOCI.

Share-based payments reserve

The Share-based payments 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.

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 Financing segments consistent with the Group's communicated strategy.

E3.3 RESERVES

Capital management policy
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:

	2020 $	2019 $
Short-term employee benefits	1,321,309	1,258,376
Post-employment benefits	93,086	88,927
Other long-term benefits	21,591	6,154
Share-based payments	100,000	292,083
	1,535,986	**1,645,540**

E4 RELATED PARTY TRANSACTIONS

Other Key Management Personnel transactions
During the 2019 and 2018 financial years the Group's CEF segment was party to a number of transactions with an equipment finance vendor program partner. During the 2019 financial year the vendor partner entered into voluntary liquidation. Whilst the Group considered the underlying lease arrangements with lessees introduced as part of the program were enforceable, the Group settled these lessee obligations for a lower value than the amount it was contractually entitled to receive over the term of the lease. Cameron McCullagh, Executive Director, indemnified the Group for the majority of this loss. As part of this indemnity, Mr McCullagh paid an amount of $1,023,160 in June 2019 to the Group to offset the net cash loss incurred in settling these obligations in the previous financial year. The indemnification is included in Other Operating Revenue in Note A2 to the financial report, and the vendor program partner loss recorded in Administration expenses in the Consolidated Statement of Comprehensive Income.

Loans from Key Management Personnel and their related entities
During 2020, KMP invested $450,000 (2019: $4,194,000) in fixed interest debentures issued by Secured Finance Limited (SFL), a COG controlled entity. Interest is payable on an arms-length basis ranging from 8% to 10% (2019: 10%) per annum 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.

E4 RELATED PARTY TRANSACTIONS

Transactions with Key Management Personnel and related parties

KMP (and related entities)	Balance at 1 July 2019 $	Amount advanced during the year $	Commission received $	Interest payment $	Principal repayment $	Balance at 30 June 2020 $
Bruce Hatchman	63,243	100,000	-	8,600	77,912	85,331
Cameron McCullagh	2,486,711	-	-	119,318	2,420,909	65,802
Steve White	139,852	350,000	-	29,252	113,566	376,286
Mark Crain (1)	-	-	-	-	-	-
Andrew Bennett	594,000	-	-	54,210	85,299	508,701
John McRae (3)	-	-	-	-	-	-
Total	**3,283,806**	**450,000**	**-**	**211,380**	**2,697,686**	**1,036,210**

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 (2)	-	594,000	9,520	29,953	-	594,000
Nathan Thomas (4)	12,971	-	-	217	12,971	-
Total	**498,250**	**4,194,000**	**9,520**	**324,350**	**1,408,444**	**3,283,806**

(1) Mr Crain commenced as a KMP on 15 November 2019.
(2) Mr Bennett commenced as a KMP on 1 July 2018.
(3) Mr McRae commenced as a KMP on 1 July 2019.
(4) Mr Thomas ceased to be a KMP on 31 May 2019.

E4 RELATED PARTY TRANSACTIONS

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 2019 No. of shares	On market purchase No. of shares	On market sale No. of shares	Off market transfer No. of shares	KMP change (1) No. of shares	30 June 2020 (2) No. of shares
Executive Directors						
Cameron McCullagh	252,906,800	43,577,661	-	-	-	296,484,461
Rohan Ford	56,599,748	-	-	-	(56,599,748)	-
Mark Crain (6)	-	-	-	-	13,156,349	13,156,349
Non-executive Directors						
Patrick Tuttle (3)	2,271,468	378,578	-	-	-	2,650,046
Bruce Hatchman	625,000	104,166	-	-	-	729,166
Steve White	3,643,750	308,333	(195,000)	-	-	3,757,083
Senior Management						
Andrew Bennett (5)	700,000	-	-	-	-	700,000
John McRae	-	-	-	-	-	-
	316,746,766	**44,368,738**	**(195,000)**	**-**	**(43,443,399)**	**317,477,105**

KMP shareholdings	30 June 2018 No. of shares	On market purchase No. of shares	On market sale 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 (7)	100,000	-	-	-	(100,000)	-
	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.
(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) Mr Crain commenced as a KMP on 15 November 2019.
(7) Represents transactions between 1 July 2018 and 31 May 2019, being the date Mr Thomas ceased to be a KMP.

E4 RELATED PARTY TRANSACTIONS

Key Management Personnel option transactions
Andrew Bennett
Details of share options granted to Andrew Bennett as part of his remuneration package are disclosed in Note A3.1.

