

Credit Solutions Pty Ltd & Controlled Entities

ABN: 57 602 115 999

Financial Statements

For the Year Ended 30 June 2019

Draft

Credit Solutions Pty Ltd & Controlled Entities

ABN: 57 602 115 999

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For the Year Ended 30 June 2019

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Draft

Credit Solutions Pty Ltd & Controlled Entities

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Directors' Report

30 June 2019

The directors present their report, together with the financial statements of the Group, being the Company and its controlled entities, for the financial year ended 30 June 2019.

1. General information

Information on directors

The names of each person who has been a director during the year and to the date of this report are:

Brenton Glaister

Gail Crowder

Directors have been in office since the start of the financial year to the date of this report unless otherwise stated.

Principal activities

The principal activities of the Group during the financial year was the provision of debt recovery services.

No significant change in the nature of these activities occurred during the year.

2. Operating results and review of operations for the year

Operating results

The consolidated loss of the Group amounted to \$ (206,871) (2018: \$ 227,548).

Dividends paid or recommended

Dividends paid or declared during or since the end of the financial year are as follows:

- A fully franked dividend of \$ 150,000 was paid during the year.

Review of operations

A review of the operations of the Group during the financial year and the results of those operations show that the company continued to engage in its principal activities, the results of which are disclosed in the attached financial statements.

3. Other items

Significant changes in state of affairs

There have been no significant changes in the state of affairs of entities in the Group during the year.

Events after the reporting date

In December 2019, the business operations of Credit Solutions Pty Ltd & Controlled Entities was sold to Credit Clear Pty Ltd via a signed Business Sale Agreement. The sale included Credit Solutions Pty Ltd and the subsidiaries listed in note 23, in addition to Credit Solutions (NSW) Pty Ltd, Credit Solutions (Vic) Pty Ltd and Oakbridge Lawyers Pty Ltd whom are owned by shareholders.

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Directors' Report

30 June 2019

3. Other items

Events after the reporting date

On 11 March 2020, the World Health Organisation announced that COVID-19, also known as coronavirus, was now a pandemic. As the virus affects general economic activity there is likely to be an impact on the Group. However, at this time the Directors are unable to quantify the financial impact on the Group due to the uncertainties surrounding the pandemic and the impact it may have on the world and local economies.

Except for the above, no other matters or circumstances have arisen since the end of the financial year which significantly affected or could significantly affect the operations of the Group, the results of those operations or the state of affairs of the Group in future financial years.

Future developments and results

Likely developments in the operations of the Group and the expected results of those operations in future financial years have not been included in this report as the inclusion of such information is likely to result in unreasonable prejudice to the Group.

Environmental issues

The Group's operations are not regulated by any significant environmental regulations under a law of the Commonwealth or of a state or territory of Australia.


Indemnification and insurance of officers and auditors

No indemnities have been given or insurance premiums paid, during or since the end of the financial year, for any person who is or has been an officer or auditor of Credit Solutions Pty Ltd & Controlled Entities.

Auditor's independence declaration

The lead auditor's independence declaration in accordance with section 307C of the *Corporations Act 2001*, for the year ended 30 June 2019 has been received and can be found on page 3 of the financial report.

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

Director: 

Dated this 25th day of JUNE 2020

Moore Stephens Audit (Vic)

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**AUDITOR'S INDEPENDENCE DECLARATION
UNDER S 307C OF THE CORPORATIONS ACT 2001
TO THE DIRECTORS OF CREDIT SOLUTIONS PTY LTD & CONTROLLED ENTITIES**

I declare that, to the best of my knowledge and belief, during the year ended 30 June 2019, there have been:

- i. no contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the audit; and
- ii. no contraventions of any applicable code of professional conduct in relation to the audit.



MOORE STEPHENS AUDIT (VIC)
ABN 16 847 721 257



ANDREW JOHNSON
Partner
Audit & Assurance Services

Melbourne, Victoria

23 June 2020

Credit Solutions Pty Ltd & Controlled Entities

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Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the Year Ended 30 June 2019

		2019	2018
	Note	\$	\$
Revenue	4	5,744,378	4,992,290
Cost of sales		(1,338,739)	(958,262)
Gross profit		4,405,639	4,034,028
Employee benefits expense		(2,399,236)	(1,796,596)
Other expenses		(1,681,391)	(1,457,853)
Depreciation expenses	10	(42,088)	(59,695)
Amortisation expense	19	(313,853)	(186,672)
Finance expenses		(148,297)	(118,589)
Interest expense on financial liabilities	5	(108,535)	(67,900)
Bad debt expense		-	(16,220)
Profit / (Loss) before income tax		(287,761)	330,503
Income tax expense	6	80,890	(102,955)
Profit / (Loss) for the year		(206,871)	227,548
Total comprehensive income for the year		(206,871)	227,548

Credit Solutions Pty Ltd & Controlled Entities

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Consolidated Statement of Financial Position

As At 30 June 2019

	Note	2019 \$	2018 \$
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	7	625,149	393,533
Trade and other receivables	8	1,635,076	1,241,888
Loans receivable	9	41,022	146,058
Other assets	13	14,967	50,667
TOTAL CURRENT ASSETS		2,316,214	1,832,146
NON-CURRENT ASSETS			
Other assets		8,406	4,253
Loans receivable	9	309,453	143,001
Right of use asset	19	487,978	442,499
Deferred tax assets	21	185,630	97,110
Intangible assets	12	935,714	650,000
TOTAL NON-CURRENT ASSETS		1,927,181	1,336,863
TOTAL ASSETS		4,243,395	3,169,009
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables	14	1,509,052	1,089,250
Borrowings	15	1,543,217	969,743
Current tax liabilities	21	83,449	96,989
Lease Liability	19	318,080	232,625
Employee benefits	17	344,722	188,001
Other liabilities	16	496,401	291,603
TOTAL CURRENT LIABILITIES		4,294,921	2,868,211
NON-CURRENT LIABILITIES			
Lease Liability	19	234,915	240,151
Employee benefits	17	28,849	19,066
TOTAL NON-CURRENT LIABILITIES		263,764	259,217
TOTAL LIABILITIES		4,558,685	3,127,428
NET ASSETS		(315,290)	41,581
EQUITY			
Issued capital	18	12	12
Retained earnings		(315,302)	41,569
TOTAL EQUITY		(315,290)	41,581

The accompanying notes form part of these financial statements.

