COG Financial Services Limited (formerly Consolidated Operations Group Limited) and its controlled entities

ABN 58 100 854 788

Appendix 4D & Half year Financial Report

Results for announcement to the market
Half year ended 31 December 2020

Comparisons are to the period ended 31 December 2019 (unless specified for 30 June 2020)

	31 December 2020 $'000	**31 December 2019 $'000**	**up/down**	**% movement**
Revenue from continuing operations	129,564	112,834	up	15%
Net profit/(loss) from continuing operations	(26,970)	4,595	down	687%
Net profit/(loss) from continuing operations after tax, attributable to members	(31,230)	2,245	down	1,491%

	31 December 2020 cents	**31 December 2019 cents**
Earnings/(loss) per share, attributable to members	(1.97)	0.16
	31 December 2020 $'000	**30 June 2020 $'000**
Net assets	**181,782**	**192,387**
Less: Intangible assets	(121,576)	(141,698)
Non-controlling interests	(36,227)	(18,204)
Right-of-use lease assets	(6,028)	(5,524)
Net tangible assets	**17,951**	**26,961**
NTA per share (cents)	**1.09**	**1.72**

Commentary and explanations of the results
Please see the review of operations in the Directors' Report.

Notes

(1) This report is based on the financial report which has been the subject of review by the auditors and their review report is attached as part of the financial report.

(2) All the documents comprise the information required by listing rule 4.2A. 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 interim reporting period.

Dividends

	31 December 2020 $'000	31 December 2019 $'000
Dividends paid or provided during the period		
Final 2020 fully franked ordinary dividend of 0.152 cents (2019: nil) per fully paid ordinary share franked at the tax rate of 30% (2019: 30%)	2,390	Nil
Interim 2021 fully franked ordinary dividend of 0.122 cents (2019: nil) per fully paid ordinary share franked at the tax rate of 30% (2019: 30%)	2,007	Nil

Dividends (distributions)	Amount per security	Franked amount per security	Record date	Payment date
Final dividend 30 June 2020 (previous year)	0.152 cents	100%	24 September 2020	23 October 2020
Interim dividend 31 December 2020	0.122 cents	100%	26 March 2021	26 April 2021

Patrick Tuttle
Chairman
26 February 2021

COG Financial Services Limited
(formerly Consolidated Operations Group Limited)
and its controlled entities

ABN 58 100 854 788

Interim Financial Report

For the period ended 31 December 2020

Contents

Directors' Report

The Directors of COG Financial Services Limited (formerly 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 period ended 31 December 2020.

Directors' details

The following persons were Directors of the Company during or since the end of the period:

Patrick Tuttle - Chairman
Bruce Hatchman - Non-executive Director (resigned 8 September 2020)
Steve White - Non-executive Director
Peter Rollason - Non-executive Director (appointed 17 September 2020)
Cameron McCullagh - Executive Director
Mark Crain - Executive Director (appointed 15 November 2019)

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 increase earnings per share by investing in complementary entities and growing existing businesses that specialise in equipment finance broking, finance aggregation, commercial leases, and the development of COG owned prime and mid prime products.

OPERATING AND FINANCIAL REVIEW

The Board's 31 December 2020 Interim Operating and Financial Review is presented below and complements the Financial Report.

Review of operations - Group performance

The following table provides shareholders with a summary of COG's underlying and statutory results for the period ended 31 December 2020 and 2019:

Period ended 31 December $m	Underlying [1] 2020	 2019	 Change %	Statutory 2020	 2019	 Change %
Revenue [2]	**128.4**	**112.7**	**14%**	**129.5**	**112.8**	**15%**
Finance Broking & Aggregation	107.3	97.6	10%	107.3	97.6	10%
Lending (formerly CEF segment)	18.2	11.5	58%	18.6	11.5	62%
All Other / Intersegment	2.9	3.6	-19%	3.6	3.7	-3%
EBITDA	**26.5**	**15.9**	**67%**	**(13.3)**	**15.9**	**-184%**
EBITDA after non-controlling interests (NCI)	**18.7**	**10.9**	**72%**	**(20.8)**	**10.9**	**-291%**
Profit attributable to NCI	4.3	2.3	87%	4.3	2.4	79%
Profit / (loss) after NCI	**8.3**	**2.7**	**207%**	**(31.2)**	**2.2**	**-1518%**
NPATA [3] after NCI	**10.1**	**4.2**	**140%**	**(29.4)**	**3.7**	**-895%**

(1) On an underlying basis excluding impairment loss (31 December 2020: $37.5m after tax, 31 December 2019: $nil), loss on deemed sale and reacquisition of investment at fair value (31 December 2020: $5.0m after tax, 31 December 2019: $nil), gain from a bargain purchase (31 December 2020: $2.8m after tax, 31 December 2019: $nil), transaction costs (31 December 2020: $0.1m after tax, 31 December 2019: $0.4m after tax) and redundancy & restructuring costs (31 December 2020: $0.2m after tax, 31 December 2019: $0.1m after tax).

(2) Underlying revenue excludes interest income of $0.4m (31 December 2019: $0.1m) and dividend received from associates of $0.7m (31 December 2019: $nil).

(3) Excludes amortisation of acquired intangibles of $1.8m after tax attributable to members (31 December 2019: $1.5m after tax) in relation to intangibles recognised as part of business combinations.

For the period ended 31 December 2020:

- Underlying revenue was $128,384k, an increase of 14% on the prior comparative period (pcp),
- Underlying earnings before interest, taxes, depreciation and amortisation (EBITDA) from core operations, and before minority interests, was $26,462k, an increase of 67% on the pcp,
- Underlying profit after tax, attributable to members of the Group, was $8,308k, an increase of 207% on the pcp,
- Underlying net profit after tax and amortisation of intangibles arising from business combinations (NPATA), attributable to members of the Group, was $10,092k, an increase of 140% on the pcp.