E5 PARENT ENTITY DISCLOSURES

E5.1 SUMMARY FINANCIAL INFORMATION

As at, and throughout, the financial year ended 30 June 2020 the ultimate parent company of the Group was Consolidated Operations Group Limited.

	2020 $'000	2019 $'000
Results of parent entity		
Profit/(loss) for the year after tax	(5,762)	5,240
Other comprehensive income/(loss)	(13,139)	-
Total comprehensive income/(loss) for the year	**(18,901)**	**5,240**
Financial position of the ultimate parent company at year end		
Current assets	8,829	6,889
Non-current assets	194,252	197,518
Total assets	**203,081**	**204,407**
Current liabilities	4,390	5,355
Non-current liabilities	2,729	4,561
Total liabilities	**7,119**	**9,916**
Net assets of the ultimate parent company at year end	**195,962**	**194,491**
Total equity of the ultimate parent company comprising of:		
Share capital	241,179	220,905
Accumulated losses	(82,133)	(76,371)
Reserves	36,916	49,957
Total equity	**195,962**	**194,491**

Parent entity contingencies and commitments are outlined in Note F1.

E - Group Structure (continued)

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 2020.

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 Commercial Finance Pty Limited (Formerly 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%
Platform Consolidated Group Pty Limited	70%	
Advance Car Loans Pty Limited		70%
Beinformed Group (VIC) Pty Limited		70%
Melbourne Finance Broking Pty Limited		70%
Mildura Finance Pty Limited		70%
Platinum Direct Finance Australia Pty Limited		70%
Platinum Direct Finance (Central Coast) Pty Limited		35%
Platinum Fleet Pty Limited		49%
Platform Equipment Finance Pty Limited		70%
Consolidated Platform Aggregation Pty Limited		52%
Consolidated Platform Aggregation Unit Trust		52%
Fleet Avenue Pty Limited		35%
Fleet Network Pty Limited		67%
Vehicle and Equipment Finance Pty Limited		35%
Geelong Financial Group Vehicle and Equipment Finance Pty Limited		17%
QPF Holdings Pty Limited	56%	
Qld Pacific Finance Pty Limited		56%
QPF Insurance Pty Limited		44%
QPF Mortgages Pty Limited		56%
Security Allied Finance Pty Limited		56%
DLV (QLD) Pty Limited		28%
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%

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

E6 FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	2020 $'000	2019 $'000
Non-current assets		
Listed securities		
CML Group Limited	8,876	-
	8,876	**-**

Accounting policy

Financial assets at fair value through other comprehensive income

Financial assets at fair value through other comprehensive income (FVOCI) comprise, equity securities representing 37,770,423 ordinary shares acquired by the Group in CML Group Limited (CML) (ASX: CGR), acquired in January 2020, at a cost of $22.03m (inclusive of brokerage and GST). The investment represents a 17.36% interest in CML and was funded from cash reserves and an overdraft credit facility, which has since been repaid. The Group has made an irrevocable election on initial recognition and designated the investment in CML at FVOCI as these equity securities represents a strategic investment that is not held for trading.

F - Other

F1 CONTINGENCIES AND COMMITMENTS

Deferred consideration

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 ended 30 June 2020. The contingent consideration is based on EBITDA performance for the years ended 30 June 2019 and 30 June 2020. Based on the actual financial performance of Centrepoint for those financial years, the Group has determined that no deferred consideration is payable.

Commitments

The Group has commitments to acquire contributed equity of various subsidiaries. The following estimated commitments, which may vary in terms of percentage and timing, 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 (4.2% of contributed equity in the year ended 30 June 2020),
- Linx Group Holdings Pty Limited (7.7% of contributed equity to be acquired by the Group between the years ending 30 June 2021 and 2024),
- Platform Consolidated Group Pty Limited (5.8% of contributed equity to be acquired by the Group between the years ending 30 June 2021 and 2022),
- QPF Holdings Pty Limited (10.2% of contributed equity to be acquired by the Group between the years ending 30 June 2021 and 2024), and
- Vehicle and Equipment Finance Pty Limited (25% of contributed equity to be acquired by the Group between the years ending 30 June 2021 and 2024).

Contingencies

Corporate Facility - Bendigo and Adelaide Bank Limited

Security Interests and guarantees

COG holds a registered general security interest ('GSA') over the assets and undertakings of Hal Group Pty Limited (Hal), and its wholly owned subsidiary, TL Commercial Finance Pty Limited ('TLC') (formerly TL Rentals Pty Limited). This ranks behind the general security interest held by Bendigo and Adelaide Bank ('BEN') over Hal as a result of the deed of priority in place between COG and BEN. The COG GSA secures repayment of monies loaned to Hal under the COG loan facility. The BEN GSA secures repayment of monies loaned by BEN to COG. The principal balance of the loan to COG from BEN, as at 30 June 2020, was $4,500k (2019: $6,750k). This loan is being repaid by quarterly instalments of $750k.