Credit Solutions Pty Ltd & Controlled Entities

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Consolidated Statement of Changes in Equity For the Year Ended 30 June 2019

2019

	Ordinary Shares	Retained Earnings	Total
	\$	\$	\$
Balance at 1 July 2018	12	41,569	41,581
Loss attributable to members of the parent entity	-	(206,871)	(206,871)
Dividends paid or provided for	-	(150,000)	(150,000)
Balance at 30 June 2019	12	(315,302)	(315,290)

2018

	Ordinary Shares	Retained Earnings	Total
	\$	\$	\$
Balance at 1 July 2017	12	84,021	84,033
Profit attributable to members of the parent entity	-	227,548	227,548
Dividends paid or provided for	-	(270,000)	(270,000)
Balance at 30 June 2018	12	41,569	41,581

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Consolidated Statement of Cash Flows

For the Year Ended 30 June 2019

	2019	2018
Note	\$	\$
CASH FLOWS FROM OPERATING ACTIVITIES:		
Receipts from customers	7,256,926	6,878,145
Payments to suppliers and employees	(6,785,601)	(6,142,498)
Interest paid	(219,431)	(186,489)
Income taxes paid	(21,170)	(102,162)
Net cash provided by/(used in) operating activities	26 <u>230,724</u>	<u>446,996</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of property, plant and equipment	(42,088)	(57,884)
Payment for purchase of business	11 <u>(302,424)</u>	<u>-</u>
Net cash provided by/(used in) investing activities	<u>(344,512)</u>	<u>(57,884)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from borrowings	557,371	24,671
Dividends paid	(150,000)	(270,000)
Payment of lease liability	(316,496)	(182,070)
Net cash provided by/(used in) financing activities	<u>90,875</u>	<u>(427,399)</u>
Net increase/(decrease) in cash and cash equivalents held	(22,913)	(38,287)
Cash and cash equivalents at beginning of year	101,930	140,217
Cash acquired from purchase of business	49,731	-
Cash and cash equivalents at end of financial year	7 <u><u>128,748</u></u>	<u><u>101,930</u></u>

Credit Solutions Pty Ltd & Controlled Entities

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Notes to the Financial Statements

For the Year Ended 30 June 2019

The financial report covers Credit Solutions Pty Ltd & Controlled Entities and its controlled entities ('the Group'). Credit Solutions Pty Ltd & Controlled Entities is a for-profit proprietary Company, incorporated and domiciled in Australia.

Each of the entities within the Group prepare their financial statements based on the currency of the primary economic environment in which the entity operates (functional currency). The consolidated financial statements are presented in Australian dollars which is the parent entity's functional and presentation currency.

Comparatives are consistent with prior years, unless otherwise stated.

1 Basis of Preparation

The financial statements are general purpose financial statements that have been prepared in accordance with the Australian Accounting Standards and the *Corporations Act 2001*.

These financial statements comply with International Financial Reporting Standards as issued by the International Accounting Standards Board.

2 Summary of Significant Accounting Policies

(a) Basis for consolidation

The consolidated financial statements include the financial position and performance of controlled entities from the date on which control is obtained until the date that control is lost.

Intragroup assets, liabilities, equity, income, expenses and cashflows relating to transactions between entities in the consolidated entity have been eliminated in full for the purpose of these financial statements.

Appropriate adjustments have been made to a controlled entity's financial position, performance and cash flows where the accounting policies used by that entity were different from those adopted by the consolidated entity. All controlled entities have a June financial year end.

A list of controlled entities is contained in Note 23 to the financial statements.

(b) Revenue and other income

Revenue from contracts with customers

The core principle of AASB 15 is that revenue is recognised on a basis that reflects the transfer of promised goods or services to customers at an amount that reflects the consideration the Group expects to receive in exchange for those goods or services. Revenue is recognised by applying a five-step model as follows:

1. Identify the contract with the customer
2. Identify the performance obligations
3. Determine the transaction price
4. Allocate the transaction price to the performance obligations
5. Recognise revenue as and when control of the performance obligations is transferred

Credit Solutions Pty Ltd & Controlled Entities

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Notes to the Financial Statements

For the Year Ended 30 June 2019

2 Summary of Significant Accounting Policies

(b) Revenue and other income

Revenue from contracts with customers

Generally the timing of the payment for sale of goods and rendering of services corresponds closely to the timing of satisfaction of the performance obligations, however where there is a difference, it will result in the recognition of a receivable, contract asset or contract liability.

None of the revenue streams of the Group have any significant financing terms as there is less than 12 months between receipt of funds and satisfaction of performance obligations.

Specific revenue streams

The revenue recognition policies for the principal revenue streams of the Group are:

Debt Collection Commission

Debt collection commission is earned by the company based on a percentage of the total outstanding debt in which was collected by the company on a customers behalf. Debt collection commission is recognised on a month basis with payment terms of 30 days.

Solicitors Commission

Solicitors income is earned by the Group for on legal services provided in relation to debt collection, insolvency and other legal services provided to customers. Solicitors income is recognised on a monthly basis for legal services provided in the previous month with payment terms of 30 days.

Legal disbursements

The Group arranges for the disbursement activities provided by third parties on behalf of the client; however it does not control the output from those activities. The Group cannot influence the content of reports obtained or court filings, therefore no profit margin is recognised on the activities when clients are charged the direct cost incurred by the Group. As such, the Group acts as an agent for disbursements, which are only recognised when it is assessed that a reimbursement will be received from the client. The amount recognised for the expected reimbursement does not exceed the relevant costs incurred.

Field Services

Field services income is earned by the Group for serving legal documents to debtors. Field services income is recognised on a monthly basis for legal services provided in the previous month with payment terms of 30 days.

Other income

Other income is recognised on an accruals basis when the Group is entitled to it.

(c) Income Tax

The tax expense recognised in the consolidated statement of profit or loss and other comprehensive income comprises current income tax expense plus deferred tax expense.

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Notes to the Financial Statements

For the Year Ended 30 June 2019

2 Summary of Significant Accounting Policies

(c) Income Tax

Current tax is the amount of income taxes payable (recoverable) in respect of the taxable profit (loss) for the year and is measured at the amount expected to be paid to (recovered from) the taxation authorities, using the tax rates and laws that have been enacted or substantively enacted by the end of the reporting period. Current tax liabilities (assets) are measured at the amounts expected to be paid to (recovered from) the relevant taxation authority.

Deferred tax is provided on temporary differences which are determined by comparing the carrying amounts of tax bases of assets and liabilities to the carrying amounts in the consolidated financial statements.