On 16 November 2020 the Company issued 33,898,305 fully paid ordinary shares totalling $2,000k as part of the consideration of the acquisition of 80% of Access Capital Pty Ltd (Access). On 23 October 2020 the Company also issued 25,324,500 fully paid ordinary shares totalling $1,568k under COG's Dividend Reinvestment Plan (DRP). The Company also issued 13,282,654 fully paid ordinary shares totalling $822k on 2 November 2020 to the underwriters of the DRP shortfall in respect of its FY20 final dividend.

The Group's net asset position as at the end of the period was $181,782k (30 June 2020: $192,387k).

Review of operations - segment performance

COG's business consists of three operating segments, with each segment's EBITDA from core operations, shown in the table above.

Finance Broker & Aggregation (FB&A)

The Finance Broking and Aggregation (FB&A) segment continued to grow with segment revenues for the period ended 31 December 2020 up 10% to $107,290k ($97,571k in the pcp). Revenues for the period are inclusive of government subsidies totalling $2,715k ($nil in the pcp), which translates into $1,079k after tax, attributable to members. EBITDA before minority interests was up 49% to $15,567k ($10,421k in the pcp).

COG has established a nationwide distribution hub, through its independent aggregation platform members and equity owned brokers and is a key and trusted advisor to the Australian small-to-medium enterprise (SME) sector. In the first half of FY20, COG settled $2.2b of net asset finance (NAF) through its finance broking aggregation platforms, a 5% decrease on the pcp. COG estimates it now accounts for approximately 17% of annual industry NAF settled by finance brokers and holds a leading position as Australia's largest finance broker aggregation platform. COG is targeting for between 10% and 20% of all intermediated financing completed by its broking network to come from COG's own prime and mid-prime products.

COG continues to pursue organic growth as well as acquiring strategic stakes in complementary businesses. During the period ended 31 December 2020 COG acquired additional interests from minority shareholders in the existing Group-controlled entities, Platform Consolidated Group, QPF Holdings Group (QPF), Linx Group Holdings and Sovereign Tasmania.

Since the end of the financial year COG has also acquired an 80% equity interest in Access via its subsidiary QPF. Access is the largest asset finance broker in South Australia and Northern Territory and provides COG with a presence in this State and Territory, thereby completing the Company's ambition of being a diverse, national asset finance broker and aggregator.

Lending
The Lending segment delivered revenues for the period ended 31 December 2020 of $18,193k, up 58% on pcp ($11,499k in the pcp). Revenues for the period are inclusive of government subsidies of $357k ($nil in the pcp), as well as a contribution from Westlawn Finance Limited (Westlawn) totalling $8,972k (100% consolidated into COG results effective 1 July 2020), which includes additional government subsidies of $164k ($nil in the pcp). EBITDA before minority interests was up 80% to $12,195k ($6,723k in the pcp).

The recently launched Chattel Mortgage lending product has been well accepted by the market and will continue to be expanded through the COG owned finance broker distribution network. New loan and leases written in the first half of FY21 increased by 19% to $27,346k as compared to the pcp and include a contribution from Westlawn of $20,800k.

The Expected Credit Loss (ECL) provision decreased from 4.5% in 30 June 2020 to 3.2% in 31 December 2020, largely due to a dilution in respect to the lower required provision on Westlawn books (resulting from a healthy portfolio). In respect to the COG legacy lending portfolio, provisions have decreased slightly to 4.1% as a result of lower delinquency (the vast majority of hardships were cured during the six months ending 31 December 2020), and a reduction in contracts in arrears during the period.

Effective 1 July 2020 the Group completed the acquisition of a further 19.2% of Westlawn, taking its total interest in that entity to 51%.

The acquisition of a controlling interest in the Westlawn business provides COG with a unique platform to generate competitive and capital efficient funding, which will underpin future growth in our own-branded lending book. Management is also working to optimise the current origination process, which will be channelled through the Westlawn lending structure going forward, thereby eliminating certain costs which are currently duplicated.

The revised origination structure of direct lending from Westlawn resulted in a one-off, non-cash impairment of $37,457k for goodwill and other intangibles in relation to COG's wholly owned subsidiary, TL Commercial Finance Pty Limited. This goodwill was originally recognised on 1 November 2016 as a result of a change in accounting policy when COG ceased being an investment entity and adopted consolidation accounting. As the goodwill originated from a change in accounting policy rather than a cash outflow from a purchase transaction, the impairment does not reflect a loss from a direct cash investment.

Lastly, the new IT integrated lending system went live during the half and represents a key milestone for the Group.

Other
COG's Other segment includes managed IT services provided by Hal Group, the Group Head Office function, which is provided by the ultimate parent entity, and intersegment activities.

During the half, the IT managed services businesses continued to perform well, achieving consistent margins. Savings in IT, telecommunication and personnel expenses also contributed to the profit result for this segment.

COG's Other segment also includes dividends of $661k received from its 16.32% investment in Earlypay Limited (ASX: EPY) (formerly CML Group Limited) (ASX: CGR).

Dividends
Since the year ended 30 June 2020, the Board had declared a fully franked final dividend of 0.152 cents per fully paid ordinary share (2019: nil cents). The aggregate amount of the proposed dividend of $2,390k was paid on 23 October 2020 out of the Company's profits reserve at 30 June 2020. Due to the operation of the Company's Dividend Reinvestment Plan (DRP) and a DRP shortfall underwriting agreement, COG issued 38,607,154 fully paid shares in respect of the dividend.