Hal and TLC, and other COG subsidiaries, jointly, severally, unconditionally, and irrevocably guarantee payment to BEN of all amounts owing under the BEN loan to COG.

BEN holds other registered security interests over certain subsidiaries of the Company. These security interests secure repayment of monies loaned by BEN to the Company.

TL Rentals SPV No.1 Pty Limited

TL Rentals SPV No.1 Pty Limited ('TLR SPV') is a wholly owned subsidiary of the Company, that is 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 TLC. 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 'Funding liabilities - finance leases and loans' as outlined in Note D3 under 'Funding liabilities - finance leases and loans'.

Debenture funding - Secured Finance Limited

The Company's subsidiary, TLC, has granted a limited recourse guarantee to the Trustee of SFL, Certes CT Pty Limited ('Certes') (formerly Sargon CT Pty Limited), in relation to the repayment obligations of the Company's wholly owned subsidiary, Secured Finance Limited (SFL), to its debenture holders. The guarantee is secured by a first ranking specific security interest over leases written (including the underlying physical assets), using funds advanced by SFL to TLC (being the funds provided by the debenture holders in SFL). 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 D3 under 'Debenture funding - Secured Finance Limited'.

F1 CONTINGENCIES AND COMMITMENTS

Debenture funding - Secured Finance Limited
In response to circumstances arising from the COVID-19 pandemic, including the granting of hardship relief to lease customers by TLC, the Company and its subsidiaries, TLC and SFL, entered into the following additional security arrangements on 23 April 2020 in relation to the SFL debenture program:

- SFL and TLC entered into a Deed of Confirmation with Certes that established the protocols and procedures for collections and payments to its debenture holders during the agreed hardship period and under which the SFL and TLC will indemnify Certes, and each of the debenture holders for any loss, damage, cost or expense that Certes, or each of the debenture holders, may suffer under the terms of the Deed.

- COG issued a Letter of Guarantee to Certes confirming that it would guarantee the obligations of each of SFL and TLC under the Deed of Confirmation.

- SFL, COG and TLC entered into a Deed of Support whereby COG will provide financial support to enable SFL to meet its financial commitments on outstanding principal under its Debenture Trust Deed up to a maximum amount of $30 million (reducing by the amount of cash paid to debenture holders from the date of the Deed); this support can only be called as a last resort and in respect of debt outstanding at 30 June 2023.

Westlawn Finance Limited guarantee
The Group has provided a guarantee to Westlawn Finance Limited in relation to finance lease and chattel mortgage loan funding arrangements provided to TLC. Amounts owed under this arrangement are included in Finance lease funding and Other interest bearing liabilities disclosed in Note D3.

Bank guarantee
National Australia Bank has provided Hal with a bank guarantee of $46,871 being a rental bond for leased premises (2019: $46,871), that is secured over a cash deposit of the same amount. This secures future rental payments under the lease held by Hal.

Letter of financial support
The Company has provided a letter of financial support to Hal and its controlled entities.

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

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 Reconciliation of cash flows from operating activities
- Note C1 Trade and other receivables
- Note D1 Finance lease receivables

Liquidity risk:

- Note C2 Trade and other payables
- Note D3 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 SUBSEQUENT EVENTS

On 12 August 2020, Linx Group Holdings Pty Limited (LGH) (50% owned by COG) acquired an additional 13.33% equity interest in Heritage Group for total cash consideration of $639.9k, resulting in LGH's ownership increasing to 63.33%, and COG's indirect ownership increasing to 31.7%, effective 1 July 2020.

Apart from the 2020 final dividend declared on the date of this report (see Note E3.2), no other matter or circumstance has arisen since 30 June 2020 that would materially affect the Group's reported results, or would require disclosure in this report.

F4 AUDITOR'S REMUNERATION

	2020 $	2019 $
Auditors of the Group – BDO[1] and related network firms		
Audit and review of financial statements		
Group	123,900	113,900
Controlled entities	414,500	465,800
	538,400	**579,700**
Non-audit services		
BDO East Coast Partnership - financial model review	-	8,000
	-	**8,000**
Total services provided by BDO	**538,400**	**587,700**
Other auditors and their related network firms		
Audit and review of financial statements		
Controlled entities	22,550	23,175
Total services provided by other auditors (excluding BDO)	**22,550**	**23,175**

[1] The BDO entity performing the audit of the Group transitioned from BDO East Cost Partnership to BDO Audit Pty Ltd on 7 April 2020. The Disclosure include amounts received or due and receivable by BDO East Coast Partnership, BDO Audit Pty Ltd and their respective related entities.