Deferred tax is not provided for the following:

- The initial recognition of an asset or liability in a transaction that is not a business combination and at the time of the transaction, affects neither accounting profit nor taxable profit (tax loss).
- Taxable temporary differences arising on the initial recognition of goodwill.
- Temporary differences related to investment in subsidiaries, associates and jointly controlled entities to the extent that the Group is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets are recognised for all deductible temporary differences and unused tax losses to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and losses can be utilised.

Current and deferred tax is recognised as income or an expense and included in profit or loss for the period except where the tax arises from a transaction which is recognised in other comprehensive income or equity, in which case the tax is recognised in other comprehensive income or equity respectively.

(d) Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised as part of the cost of that asset.

All other borrowing costs are recognised as an expense in the period in which they are incurred.

(e) Goods and services tax (GST)

Revenue, expenses and assets are recognised net of the amount of goods and services tax (GST), except where the amount of GST incurred is not recoverable from the Australian Taxation Office (ATO).

Receivables and payable are stated inclusive of GST.

Cash flows in the consolidated statement of cash flows are included on a gross basis and the GST component of cash flows arising from investing and financing activities which is recoverable from, or payable to, the

Credit Solutions Pty Ltd & Controlled Entities

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Notes to the Financial Statements

For the Year Ended 30 June 2019

2 Summary of Significant Accounting Policies

- (e) **Goods and services tax (GST)**
taxation authority is classified as operating cash flows.

(f) **Property, plant and equipment**

Each class of property, plant and equipment is carried at cost or fair value less, where applicable, any accumulated depreciation and impairment.

Plant and equipment

Plant and equipment are measured using the cost model.

Depreciation

Property, plant and equipment, excluding freehold land, is depreciated on a straight-line basis over the assets useful life to the Group, commencing when the asset is ready for use.

The depreciation rates used for each class of depreciable asset are shown below:

Fixed asset class	Depreciation rate
Motor Vehicles	33% - 100%
Office Equipment	33% - 100%

At the end of each annual reporting period, the depreciation method, useful life and residual value of each asset is reviewed. Any revisions are accounted for prospectively as a change in estimate.

(g) **Financial instruments**

Financial instruments are recognised initially on the date that the Group becomes party to the contractual provisions of the instrument.

On initial recognition, all financial instruments are measured at fair value plus transaction costs (except for instruments measured at fair value through profit or loss where transaction costs are expensed as incurred).

Financial assets

All recognised financial assets are subsequently measured in their entirety at either amortised cost or fair value, depending on the classification of the financial assets.

Classification

On initial recognition, the Group classifies its financial assets into the following categories, those measured at:

- amortised cost

Financial assets are not reclassified subsequent to their initial recognition unless the Group changes its business model for managing financial assets.

Credit Solutions Pty Ltd & Controlled Entities

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Notes to the Financial Statements

For the Year Ended 30 June 2019

2 Summary of Significant Accounting Policies

(g) Financial instruments

Financial assets

Amortised cost

Assets measured at amortised cost are financial assets where:

- the business model is to hold assets to collect contractual cash flows; and
- the contractual terms give rise on specified dates to cash flows are solely payments of principal and interest on the principal amount outstanding.

The Group's financial assets measured at amortised cost comprise trade and other receivables and cash and cash equivalents in the consolidated statement of financial position.

Subsequent to initial recognition, these assets are carried at amortised cost using the effective interest rate method less provision for impairment.

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

Impairment of financial assets

Impairment of financial assets is recognised on an expected credit loss (ECL) basis for the following assets:

- financial assets measured at amortised cost

When determining whether the credit risk of a financial assets has increased significant since initial recognition and when estimating ECL, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis based on the Group's historical experience and informed credit assessment and including forward looking information.

The Group uses the presumption that an asset which is more than 30 days past due has seen a significant increase in credit risk.

The Group uses the presumption that a financial asset is in default when:

- the other party is unlikely to pay its credit obligations to the Group in full, without recourse to the Group to actions such as realising security (if any is held); or
- the financial assets is more than 90 days past due.

Credit losses are measured as the present value of the difference between the cash flows due to the Group in accordance with the contract and the cash flows expected to be received. This is applied using a probability weighted approach.

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Notes to the Financial Statements

For the Year Ended 30 June 2019

2 Summary of Significant Accounting Policies

(g) Financial instruments

Financial assets

Trade receivables and contract assets

Impairment of trade receivables and contract assets have been determined using the simplified approach in AASB 9 which uses an estimation of lifetime expected credit losses. The Group has determined the probability of non-payment of the receivable and contract asset and multiplied this by the amount of the expected loss arising from default.

The amount of the impairment is recorded in a separate allowance account with the loss being recognised in finance expense. Once the receivable is determined to be uncollectable then the gross carrying amount is written off against the associated allowance.

Where the Group renegotiates the terms of trade receivables due from certain customers, the new expected cash flows are discounted at the original effective interest rate and any resulting difference to the carrying value is recognised in profit or loss.

Other financial assets measured at amortised cost

Impairment of other financial assets measured at amortised cost are determined using the expected credit loss model in AASB 9. On initial recognition of the asset, an estimate of the expected credit losses for the next 12 months is recognised. Where the asset has experienced significant increase in credit risk then the lifetime losses are estimated and recognised.

Financial liabilities

The Group measures all financial liabilities initially at fair value less transaction costs, subsequently financial liabilities are measured at amortised cost using the effective interest rate method.

The financial liabilities of the Group comprise trade payables, bank and other loans and lease liabilities.

(h) Impairment of non-financial assets

At the end of each reporting period the Group determines whether there is an evidence of an impairment indicator for non-financial assets.

Where an indicator exists and regardless for goodwill, indefinite life intangible assets and intangible assets not yet available for use, the recoverable amount of the asset is estimated.

Where assets do not operate independently of other assets, the recoverable amount of the relevant cash-generating unit (CGU) is estimated.

The recoverable amount of an asset or CGU is the higher of the fair value less costs of disposal and the value in use. Value in use is the present value of the future cash flows expected to be derived from an asset or cash-generating unit.

Where the recoverable amount is less than the carrying amount, an impairment loss is recognised in profit or loss.

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Notes to the Financial Statements

For the Year Ended 30 June 2019

2 Summary of Significant Accounting Policies

(h) Impairment of non-financial assets

Reversal indicators are considered in subsequent periods for all assets which have suffered an impairment loss, except for goodwill.