For the period ended 31 December 2020, the Board declared a fully franked interim dividend of 0.122 cents per fully paid ordinary share (2019: nil cents). The aggregate amount of the proposed dividend of $2,007k will be paid on 26 April 2021 out of the Company's profits reserve at 31 December 2020. The Company's DRP will apply to the interim dividend.

Events subsequent to the end of the financial period
As disclosed in the notes to the financial statements, apart from the interim dividend declared on 26 February 2021 no other matters or circumstances have occurred subsequent to period end that have significantly affected, or may significantly affect, the operations of the Group, the results of those operations or the state of affairs of the Group in subsequent financial periods.

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

Auditor's independence declaration
A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 9.

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

Signed in accordance with a resolution of Directors on 26 February 2021.

Patrick Tuttle
Chairman

Cameron McCullagh
Executive Director

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Australia

DECLARATION OF INDEPENDENCE BY GARETH FEW TO THE DIRECTORS OF COG FINANCIAL SERVICES LIMITED

As lead auditor for the review of COG Financial Services Limited for the half-year ended 31 December 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 review; and
2. No contraventions of any applicable code of professional conduct in relation to the review.

This declaration is in respect of COG Financial Services Limited and the entities it controlled during the period.

Gareth Few

Gareth Few
Director

BDO Audit Pty Ltd

Sydney, 26 February 2021

Consolidated Statement of Comprehensive Income

For the period ended 31 December 2020

	Notes	31 December 2020 $'000	31 December 2019 $'000
Revenue from continuing operations	A2	129,564	112,834
Cost of sales		(33,432)	(27,945)
Commissions paid		(42,532)	(40,350)
Employee benefits expense		(19,904)	(17,781)
Administration expenses		(5,097)	(9,995)
Occupancy expenses		(857)	(705)
Finance costs		(4,641)	(4,613)
Depreciation and amortisation		(5,533)	(4,755)
Acquisition-related expenses		(108)	(577)
Gain from a bargain purchase	C1	2,759	-
Impairment	B1	(37,457)	-
Loss on deemed sale & reacquisition of investment at fair value	C1	(4,956)	-
Other expenses		(288)	(185)
Share of results from associates	C1	110	503
Profit/(loss) before income tax		**(22,372)**	**6,431**
Income tax expense		(4,598)	(1,836)
Profit/(loss) after tax for the period		**(26,970)**	**4,595**
Other comprehensive income:			
Items that may be reclassified subsequently to the statement of profit or loss:			
Changes in equity securities fair value		4,620	-
Revaluations by associate		-	(135)
Total comprehensive income for the period		**(22,350)**	**4,460**
Profit after tax attributable to:			
Members of COG Financial Services Limited		(31,230)	2,245
Non-controlling interests		4,260	2,350
Total profit after tax for the period		**(26,970)**	**4,595**
Total comprehensive income attributable to:			
Members of COG Financial Services Limited		(26,653)	2,110
Non-controlling interests		4,303	2,350
Total comprehensive income for the period		**(22,350)**	**4,460**
Basic and diluted earnings/(loss) per share from continuing operations, attributable to members (cents):		(1.97)	0.16

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

Consolidated Statement of Financial Position

As at 31 December 2020

ASSETS	Notes	31 December 2020 $'000	30 June 2020 $'000
Current			
Cash and cash equivalents	D4	71,738	34,691
Trade and other receivables		16,099	12,719
Contract assets		2,673	2,553
Financial assets - lease receivables		51,647	34,057
Financial assets - loans		41,331	470
Other financial assets		24,036	1,338
Inventories		194	51
Total current assets		**207,718**	**85,879**
Non-current			
Contract assets		6,745	6,551
Financial assets - lease receivables		70,666	55,326
Financial assets - loans		37,661	1,824
Other financial assets		10,855	3,193
Financial assets at fair value through other comprehensive income		861	8,876
Equity accounted associates		14,210	16,194
Property, plant and equipment		6,334	1,094
Intangible assets		121,576	141,698
Right-of-use lease assets		6,028	5,524
Total non-current assets		**274,936**	**240,280**
Total assets		**482,654**	**326,159**
LIABILITIES			
Current			
Trade and other payables		19,450	14,562
Customer salary packaging liability		7,043	5,932
Interest bearing liabilities		197,248	45,283
Current tax liabilities		7,774	3,054
Provisions		5,800	4,538
Lease liabilities		1,848	1,616
Other liabilities		80	105
Total current liabilities		**239,243**	**75,090**
Non-current			
Trade and other payables		5,424	1,001
Interest bearing liabilities		41,746	45,750
Deferred tax liabilities		8,623	6,876
Lease liabilities		4,791	4,401
Provisions		1,045	654
Total non-current liabilities		**61,629**	**58,682**
Total liabilities		**300,872**	**133,772**
Net assets		**181,782**	**192,387**
EQUITY			
Share capital	C2	245,489	241,179
Treasury shares	C2	(2,344)	-
Accumulated losses		(122,645)	(91,415)
Reserves	C2	25,055	24,419
Non-controlling interests		36,227	18,204
Total equity		**181,782**	**192,387**