F5 NEW OR AMENDED ACCOUNTING STANDARDS AND INTERPRETATIONS ADOPTED

Standards adopted in the current financial year

The Group has adopted all the new or amended Accounting Standards and Interpretations issued by the Australian Accounting Standards Board that are mandatory for the current reporting period.

The following accounting standard and interpretation is most relevant to the Group:

AASB 16 Leases

The Group has adopted AASB 16 *Leases* in the current financial year, consistent with the mandatory adoption date, 1 July 2019.

Impact of adoption

AASB 16 has been adopted using the modified retrospective approach, under which comparative information is not restated. The cumulative effect of adopting AASB 16 has been 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.

The impact of adoption on transition is as follows:

- $353k reduction to opening retained earnings to reflect the transition on 1 July 2019 (net of tax),
- $3,385k increase in Right-of-use (ROU) lease assets were recognised as of 1 July 2019, and
- $3,996k increase in lease liabilities were recognised as of 1 July 2019.

F5 NEW OR AMENDED ACCOUNTING STANDARDS AND INTERPRETATIONS ADOPTED
Standards adopted in the current financial year

When measuring lease liabilities, the Group discounted lease payments using the incremental borrowing rate at 1 July 2019, being the weighted-average rate of 6% per annum being applied across the Group.

Reconciliation of operating lease commitments to lease liability recognised on transition date is set out below:

	$'000
Operating lease commitments at 30 June 2019	4,439
Effect of exemptions for short-term leases and low-value leases (under AASB 16)	(695)
Effect of discounting lease commitments using the incremental borrowing rate	(333)
Effect of modification and extension to renewal options of lease terms	585
Lease liabilities recognised at 1 July 2019	**3,996**
Non-current liabilities	1,475
Current liabilities	2,521
Total	**3,996**

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 2020 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 basis of preparation confirms that the financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board.

3. The Directors have been given the declarations by the Chief Executive Officer and Chief Financial Officer required by Section 295A of the *Corporations Act 2001*.

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

Patrick Tuttle
Chairman

Cameron McCullagh
Executive Director

27 August 2020

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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 2020, 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 2020 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 (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 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.

Goodwill impairment assessment

Key audit matter	How the matter was addressed in our audit
As required by AASB 136 Impairment of Assets, indefinite life intangible assets are required to be valued and assessed by Management for impairment 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. • Assessing the competency of management's experts. • Applying a sensitivity analysis to Management's key assumptions and estimates. • Considered the specific impact of the COVID-19 outbreak on Management's key judgements and estimates to ensure any uncertainty is considered within the valuations prepared.

	• We also assessed the adequacy of the Group's disclosures in relation to Goodwill and Impairment.

Lease Receivables

Key audit matter	How the matter was addressed in our audit
AASB 16 Leases requires 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. Further to this, the requirements of AASB 9 Financial Instruments involve significant judgements and estimates in assessing future losses to be incurred based on past performance, the current economic environment, as well as expectations around future conditions. The disclosure and management's key estimates in relation to lease receivables can be found in D1 and D3. 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.	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 16 Leases. • 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, as well as present economic conditions. • Critically evaluating whether the expected credit loss model prepared by Management complies with the requirements of AASB 9 Financial Instruments. • Evaluating the completeness and accuracy of the historical data used in calculating the underlying historical loss rate. • Assessing the reasonableness of key judgements and estimates applied to the model which account for the current uncertainty resulting from the COVID-19

Key audit matter	How the matter was addressed in our audit
	outbreak, as well as expectations of future economic conditions. • 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 Group's annual report for the year ended 30 June 2020, but does not include the financial report and the auditor's report thereon.

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

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

If, based on the work we have performed, we conclude that there is a material misstatement of 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:

https://www.auasb.gov.au/admin/file/content102/c3/ar1_2020.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 2020.

In our opinion, the Remuneration Report of Consolidated Operations 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.

BDO Audit Pty Ltd

BDO

Gareth Few

Gareth Few
Director

Sydney, 27 August 2020

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 17 August 2020.