(i) Intangible Assets

Goodwill

Goodwill is calculated as the excess of the sum of:

- i) the consideration transferred;
- ii) any non-controlling interest; and
- iii) the acquisition date fair value of any previously held equity interest;

over the acquisition date fair value of net identifiable assets acquired in a business combination.

The value of goodwill recognised on acquisition of each subsidiary in which the Group holds less than a 100% interest will depend on the method adopted in measuring the aforementioned non-controlling interest. The Group can elect to measure the non-controlling interest in the acquiree either at fair value ('full goodwill method') or at the non-controlling interest's proportionate share of the subsidiary's identifiable net assets ('proportionate interest method'). The Group determines which method to adopt for each acquisition.

Under the 'full goodwill method', the fair values of the non-controlling interests are determined using valuation techniques which make the maximum use of market information where available.

Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill on acquisition of associates is included in investments in associates.

Goodwill is not amortised but is tested for impairment annually and is allocated to the Group's cash generating units or groups of cash generating units, which represent the lowest level at which goodwill is monitored but where such level is not larger than an operating segment. Gains and losses on the disposal of an entity include the carrying amount of goodwill related to the entity sold.

(j) Cash and cash equivalents

Cash and cash equivalents comprises cash on hand, demand deposits and short-term investments which are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value.

(k) Leases

The Group leases various offices. Contracts may contain both lease and non-lease components. The Group allocates the consideration in the contract to the lease and non-lease components based on their relative stand-alone prices unless it has elected not to separate lease and non-lease components and instead accounts for these as a single lease component.

Leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group.

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Notes to the Financial Statements

For the Year Ended 30 June 2019

2 Summary of Significant Accounting Policies

(k) Leases

Lease liabilities include the net present value of the following lease payments:

fixed payments (including in-substance fixed payments), less any lease incentives receivable

variable lease payment that are based on an index or a rate, initially measured using the index or rate as at the commencement date

amounts expected to be payable by the Group under residual value guarantees

the exercise price of a purchase option if the Group is reasonably certain to exercise that option, and

payments of penalties for terminating the lease, if the lease term reflects the Group exercising that option.

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the Group, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

The Group is exposed to potential future increases in variable lease payments based on an index or rate, which are not included in the lease liability until they take effect. When adjustments to lease payments based on an index or rate take effect, the lease liability is reassessed and adjusted against the right-of-use asset.

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Right-of-use assets are measured at cost comprising the following:

the amount of the initial measurement of lease liability

any lease payments made at or before the commencement date less any lease incentives received

any initial direct costs, and

restoration costs.

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Group is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life.

Payments associated with short-term leases and of low-value assets are recognised on a straight-line basis as an expense in profit or loss.

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Notes to the Financial Statements

For the Year Ended 30 June 2019

2 Summary of Significant Accounting Policies

(l) Employee benefits

Provision is made for the Group's liability for employee benefits arising from services rendered by employees to the end of the reporting period. Employee benefits that are expected to be wholly settled within one year have been measured at the amounts expected to be paid when the liability is settled, plus related on-costs.

Employee benefits expected to be settled more than one year after the end of the reporting period have been measured at the present value of the estimated future cash outflows to be made for those benefits. In determining the liability, consideration is given to employee wage increases and the probability that the employee may satisfy vesting requirements. Cashflows are discounted using market yields on high quality corporate bond rates incorporating bonds rated AAA or AA by credit agencies, with terms to maturity that match the expected timing of cashflows. Changes in the measurement of the liability are recognised in profit or loss.

(m) Adoption of new and revised accounting standards

The Group has adopted all standards which became effective for the first time at 30 June 2019, the adoption of these standards has not caused any material adjustments to the reported financial position, performance or cash flow of the Group or refer to Note for details of the changes due to standards adopted.

3 Critical Accounting Estimates and Judgments

The directors make estimates and judgements during the preparation of these financial statements regarding assumptions about current and future events affecting transactions and balances.

These estimates and judgements are based on the best information available at the time of preparing the financial statements, however as additional information is known then the actual results may differ from the estimates.

The significant estimates and judgements made have been described below.

Key judgments - Recoverability of Related Party Loans

Included in note 9 : Loans receivable, is multiple related party loans to Director related entities. The Directors believe these loans are fully recoverable with repayments being made in accordance with a repayment schedule.

Key judgments - Going Concern

At balance date, the company recorded a loss after tax of \$206,871 (2018: 227,548 loss) and had had a net current asset deficiency of 1,978,707 (2018 \$1,036,065).

The ability of to continue as a going concern is dependent upon a number of factors, one being the continuation and availability of funds. The financial statements have been prepared on the basis that the entity is a going concern, which contemplates the continuity of its business, realisation of assets and settlement of liabilities in the normal course of business.

In determining that the going concern assumption is appropriate, the Directors have had regard to note 26 of the financial statements, which discloses that the company was sold in December 2019 to Credit Clear Pty Ltd.

The entity's ability to continue to operate as a going concern is dependent upon the items listed above. Should these events not occur as anticipated, the entity may be unable to continue as a going concern and may be required to realise its assets and extinguish its liabilities other than in the ordinary course of business, and at amounts that differ from those stated in the financial statements.

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Notes to the Financial Statements For the Year Ended 30 June 2019

4 Revenue and Other Income

Revenue from continuing operations

	2019	2018
	\$	\$
Revenue from contracts with customers		
- Collection Commissions	2,555,466	1,299,380
- Solicitors Income	2,073,764	2,160,369
- Field Services	1,102,503	1,161,261
- Other income	12,645	371,280
	<u>5,744,378</u>	<u>4,992,290</u>
Total Revenue	<u>5,744,378</u>	<u>4,992,290</u>

5 Finance Income and Expenses

Finance expenses

	2019	2018
	\$	\$
Finance expense		
Interest expense on financial liabilities	71,152	42,225
Interest expense on lease liabilities	37,383	25,675
	<u>108,535</u>	<u>67,900</u>
Total finance expenses	<u>108,535</u>	<u>67,900</u>

6 Income Tax Expense

(a) The major components of tax expense (income) comprise:

	2019	2018
	\$	\$
Current tax expense	7,630	96,989
Deferred tax expense	(88,520)	5,966
	<u>(80,890)</u>	<u>102,955</u>
Total income tax expense	<u>(80,890)</u>	<u>102,955</u>