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

Consolidated Statement of Changes in Equity

For the period ended 31 December 2020

	Notes	Share capital $'000	Treasury shares $'000	Accumulated losses $'000	Reserves $'000	Non-controlling interests $'000	Total Equity $'000
Balance at 1 July 2020		**241,179**	**-**	**(91,415)**	**24,419**	**18,204**	**192,387**
Net profit/(loss) for the period, after tax		-	-	(31,230)	-	4,260	**(26,970)**
Changes in equity securities fair value		-	-	-	4,620	-	**4,620**
Total comprehensive income for the period		**-**	**-**	**(31,230)**	**4,620**	**4,260**	**(22,350)**
Transactions with owners:							
Share based payment expense		-	-	-	156	-	**156**
Option to acquire further interest in subsidiary		-	-	-	(1,132)	-	**(1,132)**
Non-controlling interest acquired		-		-	-	(172)	**(172)**
Non-controlling interest recognised through business combinations		-	-	-	(618)	18,005	**17,387**
Non-controlling interest acquisition contribution		-	-	-	-	1,203	**1,203**
Dividends	C2.3	-	-	-	(2,390)	(5,273)	**(7,663)**
Issue of share capital		4,417	-	-	-	-	**4,417**
Costs of raising capital, net of tax		(107)	-	-	-	-	**(107)**
Reclassification of shares held by subsidiary on acquisition		-	(2,344)	-	-	-	**(2,344)**
Balance at 31 December 2020	C2	**245,489**	**(2,344)**	**(122,645)**	**25,055**	**36,227**	**181,782**
Balance at 1 July 2019 as originally reported		**220,905**	**-**	**(81,369)**	**38,564**	**20,874**	**198,974**
Adjustment on adoption of AASB 16 (net of tax)		-	-	-	(285)	(159)	**(444)**
Adjusted balance at 1 July 2019		**220,905**	**-**	**(81,369)**	**38,279**	**20,715**	**198,530**
Net profit for the period, after tax		-	-	2,245	-	2,350	**4,595**
Movement in reserves		-	-	-	(135)	-	**(135)**
Total comprehensive income for the period		**-**	**-**	**2,245**	**(135)**	**2,350**	**4,460**
Transactions with owners:							
Share based payment expense		-	-	-	100	-	**100**
Non-controlling interests acquired		556	-	-	(723)	(505)	**(672)**
Dividends		-	-	-	-	(3,744)	**(3,744)**
Issue of share capital		20,197	-	-	-	-	**20,197**
Non-controlling interest acquisition contribution		-	-	-	-	303	**303**
Costs of raising capital, net of tax		(523)	-	-	-	-	**(523)**
Transfer to reserves		-	-	(2,245)	2,245	-	**-**
Balance at 31 December 2019		**241,135**	**-**	**(81,369)**	**39,766**	**19,119**	**218,651**

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

Consolidated Statement of Cash Flows

For the period ended 31 December 2020

	Note	31 December 2020 $'000	31 December 2019 $'000
Cash flows from operating activities			
Receipts from customers		172,903	144,979
Payments to suppliers and employees		(130,375)	(111,599)
Dividends received		726	-
Finance costs paid		(4,657)	(4,631)
Income taxes paid		(3,149)	(2,147)
Net cash inflow from operating activities		**35,448**	**26,602**
Cash flows from investing activities			
Net cash inflow/(outflow) on acquisitions, including cash acquired		32,431	(1,224)
Payments for deferred consideration		(3,350)	-
Payments for equipment - finance leases		-	(23,049)
Payments for equipment - loans		(5,729)	-
Payments for property, plant and equipment		(1,620)	(238)
Payment for intangible assets		(628)	(614)
Loan repayments received		(471)	81
Net cash inflow/(outflow) from investing activities		**20,633**	**(25,044)**
Cash flows from financing activities			
Non-controlling interest acquisition contribution		1,203	303
Proceeds from issue of shares		4,417	20,197
Costs of raising capital		(107)	(523)
Proceeds from interest bearing liabilities		5,000	28,943
Repayments of interest bearing liabilities		(20,719)	(25,383)
Repayments of lease liabilities - right-of-use lease assets		(1,165)	(1,025)
Dividends paid		(2,390)	-
Dividends paid by subsidiaries to non-controlling interests		(5,273)	(3,744)
Net cash (outflow)/inflow from financing activities		**(19,034)**	**18,768**
Net increase in cash and cash equivalents		**37,047**	**20,326**
Cash and cash equivalents, beginning of the financial year		34,691	26,037
Cash and cash equivalents, end of the period	D4	**71,738**	**46,363**
Non-cash investing and financing activities:			
Scrip consideration issued for acquisitions of investments		27	556

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

Preface to the Notes to the Financial Statements

COG Financial Services Limited (formerly 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 Group is to grow its earnings per share by investing in complementary entities and growing existing businesses that specialise in equipment finance broking, finance aggregation and commercial leases, with the strategic focus now moving to COG owned prime and mid prime products.

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 Company changed its name to COG Financial Services Limited on 13 November 2020.

The financial statements have been approved and authorised for issue by the Board of Directors on 26 February 2021.

The interim financial statements are general purpose financial statements that:

- have been prepared in accordance with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001,* as appropriate for for-profit entities. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 *Interim Financial Reporting,*
- include the assets and liabilities of all subsidiaries of the Company as at 31 December 2020 and the results of the subsidiaries for the period then ended (inter-entity transactions with, or between subsidiaries are eliminated in full on consolidation),
- have been prepared on an 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 interim financial statements do not include all the information and disclosures required for annual financial statements. Accordingly, these half year financial statements are to be read in conjunction with the Annual Financial Report for the year ended 30 June 2020 and any public announcements made by the Company during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001.*

The principal accounting policies and key accounting judgements, estimates and assumptions are consistent with those of the previous financial year and corresponding interim reporting period, unless otherwise stated.

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.

Going concern
The financial statements have been prepared on a going concern basis.

The Directors regularly monitor the Company's cash position and, on an on-going basis, consider a number of options to ensure that adequate funding continues to be available for the Company to meet all of its commitments.

As at 31 December 2020, the Group's current assets of $207,718k are $31,525k lower than current liabilities of $239,243k due to COG's subsidiary Westlawn Finance Limited, which funds its operations through the issue of short-term unsecured notes. Whilst the carrying value of those notes has been presented in the balance sheet in accordance with their maturity profile, historically there has been a consistently high reinvestment rate by investors, who choose not to withdraw their funds at the maturity of the note term, and roll their funds into a new unsecured note. On this basis, the mismatch between current assets and current liabilities is not indicative of any going concern issue.