Substantial Shareholders

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

Shareholder	Form Lodged	No. of ordinary shares (1)	% of Total
NAOS ASSET MANAGEMENT LIMITED	16 June 2020	403,332,813	25.66%
GEGM INVESTMENTS PTY LIMITED	13 December 2019	296,484,461	18.86%
SANDON CAPITAL INV LTD A/C	12 May 2017	95,917,445	9.20%
THORNEY OPPORTUNITIES LTD (2)	18 August 2020	99,680,967	6.34%
TIGA TRADING PTY LTD (2)	18 August 2020	99,680,967	6.34%

Distribution of equity securities

There were 197 holders of less than a marketable parcel of ordinary shares.

Range	No. of ordinary shares	%	No. of holders	%
100,001 and Over	1,555,811,778	98.96	398	41.07
10,001 to 100,000	15,557,531	0.99	349	36.02
5,001 to 10,000	549,685	0.03	68	7.02
1,001 to 5,000	293,978	0.02	94	9.70
1 to 1,000	15,881	0.00	60	6.19
Total	**1,572,228,853**	**100.00**	**969**	**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	10,082,949	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	**10,082,949**	**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.
(2) Relevant interest of each party noted on each other's 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		469,967,481	29.89
2	GEGM INVESTMENTS PTY LTD		275,910,882	17.55
3	UBS NOMINEES PTY LTD		99,680,967	6.34
4	ONE MANAGED INVT FUNDS LTD	<SANDON CAPITAL INV LTD A/C>	77,366,037	4.92
5	LINX HOLDINGS PTY LTD	<LINX HOLDINGS A/C>	55,067,958	3.50
6	WESTLAWN FINANCE LIMITED		41,863,999	2.66
7	CITICORP NOMINEES PTY LIMITED		41,510,330	2.64
8	J P MORGAN NOMINEES AUSTRALIA PTY LIMITED		24,041,047	1.53
9	AUSTRALIAN EXECUTOR TRUSTEES LIMITED	<NO 1 ACCOUNT>	16,832,169	1.07
10	C-FLAG PTY LTD		16,751,814	1.07
11	FIDUCIO PTY LTD	<LE A/C>	16,289,451	1.04
12	PRESMORE PTY LTD	<THE M A SMITH FAMILY A/C>	11,308,534	0.72
13	LEZAK NOMINEES PTY LTD	<LEZAK NOMINEES S/F A/C>	10,567,311	0.67
14	MATTSALL PTY LTD	<MATTSALL A/C>	9,600,000	0.61
15	ROSEMARY LAURENCE PTY LTD	<ROSEMARY LAURENCE S/F A/C>	9,000,000	0.57
16	ONE MANAGED INVT FUNDS LTD	<1 A/C>	8,989,840	0.57
17	ACRES HOLDINGS PTY LTD	<NOEL EDWARD KAGI FAMILY A/C>	8,131,131	0.52
18	MARKSUE CRAIN PTY LTD	<MARKSUE CRAIN SUPER FUND A/C>	8,000,000	0.51
19	A & M CRAIN SUPER PTY LTD	<CRAIN SUPER FUND A/C>	7,947,826	0.51
20	MR PETER JOHN SCHAMPERS	<PJS FAMILY A/C>	7,771,312	0.49
		Total	**1,216,598,089**	**77.38**
		Balance of register	**355,630,764**	**22.62**
		Grand total	**1,572,228,853**	**100.00**

Option holders greater than 20%	No. of options held	% of total
Andrew Bennett	10,082,949	100.00

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

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 13 November 2020. Further to these Listing Rules and Clause 6.3 of the Company's Constitution, nominations for election of directors at the AGM must be received not less than 40 Business Days before the meeting, being no later than Friday 11 September 2020.

Directors

Patrick Tuttle
Chairman

Bruce Hatchman
Non-executive Director

Steve White
Non-executive Director

Cameron McCullagh
Executive Director

Rohan Ford
Executive Director (resigned 24 September 2019)

Mark Crain
Executive Director (appointed 15 November 2019)

Chief Executive Officer

Andrew Bennett

Chief Financial Officer

John McRae

Company Secretary

David Franks

KEY DATES

Annual General Meeting Date: 13 November 2020

Registered Office

David Franks
Level 5, 126 Phillip Street
Sydney NSW 2000
Phone 1300 288 664

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

External Auditors

BDO Audit Pty Limited
1 Margaret Street
Sydney NSW 2000
Phone: 1300 138 991
Internet: https://www.bdo.com.au/en-au/sydney

Securities Exchange

http://coglimited.com.au is a public company listed with the Australian Securities Exchange Limited

ASX: COG