Credit Solutions Pty Ltd & Controlled Entities

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Notes to the Financial Statements For the Year Ended 30 June 2019

6 Income Tax Expense

(b) Reconciliation of income tax to accounting profit:

	2019	2018
	\$	\$
Prima facie tax payable on profit from ordinary activities before income tax at 27.5% (2018: 27.5%)	(83,990)	90,889
Tax effect of:		
- Permanent differences	3,100	12,066
Income tax expense	(80,890)	102,955

7 Cash and Cash Equivalents

	2019	2018
	\$	\$
Cash at bank and in hand	128,748	101,930
Trust Funds Held	496,401	291,603
	625,149	393,533

Reconciliation of cash

Cash and Cash equivalents reported in the consolidated statement of cash flows are reconciled to the equivalent items in the consolidated statement of financial position as follows:

	2019	2018
	\$	\$
Cash and cash equivalents	625,149	393,533
Trust Funds Held	(496,401)	(291,603)
Balance as per consolidated statement of cash flows	128,748	101,930

8 Trade and Other Receivables

	2019	2018
	\$	\$
CURRENT		
Trade receivables	956,292	894,643
Related party receivables	678,784	305,909
Other receivables	-	41,336
Total current trade and other receivables	1,635,076	1,241,888

The carrying value of trade receivables is considered a reasonable approximation of fair value due to the short-term nature of the balances.

Credit Solutions Pty Ltd & Controlled Entities

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Notes to the Financial Statements

For the Year Ended 30 June 2019

8 Trade and Other Receivables

The maximum exposure to credit risk at the reporting date is the fair value of each class of receivable in the financial statements.

a) Related party receivables: These receivables are for services rendered for companies within the Credit Solutions Group (refer note 25). There is no agreed terms, conditions, interest or security attached to these balances.

Impairment of receivables

The Group applies the simplified approach to providing for expected credit losses prescribed by AASB 9, which permits the use of the lifetime expected loss provision for all trade receivables. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due. The loss allowance provision as at 30 June 2019 is determined as follows, the expected credit losses incorporate forward looking information.

30 June 2019	Current	< 30 days overdue	< 90 days overdue	> 90 days overdue	Total
Expected loss rate (%)	-	-	-	-	-
Gross carrying amount (\$)	678,607	181,954	29,456	66,275	956,292
ECL provision	-	-	-	-	-

The Group measures the loss allowance for trade receivables at an amount equal to lifetime expected credit loss (ECL). The ECL on trade receivables are estimated using a provision matrix by reference to past default experience of the debtor and an analysis of the debtor's current financial position, adjusted for factors that are specific to the debtors, general economic conditions of the industry in which the debtors operate and an assessment of both the current as well as the forecast direction of conditions at the reporting date.

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

9 Loans and Advances

		2019	2018
		\$	\$
CURRENT			
Scott Lawyers Pty Ltd	(a)	-	146,058
B Glaister Family Trust	(b)	13,674	-
Crowder Family Trust	(b)	13,674	-
Ellam Family Trust	(b)	13,674	-
		<u>41,022</u>	<u>146,058</u>
NON CURRENT			
B Glaister Family Trust	(b)	103,151	47,667
Crowder Family Trust	(b)	103,151	47,667
Ellam Family Trust	(b)	103,151	47,667
		<u>309,453</u>	<u>143,001</u>

Credit Solutions Pty Ltd & Controlled Entities

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Notes to the Financial Statements

For the Year Ended 30 June 2019

9 Loans and Advances

Related Party Loans

The terms of the related party loans receivable are as follows:

a) This loan was provided to the company for working capital purposes. There are no agreed terms, conditions, interest or security attached to this loan balance.

b) Loans with KMP

B Glaister Family Trust: These loans are receivable from the Directors of the company. These loans are unsecured and the term of the loan is 7 years from the commencement of the loan. The interest rate charged is based on the benchmark interest rate as set by the Australian Tax Office (ATO).

Crowder Family Trust: These loans are receivable from the Directors of the company. These loans are unsecured and the term of the loan is 7 years from the commencement of the loan. The interest rate charged is based on the benchmark interest rate as set by the Australian Tax Office (ATO).

Ellam Family Trust: These loans are receivable from the Directors of the company. These loans are unsecured and the term of the loan is 7 years from the commencement of the loan. The interest rate charged is based on the benchmark interest rate as set by the Australian Tax Office (ATO).

10 Property, plant and equipment

	2019	2018
	\$	\$
Motor Vehicles		
At cost	26,992	26,992
Accumulated depreciation	(26,992)	(26,992)
Total motor vehicles	-	-
Office equipment		
At cost	119,110	119,110
Accumulated depreciation	(119,110)	(119,110)
Total office equipment	-	-

(a) Movements in carrying amounts of property, plant and equipment

	Motor Vehicles	Office Equipment	Total
	\$	\$	\$
Year ended 30 June 2019			
Balance at the beginning of year	-	-	-
Additions	-	42,088	42,088
Depreciation expense	-	(42,088)	(42,088)
Balance at the end of the year	-	-	-

Credit Solutions Pty Ltd & Controlled Entities

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Notes to the Financial Statements For the Year Ended 30 June 2019

10 Property, plant and equipment

(a) Movements in carrying amounts of property, plant and equipment

	Motor Vehicles \$	Office Equipment \$	Total \$
Year ended 30 June 2018			
Balance at the beginning of year	-	603	603
Additions	14,442	43,442	57,884
Depreciation expense	(14,442)	(44,045)	(58,487)
Balance at the end of the year	-	-	-

11 Business Combinations

On 01 November 2018, Credit Solutions Pty Ltd acquired a 76% interest of Great Southern Credit Management Pty Ltd and resulted in Credit Solutions Pty Ltd obtaining control of Great Southern Credit Management Pty Ltd.

The following table shows the assets acquired, liabilities assumed and the purchase consideration at the acquisition date.

	Fair value \$
Purchase consideration:	
- Cash	302,424
Total purchase consideration	302,424
Assets or liabilities acquired:	
Cash	49,577
Trust Deposits	171,371
Trade receivables	127,336
Plant and equipment	28,070
Other assets	58,814
Trade payables	(209,087)
Trust Liabilities	(171,371)
Borrowings	(38,000)
Total net identifiable assets	16,710
Identifiable assets acquired and liabilities assumed	16,710
Consideration paid	302,424
Less: Identifiable assets acquired	16,710
Goodwill	285,714

Revenue of Great Southern Credit Management Pty Ltd included in the consolidated revenue of the Group since the acquisition date on 01 November 2018 amounted to \$ 933,066 with a loss after tax of \$ 33,528.