The Directors are satisfied the current level of cash reserves, availability of operational cash flow, and quantum of financing, which can be secured through the means noted above, will be sufficient to meet the ongoing operational commitments of the Company for more than 12 months from the date of this report.

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 financial information below to the Directors each month or quarter.

The Group's reportable segments are as follows:

- *Finance Broking and 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 finance products and asset types,
- *Lending* activities are focused on providing bespoke financing arrangements to commercial customers for essential business assets, and
- *All Other / Intersegment* activities, which include:
    - managed IT services provided by Hal Group Pty Limited,
    - equity investment of 16.32% in the associate Earlypay Limited (formerly CML Group Limited), and
    - corporate office function provided by the ultimate parent entity.

Period ended 31 December 2020	Finance Broking and Aggregation $'000	Lending (2) $'000	All Other / Intersegment $'000	Total $'000
Revenue	107,290	18,193	2,901	128,384
Underlying EBITDA from core operations (1)	**15,567**	**12,195**	**(1,300)**	**26,462**
Impairment	-	(814)	(36,644)	(37,458)
Loss on deemed sale and reacquisition of investment at fair value	-	-	(4,956)	(4,956)
Gain from a bargain purchase	-	-	2,759	2,759
Redundancy and restructuring costs	(76)	(112)	-	(188)
EBITDA from core operations	**15,491**	**11,269**	**(40,141)**	**(13,381)**
Dividend income				726
Interest income				455
Finance costs				(4,641)
Depreciation and amortisation				(5,533)
Acquisition-related expenses				(108)
Share of results from associates				110
Profit/(loss) before tax				**(22,372)**
Income tax expense				(4,598)
Profit/(loss) after tax				**(26,970)**
Non-controlling interests				(4,260)
Profit/(loss) after tax, attributable to members				**(31,230)**

Period ended 31 December 2019	Finance Broking and Aggregation $'000	Lending (2) $'000	All Other / Intersegment $'000	Total $'000
Revenue	97,571	11,499	3,663	112,733
Underlying EBITDA from core operations (1)	**10,421**	**6,723**	**(1,278)**	**15,866**
EBITDA from core operations	**10,421**	**6,723**	**(1,278)**	**15,866**
Interest income				101
Finance costs				(4,613)
Depreciation and amortisation				(4,755)
Acquisition-related expenses				(577)
Redundancy and restructuring costs				(94)
Share of results from associates				503
Profit before tax				**6,431**
Income tax expense				(1,836)
Profit after tax				**4,595**
Non-controlling interests				(2,350)
Profit after tax, attributable to members				**2,245**

(1) Excludes non-recurring items.

(2) Following the acquisition of Westlawn Finance Limited, the Commercial Equipment Financing ("CEF") segment has been renamed Lending segment, as it better reflects the current business operations (Westlawn Finance Limited has been added to the Lending segment).

A - Financial Performance (continued)

A2 REVENUE

	31 December 2020 $'000	31 December 2019 $'000
Commission, trail, fee and volume bonus income	73,137	69,039
Sale of goods	36,002	30,939
Finance lease income	10,669	11,499
Finance income - loans	3,170	-
Interest income	693	101
Government grants	3,614	-
Dividend income	726	-
Other operating revenue	1,553	1,256
	129,564	**112,834**

B - Intangibles and Lease Assets

B1 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 that 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 at the interim reporting date.

Goodwill is allocated to the following CGUs at 31 December 2020:

	31 December 2020 $'000	30 June 2019 $'000
Cash Generating Unit		
Finance Broking and Aggregation	83,861	72,650
TL Commercial (formerly 'Commercial Equipment Financing')	-	36,632
Westlawn Finance Limited	-	-
	83,861	**109,282**

Following the acquisition of a controlling interest in Westlawn Finance Limited (Westlawn), the Group revised its strategic plan to incorporate synergies between Westlawn and COG's wholly owned subsidiary TL Commercial Finance Pty Limited (TLC). This will result in future contracts being directly originated by Westlawn, avoiding the duplication of processes and cost in both companies, and will occur during the second half of FY2021.

B - Intangibles and Lease Assets (continued)

B1 IMPAIRMENT TESTING

Impairment indicators were identified at half year end as a result of the above changes, and impairment testing for the TLC CGU (formerly 'Commercial Equipment Leasing') has been updated to reflect nil originations and associated costs from July 2021 onwards. This resulted in an impairment loss of $36,632k, representing the full carrying amount of the remaining goodwill recognised for the TLC CGU. Although the test resulted in full impairment of the TLC CGU goodwill, the carrying value of the existing lease/loan receivable has not been impaired, as it represents the fair value expected to be recovered through its use or transfer to the Westlawn CGU.

The goodwill relating to the TLC CGU was originally recognised on 1 November 2016 as a result of a change in accounting policy when COG ceased being an investment entity (where investments are recognised at fair value with any changes in value recognised in the income statement), and transitioned to consolidation accounting, as required by AASB 10 *Consolidated Financial Statements*. The goodwill recognised on 1 November 2016 represented the difference between the 'deemed purchase consideration' (calculated as the fair value of the investment held by the Company in its subsidiary Hal Group Pty Limited on 1 November 2016) and the fair value of the 'deemed acquired identified assets' on the same date. This goodwill was fully allocated to the TLC CGU. As the goodwill originated from a change in accounting policy, rather than a cash outflow from a purchase transaction, the impairment does not reflect a loss from a direct cash investment.