Had the results of Great Southern Credit Management Pty Ltd been consolidated from 1 July 2018, revenue of the the Group would have been \$ 1,440,788 and consolidated profit would have been \$ 76,875 for the year ended 30 June 2019.

Credit Solutions Pty Ltd & Controlled Entities

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Notes to the Financial Statements

For the Year Ended 30 June 2019

12 Intangible Assets

	2019	2018
	\$	\$
Goodwill		
Cost	935,714	650,000
Accumulated amortisation and impairment	-	-
Net carrying value	935,714	650,000
Total Intangibles	935,714	650,000

(a) Movements in carrying amounts of intangible assets

	Goodwill	Total
	\$	\$
Year ended 30 June 2019		
Balance at the beginning of the year	650,000	650,000
Additions	285,714	285,714
Disposals	-	-
Impairment Loss	-	-
Closing value at 30 June 2019	935,714	935,714

	Goodwill	Total
	\$	\$
Year ended 30 June 2018		
Balance at the beginning of the year	650,000	650,000
Additions	-	-
Disposals	-	-
Impairment Loss	-	-
Closing value at 30 June 2018	650,000	650,000

Credit Solutions Pty Ltd & Controlled Entities

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Notes to the Financial Statements

For the Year Ended 30 June 2019

13 Other assets

	2019	2018
	\$	\$
CURRENT		
Prepayments	14,967	50,667
	<u>14,967</u>	<u>50,667</u>
NON-CURRENT		
Other assets	8,406	4,253
	<u>8,406</u>	<u>4,253</u>

14 Trade and Other Payables

	2019	2018
	\$	\$
CURRENT		
Trade payables	448,834	418,022
GST payable	102,676	65,851
Sundry payables and accrued expenses	628,823	503,210
Related party payables	(a) 328,719	102,167
	<u>1,509,052</u>	<u>1,089,250</u>

Trade and other payables are unsecured, non-interest bearing and are normally settled within 30 days. The carrying value of trade and other payables is considered a reasonable approximation of fair value due to the short-term nature of the balances.

a) Related party payables: These payables are for services provided by companies within the Credit Solutions Group. There is no agreed terms, conditions, interest or security attached to these balances.

15 Borrowings

	2019	2018
	\$	\$
CURRENT		
Unsecured liabilities:		
Related party loans	(a) 186,119	137,000
	<u>186,119</u>	<u>137,000</u>
Secured liabilities:		
NAB Debt Finance	1,357,098	832,743
	<u>1,357,098</u>	<u>832,743</u>
Total current borrowings	<u>1,543,217</u>	<u>969,743</u>

Credit Solutions Pty Ltd & Controlled Entities

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Notes to the Financial Statements

For the Year Ended 30 June 2019

15 Borrowings

Related Party Loans

The terms of the related party loans receivable are as follows:

a) These loan was provided to the company for working capital purposes. There are no agreed terms, conditions, interest or security attached to this loan balance.

b) The Group holds loans payable to National Australia Bank (NAB). The loans are personally guaranteed by the directors of the companies which form part of the Credit Solutions Group and by subsidiaries in the Credit Solutions Group. The limit of the guarantee is \$1,985,000 and additional interest and bank fees. NAB charges a floating interest rate using a set Business lending rate plus a predetermined customer margin. The floating interest rate for the year was approximately 6%.

16 Other Liabilities

	2019	2018
	\$	\$
CURRENT		
Trust liability	496,401	291,603
	<u>496,401</u>	<u>291,603</u>

The Group holds funds on trust as a part of the debt collection services. The Group holds a separate trust bank account and raises a liability equal to the balance of the trust account, representing that the funds are held in trust and that they are payable to various customers

17 Employee Benefits

	2019	2018
	\$	\$
Current liabilities		
Provision for employee benefits	344,722	188,001
	<u>344,722</u>	<u>188,001</u>
Non-current liabilities		
Provision for employee benefits	28,849	19,066
	<u>28,849</u>	<u>19,066</u>

18 Issued Capital

	2019	2018
	\$	\$
12 (2018: 12) Ordinary shares	12	12

Credit Solutions Pty Ltd & Controlled Entities

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Notes to the Financial Statements

For the Year Ended 30 June 2019

18 Issued Capital

Capital Management

The key objectives of the Company when managing capital is to safeguard its ability to continue as a going concern and maintain optimal benefits to stakeholders. The Company defines capital as its equity and net debt.

There has been no change to capital risk management policies during the year.

The Company manages its capital structure and makes funding decisions based on the prevailing economic environment and has a number of tools available to manage capital risk. These include maintaining a diversified debt portfolio, the ability to adjust the size and timing of dividends paid to shareholders and the issue of new shares.

The Board monitors a range of financial metrics including return on capital employed and gearing ratios. A key objective of the Company's capital risk management is to maintain compliance with the covenants attached to the Company's debts. Throughout the year, the Company has complied with these covenants.

19 Leases

Right-of-use assets

	2019	2018
	\$	\$
Buildings		
Right of use asset	988,503	629,171
Accumulated ammortisation	(500,525)	(186,672)
Total Total Right-of-use assets	487,978	442,499

Lease liabilities

	2019	2018
	\$	\$
Buildings		
Current	318,080	232,625
Non-current	234,915	240,151
Total Lease Liability	552,995	472,776

Additions to right of use assets during the 2019 financial year were \$359,322. Refer to note 2 for details on the recognition of leases under AASB 16 *Leases*.

Credit Solutions Pty Ltd & Controlled Entities

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Notes to the Financial Statements

For the Year Ended 30 June 2019

19 Leases

Amounts recognised in the statement of profit or loss:

	2019	2018
	\$	\$
Ammortisation charge of right-of-use assets		
Amortisation expense	313,853	186,672
Interest expense (included in finance expenses)	37,383	25,675

The total cash outflow for leases in 2019 was \$316,496 (2018: \$182,070).

The Group's leasing activities and how these are accounted for:

The Group leases various office buildings. Rental contracts are typically made for fixed periods of 2 years to 5 years, but may have extension options. Extension and termination options are included in a number of property leases across the Group. These are used to maximise operational flexibility in terms of managing the assets used in the Group's operations. The majority of extension and termination options held are exercisable only by the Group and not by the respective lessor. These options have not been included in the calculation of the lease liabilities.

The right-of-use asset and the lease liability have been recognised in accordance with note 3(k) of these financial statements.

Incremental borrowing rate

To determine the incremental borrowing rate, the Group:

- where possible, uses recent third-party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since third party financing was received
- uses a build-up approach that starts with a risk-free interest rate adjusted for credit risk for leases held by the Company, which does not have recent third party financing, and
- makes adjustments specific to the lease, eg term, country, currency and security.

The Group have determined that the weighted average incremental borrowing rate for the financial year was 6%. This is based on the borrowing rate available to the Company from a financial institution.

Other considerations

The building leases include fixed fee increases as part of the contracted terms of the lease. These have been incorporated into the calculation of the right-of-use asset. There are no leases with variable lease components which are tied to a rate or index.

There are no make good provisions as a part of the Group's lease agreements and therefore make good provisions are not capitalised as part of the right-of-use asset in accordance with AASB 16.

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Credit Solutions Pty Ltd & Controlled Entities

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Notes to the Financial Statements

For the Year Ended 30 June 2019

20 Financial Risk Management

The Group is exposed to a variety of financial risks through its use of financial instruments.

The Group's overall risk management plan seeks to minimise potential adverse effects due to the unpredictability of financial markets.

The most significant financial risks to which the Group is exposed to are described below:

Specific risks

- Liquidity risk
- Credit risk
- Market risk

Financial instruments used

The principal categories of financial instrument used by the Group are:

- Trade receivables
- Cash at bank
- Bank overdraft
- Trade and other payables
- Lease liabilities

		2019	2018
		\$	\$
Financial assets			
Cash and cash equivalents	7	625,149	393,533
Trade and other receivables	8	1,635,076	1,139,768
Loans receivable	9	350,473	319,893
Total financial assets		2,610,698	1,853,194
Financial liabilities			
Trade and other payables	14	1,509,052	1,017,964
Related party loans	15	186,119	137,000
Borrowings	15	1,357,098	832,743
Total financial liabilities		3,052,269	1,987,707

Credit Solutions Pty Ltd & Controlled Entities

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Notes to the Financial Statements

For the Year Ended 30 June 2019

20 Financial Risk Management

Objectives, policies and processes

The Board of Directors have overall responsibility for the establishment of the Group's financial risk management framework. This includes the development of policies covering specific areas such as foreign exchange risk, interest rate risk, liquidity risk, credit risk and the use of derivatives.

Liquidity risk

Liquidity risk arises from the Group's management of working capital and the finance charges and principal repayments on its debt instruments. It is the risk that the Group will encounter difficulty in meeting its financial obligations as they fall due.

The Group's policy is to ensure that it will always have sufficient cash to allow it to meet its liabilities as and when they fall due. The Group maintains cash and marketable securities to meet its liquidity requirements for up to 30-day periods. Funding for long-term liquidity needs is additionally secured by an adequate amount of committed credit facilities and the ability to sell long-term financial assets.

Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the Group.

Credit risk arises from cash and cash equivalents, derivative financial instruments and deposits with banks and financial institutions, as well as credit exposure to wholesale and retail customers, including outstanding receivables and committed transactions.

The credit risk for liquid funds and other short-term financial assets is considered negligible, since the counterparties are reputable banks with high quality external credit ratings.

Trade receivables and contract assets

Trade receivables consist of a large number of customers, spread across diverse industries and geographical areas. Ongoing credit evaluation is performed on the financial condition of accounts receivable.

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. However, management also considers the factors that may influence the credit risk of its customer base, including the default risk associated with the industry and country in which the customers operate.

Management considers that all the financial assets that are not impaired for each of the reporting dates under review are of good credit quality, including those that are past due.

Other financial assets held at amortised cost

Other financial assets at amortised cost include [debenture assets, zero coupon bonds and listed corporate bonds, loans to related parties and key management personnel and other receivables].

The loss allowance provision for other financial assets at amortised cost as at 30 June 2019 reconciles to the opening loss account for that provision as follows:

The Group does not hold any financial assets with terms that have been renegotiated, but which would otherwise be past due or impaired.

Credit Solutions Pty Ltd & Controlled Entities

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Notes to the Financial Statements

For the Year Ended 30 June 2019

21 Tax assets and liabilities

(a) Current Tax Liability

	2019	2018
	\$	\$
Income tax payable	83,449	96,989
Current tax liabilities	83,449	96,989

(b) Deferred Tax Assets

	Opening Balance	Charged to Income	Closing Balance
	\$	\$	\$
Deferred tax assets			
Provisions - employee benefits	44,509	12,796	57,305
Accruals and payables	30,215	(1,767)	28,448
Deferred tax assets attributable to tax losses	34,165	(34,165)	-
Other assets	(5,813)	4,383	(1,430)
Provision for expected credit losses	-	4,461	4,461
Lease liability	-	8,326	8,326
Balance at 30 June 2018	103,076	(5,966)	97,110
Provisions - employee benefits	57,305	45,427	102,732
Accruals and payables	28,448	56,937	85,385
Deferred tax assets attributable to tax losses	-	(19,231)	(19,231)
Other assets	(1,430)	(2,520)	(3,950)
Provision for expected credit losses	4,461	-	4,461
Lease liability	8,326	9,554	17,880
Other deferred tax	-	(1,647)	(1,647)
Balance at 30 June 2019	97,110	88,520	185,630

22 Key Management Personnel Remuneration

Key management personnel remuneration included within employee expenses for the year is shown below:

	2019	2018
	\$	\$
Short-term employee benefits	326,693	469,407

Credit Solutions Pty Ltd & Controlled Entities

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Notes to the Financial Statements For the Year Ended 30 June 2019

23 Interests in Subsidiaries

(a) Composition of the Group

	Principal place of business / Country of Incorporation	Percentage Owned (%)* 2019	Percentage Owned (%)* 2018
Subsidiaries:			
Credit Solutions (QLD) Pty Ltd	Queensland, Australia	60	60
Credit Solutions (WA) Pty Ltd	Western Australia, Australia	100	100
Great Southern Credit Management Pty Ltd	South Australia, Australia	76	-

*The percentage of ownership interest held is equivalent to the percentage voting rights for all subsidiaries.

24 Contingencies

In the opinion of the Directors, the Company did not have any contingencies at 30 June 2019 (30 June 2018:None).