The value of goodwill for the TLC CGU is based on a VIU model comprising a discounted cash flow and terminal value. The model includes the following key assumptions:

- A ten-year discounted cashflow has been used to properly reflect the expected timing of residual value payments received on leasing contracts written in year five of the model.
- The model assumes nil originations from July 2021 onwards, in line with changes COG's strategic plan described above.
- External funding costs and lending profitability are slightly lower than the prior year, consistent with a decline observed in market rates.
- Operational expenditure broadly decreasing in line with the expected lending activity, using normalised 2020 actual operational expenditure as a base.
- Discount rate between 12.7% and 16.3% post-tax (FY20: 12.7% and 16.3% post-tax) and terminal growth rate consistent with the Reserve Bank of Australia's long-term target consumer price index rate.
- Forward looking macro-economic information and assumptions in relation to the ongoing COVID-19 pandemic, including the pandemic's impact on small to medium-sized enterprises (SME), and resulting impact on the financial performance of the TLC CGU.

Westlawn's discreet future cashflows have been allocated to a separate Westlawn CGU and have not been included in the model for TLC CGU goodwill impairment testing.

No impairment testing was performed for the Finance Broking & Aggregation and Westlawn CGUs at the interim reporting date as no indicators of impairment were assessed as being present.

An impairment loss of $714k was also recognised in relation to TLC CGU software.

C - Group Structure

C1 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.

Non-controlling interests as well as equity interests previously held in the acquired entity are both recognised at fair value at the acquisition date.

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.

During the half year ended 31 December 2020 the Group executed the following acquisitions:

- 19.2% controlling equity interest of Westlawn effective 1 July 2020, and
- 80.0% of Access Capital Pty Limited (Access) through its 57.1% owned subsidiary QPF Holdings Group (QPF).

Acquisition values
For the acquisitions outlined above:

- goodwill associated with the acquisitions primarily relates to synergies due to scale and operational efficiencies through the sharing of operational expertise throughout the Group and is not expected to be tax deductible,
- gain from a bargain purchase reflects the amount by which the fair value of assets acquired exceeds the purchase consideration,
- 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.

Westlawn
In September 2018, COG acquired a 31.82% investment in Westlawn for a consideration of $14,306k comprised of $10,000k in cash and $4,306k in COG shares. This initial acquisition and subsequent changes in COG's share of Westlawn's financial position and performance were 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.

On 12 June 2020, COG entered into an agreement with Westlawn Holdings Pty Limited, to acquire further shares in Westlawn in two tranches. COG acquired an additional 19.2% interest in Westlawn for a total consideration of $7,451k on 1 July 2020, which resulted in COG holding a 51% controlling interest in Westlawn.

C - Group Structure (continued)

C1 BUSINESS COMBINATIONS

Westlawn

The total consideration above included payment for an option (but not a contractual obligation) to acquire an additional 24% interest in Westlawn for a total consideration of $9,320k by no later than 30 June 2023. The fair value of the option at acquisition date was determined to be $1,132k based on a binomial option-pricing model and has been recognised separately from the business combination transaction as a reduction to equity, in accordance with requirements of AASB 132 *Financial instruments: Presentation*, as this option takes the form of a transaction between owners, as Westlawn is a controlled entity. After excluding the amount paid for the option, the total consideration attributable to the business combination was determined to be $6,319k.

At the date of acquisition of a controlling interest, the equity interest in Westlawn previously held (which was accounted for under the equity method) was treated as if it were disposed of and reacquired at fair value, resulting in a loss of $4,956k.

The acquired business contributed revenues of $8,972k and net profit after tax of $2,119k to the Group for the period from 1 July 2020 to 31 December 2020, after the elimination of intercompany transactions. Total expenses of $6k were included in acquisition-related costs in relation to the WFL business combination.

Access

Effective 2 November 2020, the Group acquired an 80% equity interest in Access via its subsidiary QPF Finance Group (QPF) for a total consideration of $9,325k, funded as follows:

- $4,577k (50%) through external borrowings obtained directly by QPF;
- $3,601k (39%) through a capital raising by QPF (out of which COG contributed $2,400k, taking its ownership interest in QPF from 55.6% to 57.1%); and
- $1,147k (11%) through current working capital / cash resources at QPF.

The acquired business contributed revenues of $547k and net profit after tax of $202k to the Group for the period from 2 November 2020 to 31 December 2020. Had Access had been held for the entire six month period it would have contributed revenue and net profit after tax of $1,981k and $728k respectively. Total expenses of $44k were included in acquisition-related costs in relation to the Access business combination.

C - Group Structure (continued)

C1 BUSINESS COMBINATIONS

The values identified for the above acquisitions as at 31 December 2020 are as follows:

	WFL $'000	Access $'000
Purchase consideration		
Cash consideration	3,868	9,077
Deferred consideration[1]	2,451	227
Less: Cash and cash equivalents acquired	(43,402)	(123)
	(37,083)	**9,181**
Fair value of net assets acquired		
Trade and other receivables	844	185
Loans and advances	183,023	-
Financial assets at FVOCI	8,522	-
Property, plant and equipment	7,279	-
Intangible assets	9,707	-
Deferred tax assets/(liabilities)	(2,604)	58
Goodwill recognised on acquisition by the Group	-	11,211
Trade and other payables	(19,017)	(191)
Interest bearing liabilities	(193,848)	-
Provisions	(1,602)	(221)
Fair value of equity interest previously held	(10,484)	-
Non-controlling interests	(16,144)	(1,861)
Gain from a bargain purchase	(2,759)	-
	(37,083)	**9,181**

[1] Deferred consideration fully paid during the first half of FY21.

Earlypay Limited (formerly CML Group Limited)

In January 2020 COG acquired 37,770,423 ordinary shares in Earlypay Limited (EPY), at a cost of $22,030k (inclusive of brokerage and GST). COG's investment in EPY represents a 16.32% interest in that company as at 31 December 2020. The Group made an irrevocable election on initial recognition and designated the investment in EPY at fair value through other comprehensive income (FVOCI).

On 19 November 2020, Steve White, a non-executive director of COG, was appointed a non-executive director of EPY. COG's representation on the EPY Board, in combination with COG's voting rights in EPY, resulted in the COG gaining significant influence in EPY, and has therefore adopted the equity method of accounting for its investment in EPY effective from 19 November 2020. Consequently, the Group's proportionate share of EPY'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.

Subsequent to the year ended 30 June 2020, the carrying amount of the investment presented as FVOCI at the time of appointment of COG non-executive director to EPY was $13,408k which includes fair value adjustment net gains of $4,532k recognised in revaluation reserves. The Group's accounting policy for step acquisitions of associates is to measure the cost of the investment as the sum of the fair value of the interest previously held plus the fair value of the additional consideration, both at the date of the transaction.

EPY is an ASX-listed company and is a provider of secured finance to SME businesses in the form of invoice and equipment finance. Through its receivables finance facility, it provides an advance payment of up to 80% of a client's invoice to help their businesses overcome the cash pressure of delivering goods or services in advance of payment from their customers (often 30 to 60 days). This is a flexible line of credit that is utilised in line with sales volume. It will also consider an additional advance to a client (above the usual 80%), for an additional fee and when there is adequate security from the client to cover the position. Other services include trade finance to assist client finance purchases, as well as equipment finance to assist SME's with capital expenditure on items required to operate their businesses.

C - Group Structure (continued)

C1 BUSINESS COMBINATIONS

The carrying amount of equity-accounted investment in EPY has changed as follows in the six months ended 31 December 2020:

	31 December 2020 $'000
Balance at the beginning of the period (Investment classified as financial instrument at FVOCI)	**8,876**
Changes in fair value through OCI	4,532
Balance on the date significant influence determined	**13,408**
Share of results from associates [(1)]	37
Balance at the end of the period [(2)]	**13,445**

[(1)] Share of results from associates in the Consolidated Statement of Comprehensive Income includes results from other non-material associates of $73k.

[(2)] Equity accounted associates in the Consolidated statement of financial position includes investment in other non-material associates of $765k

Transactions between owners
During the half year ended 31 December 2020, the Group acquired additional interests from minority shareholders in the following entities, which were already controlled by the Group:

- **Platform Consolidated Group Pty Limited (PCG)**
  On 31 July 2020 the Group issued 492,730 fully paid ordinary shares totalling $27.1k as part of the consideration for the acquisition of 0.2% of PCG from minority shareholders.

- **QPF Holdings Pty Limited (QPF)**
  On 9 October 2020, the Group acquired 4,122,195 QPF shares for a total subscription price of $2,400k as part of the QPF's capital raising for the acquisition of Access. QPF also, issued 2,062,339 new shares to minority shareholders for a total subscription price of $1,203k. As a result of these share issues, COG's ownership in QPF increased from 55.6% to 57.1%.

- **Linx Group Holdings Pty Limited (Linx)**
  Effective 1 July 2020, Linx (50% owned by COG) acquired an additional 13.3% equity interest in Heritage Group for a total cash consideration of $639.9k, resulting in Linx's direct, and COG's indirect, ownership interest in that entity increasing to 63.3% and 31.7% respectively.

- **Sovereign Tasmania Pty Limited (Sovereign)**
  Effective 1 January 2021, Linx acquired an additional 4.17% equity interest in Sovereign for a total cash consideration of $96.7k, resulting in Linx's direct, and COG's indirect, ownership interest in that entity increasing to 54.2% and 27.1% respectively.

As the Group already controls the entities above, the additional acquisitions have been treated as a transaction between owners and consequently do not generate any additional goodwill or other acquisition adjustments.

C - Group Structure (continued)

C2 SHARE CAPITAL, TREASURY SHARES AND RESERVES

C2.1 ORDINARY SHARES

	31 December 2020 $'000	30 June 2020 $'000	31 December 2020 No. of Shares '000	30 June 2020 No. of Shares '000
Shares issued and fully paid				
Balance at the beginning of the period	241,179	220,905	1,571,736	1,341,297
Shares issued via rights issue	-	12,420	-	137,999
Shares issued via placement (1)	2,000	7,777	33,898	86,413
Shares issued in business combinations (2)	27	556	493	6,027
Shares issued under DRP (3)	2,390	-	38,607	-
Costs of raising capital, net of tax	(107)	(479)	-	-
Closing balance at the end of the period	**245,489**	**241,179**	**1,644,734**	**1,571,736**

(1) On 16 November 2020 the Company issued 33,898,305 fully paid ordinary shares totalling $2,000k as part of the consideration of the acquisition of 80% of Access (see Note C1).

(2) On 31 July 2020 the Company issued 492,730 fully paid ordinary shares totalling $27.1k as part of the consideration for the acquisition of 0.2% of PCG from minority shareholders (see Note C1).

(3) On 23 October 2020 the Company issued 25,324,500 fully paid ordinary shares totalling $1,568k as part of COG's Dividend Reinvestment Plan (DRP). On 2 November 2020 the Company issued 13,282,654 fully paid ordinary shares totalling $822k to the underwriters of the DRP shortfall in respect of the FY20 final dividend.