25 Related Parties

(a) The Group's main related parties are as follows:

The Company is part of the Credit Solutions Group which comprises of companies owned by a similar ownership group. The group comprises of the following companies for the period (not included in the consolidated group as described in note 22):

- Credit Solutions (VIC) Pty Ltd
- Credit Solutions (NSW) Pty Ltd
- Oakbridge Lawyers Pty Ltd

Key management personnel - refer to Note 22.

Other related parties include close family members of key management personnel and entities that are controlled or significantly influenced by those key management personnel or their close family members.

(b) Transactions with related parties

Transactions between related parties are on normal commercial terms and conditions no more favourable than those available to other parties unless otherwise stated.

The following transactions occurred with related parties:

	Expenses	Revenue	Balance outstanding Owed to the Group	Owed by the Groups
	\$	\$	\$	\$
Other members of the Credit Solutions Group				
Cost of Sales - Legal Fees	848,077	-	-	-
Other expenses	160,000	-	-	-
Trade and other receivables	-	-	647,543	-

Credit Solutions Pty Ltd & Controlled Entities

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Notes to the Financial Statements

For the Year Ended 30 June 2019

25 Related Parties

(b) Transactions with related parties

	Expenses	Revenue	Balance outstanding Owed to the Group	Owed by the Groups
	\$	\$	\$	\$
Trade and other payables	-	-	-	297,478
Scott Lawyers Pty Ltd				
Accounts receivable	-	-	396	-
Accounts payable	-	-	-	5,420
Credit Clear Pty Ltd				
Accounts payable	-	-	-	22,623

(c) Loans to/from related parties

Transactions between related parties are on normal commercial terms and conditions no more favourable than those available to other parties unless otherwise stated.

The following transactions occurred with related parties:

	Loans Receivable	Loans payable
	\$	\$
Loans from KMP		
2019	350,475	186,119
2018	143,001	137,000
Loans with Scott Lawyers Pty Ltd		
2019	-	113,639
2018	146,058	-

Terms of KMP loans are disclosed as a part of note 10 Loans receivable. there are no formal repayment terms for loans payable to KMP.

There are no formal repayment terms for loans with Scott Lawyers Pty Ltd.

Credit Solutions Pty Ltd & Controlled Entities

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Notes to the Financial Statements For the Year Ended 30 June 2019

26 Cash Flow Information

(a) Reconciliation of result for the year to cashflows from operating activities

Reconciliation of net income to net cash provided by operating activities:

	2019	2018
	\$	\$
Profit / (Loss) for the year	(206,871)	227,548
Cash flows excluded from profit attributable to operating activities		
Non-cash flows in profit:		
- amortisation of lease liability	313,835	184,692
- interest on lease liability	37,401	25,675
- depreciation	42,088	59,695
Changes in assets and liabilities:		
- (increase)/decrease in trade and other receivables	(373,450)	(1,129)
- (increase)/decrease in other assets	98,613	(105,759)
- (increase)/decrease in deferred tax asset	(88,520)	5,966
- increase/(decrease) in trade and other payables	254,664	11,474
- increase/(decrease) in income taxes payable	(13,540)	(5,173)
- increase/(decrease) in provisions	166,504	44,007
Cashflows from operations	<u>230,724</u>	<u>446,996</u>

27 Events Occurring After the Reporting Date

In December 2019, the business operations of Credit Solutions Pty Ltd & Controlled Entities was sold to Credit Clear Pty Ltd via a signed Business Sale Agreement. The sale included Credit Solutions Pty Ltd and the subsidiaries listed in note 23, in addition to Credit Solutions (NSW) Pty Ltd, Credit Solutions (Vic) Pty Ltd and Oakbridge Lawyers Pty Ltd whom are owned by same underlying shareholders.

On 11 March 2020, the World Health Organisation announced that COVID-19, also known as coronavirus, was now a pandemic. As the virus affects general economic activity there is likely to be an impact on the Group. However, at this time the Directors are unable to quantify the financial impact on the Group due to the uncertainties surrounding the pandemic and the impact it may have on the world and local economies.

Except for the above, no other matters or circumstances have arisen since the end of the financial year which significantly affected or could significantly affect the operations of the Group, the results of those operations, or the state of affairs of the Group in future financial years.

28 Statutory Information

The registered office and principal place of business of the company is:

Credit Solutions Pty Ltd & Controlled Entities
Unit 5
245 Fullarton Road
Eastwood South Australia 5063

Credit Solutions Pty Ltd & Controlled Entities

ABN: 57 602 115 999

Directors' Declaration

The directors of the Company declare that:

1. the financial statements and notes for the year ended 30 June 2019 are in accordance with the *Corporations Act 2001* and:
 - a. comply with Accounting Standards, which, as stated in basis of preparation Note 1 to the financial statements, constitutes explicit and unreserved compliance with International Financial Reporting Standards (IFRS); and
 - b. give a true and fair view of the financial position and performance of the consolidated group;
2. 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 with the continuing support of creditors.

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

Director



Dated this day of 2020

23RD

JUNE

Draft

Moore Stephens Audit (Vic)

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INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF CREDIT SOLUTIONS PTY LTD & CONTROLLED ENTITIES

Opinion

We have audited the accompanying financial report of Credit Solutions Pty Ltd & Controlled Entities (the Group), which comprises the consolidated statement of financial position as at 30 June 2019, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory notes and the directors' declaration of the Group comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

In our opinion:

- a. the financial report of Credit Solutions Pty Ltd & Controlled Entities is in accordance with the *Corporations Act 2001*, including:
 - i. giving a true and fair view of the Group's financial position as at 30 June 2019 and of their performance for the year ended on that date; and
 - ii. complying with Australian Accounting Standards (including Australian Accounting Interpretations) and the *Corporations Regulations 2001*;
- b. the financial report also complies with International Financial Reporting Standards as disclosed in Note 1.

Basis for Opinion

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

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

Other Information

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

Our opinion on the financial report does not cover the other information and accordingly 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 Management and Those Charged with Governance for the Financial Report

The directors of the Group are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards and the Corporations Act 2001, and for such internal control as the directors determines is necessary to enable the preparation of the financial report that 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.

Those charged with governance are responsible for overseeing the Entity's financial reporting process.

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 on the Auditing and Assurance Standards Board website at: http://www.auasb.gov.au/auditors_responsibilities/ar4.pdf. This description forms part of our auditor's report.



MOORE STEPHENS AUDIT (VIC)
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ANDREW JOHNSON
Partner
Audit & Assurance Services

Melbourne, Victoria

23 June 2020