C2.2 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 period. 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	Balance at the beginning of the period	Granted	Exercised	Expired/ Forfeited	Balance at the end of the period
25 July 2018	25 July 2021	$0.105	-	6,857,143	-	-	6,857,143
25 July 2019	25 July 2022	$0.105	6,857,143	3,225,806	-	-	10,082,949
23 December 2020	30 June 2023	$0.049	10,082,949	4,184,100	-	-	14,267,049

The options have the following characteristics:

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

C2 SHARE CAPITAL, TREASURY SHARES AND RESERVES

C2.2 SHARE BASED PAYMENTS

The valuation model inputs during the period ended 31 December 2020 included:

Grant date	23 December 2020
Expiry date	30 June 2023
Option valuation - grant date share price	$0.076 per share
Option valuation - grant date risk free rate	0.11%
Option valuation - historical volatility	66.8% 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 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

All of the above options have vested and are exercisable at 31 December 2020. No other options were issued or share based payments made by the Group during the current financial period or prior comparative financial periods.

C2.3 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.

Since the year ended 30 June 2020, the Board had declared a fully franked final dividend of 0.152 cents per fully paid ordinary share (2019: nil cents). The aggregate amount of the proposed dividend was paid on 23 October 2020 out of the Company's profits reserve at 30 June 2020. Due to the operation of the Company's Dividend Reinvestment Plan (DRP) and a DRP shortfall underwriting agreement, COG issued 268,607,154 fully paid shares in respect of the dividend (Note C2.1).

For the period ended 31 December 2020, the Board declared an interim dividend of 0.122 cents per fully paid ordinary share (2019: nil cents). The aggregate amount of the proposed dividend of $2,007k will be paid on 26 April 2021 out of the Company's profits reserve at 31 December 2020, and will be 100% franked.

Franked dividends
As at the end of the reporting period, $10,793k of franking credits were available for subsequent financial periods based on a tax rate of 30% (30 June 2020: $9,294k).

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,
- will arise from the payment of dividends recognised as a liability at period end,
- will arise from the receipt of dividends recognised as receivables at period end, and
- 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.

C - Group Structure (continued)

C2 SHARE CAPITAL, TREASURY SHARES AND RESERVES

C2.4 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	Transaction between owners' reserve $'000	Non-controlling interests reserve $'000	Total $'000
Balance at 1 July 2019	**44,889**	**(16)**	**-**	**240**	**-**	**(6,549)**	**38,564**
Adjustment on adoption of AASB 16	(285)	-	-	-	-	-	(285)
Non-controlling interest acquired	-	-	-	-	-	(723)	(723)
Share-based payments expense	-	-	-	100	-	-	100
Transfer to reserves	2,245	-	-	-	-	-	2,245
Movement in reserves in associates	(135)	-	-	-	-	-	(135)
Balance at 31 December 2019	**46,714**	**(16)**	**-**	**340**	**-**	**(7,272)**	**39,766**
Balance at 1 July 2020	**43,927**	**(16)**	**(13,139)**	**340**	**-**	**(6,693)**	**24,419**
Non-controlling interest acquired	-	-	-	-	-	(618)	(618)
Share-based payments expense	-	-	-	156	-	-	156
Option to acquire further interest in subsidiary	-	-	-	-	(1,132)	-	(1,132)
Change in equity securities at fair value	-	-	4,620	-	-	-	4,620
Dividends paid	(2,390)	-	-	-	-	-	(2,390)
Balance at 31 December 2020	**41,537**	**(16)**	**(8,519)**	**496**	**(1,132)**	**(7,311)**	**25,055**

C2 SHARE CAPITAL, TREASURY SHARES AND RESERVES

C2.4 RESERVES

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.

Revaluation reserve

The revaluation reserve relates to the revaluation of the FVOCI investment in Earlypay immediately before its reclassification as Investment in associate.

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 payment reserves is used to recognise:

- the fair values of options and rights issued to executives, and
- 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.

Transaction between owners' reserve

Reflects the fair value of the option held by COG to acquire an additional 24% interest in Westlawn for a total consideration of $9,324k by no later than 30 June 2023. The option has been recognised separately from the business combination transaction as a reduction to equity, in accordance with requirements of AASB 132 *Financial instruments: Presentation*, as this option takes the form of a transaction between owners.

C2.5 TREASURY SHARES

Treasury shares are shares in COG Financial Services Limited held by Westlawn and were acquired prior to COG's acquisition of a controlling interest in that entity. Treasury shares were originally recognised at fair value on the acquisition date of Westlawn.

D - Other

D1 CONTINGENCIES AND COMMITMENTS

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 2021),
- Linx (7.7% of contributed equity to be acquired by the Group between the years ending 30 June 2021 and 2024),
- PCG (5.8% of contributed equity to be acquired by the Group between the years ending 30 June 2021 and 2022),
- QPF (10.2% of contributed equity to be acquired by the Group between the years ending 30 June 2021 and 2024),
- 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), and
- Access (20% of contributed equity to be acquired by the Group between the years ending 30 June 2023 and 2025).

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

D2 SUBSEQUENT EVENTS

Apart from the interim dividend declared on 26 February 2021 (see Note C2.3), no other matters or circumstances have occurred subsequent to period end that have significantly affected, or may significantly affect, the operations of the Group, the results of those operations or the state of affairs of the Group in subsequent financial periods.

D3 NEW OR AMENDED ACCOUNTING STANDARDS AND INTERPRETATIONS ADOPTED

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

The adoption of these Accounting Standards and Interpretations did not have any significant impact on the financial performance or position of the Group during the half-year ended 31 December 2020 and are not expected to have any significant impact for the full financial year ending 30 June 2021.

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

D4 CASH AND CASH EQUIVALENTS

	31 December 2020 $'000	30 June 2020 $'000
Restricted [1]	9,816	5,282
Unrestricted	61,922	29,409
	71,738	**34,691**

(1) Restricted cash

Cash and cash equivalents include restricted cash of $9,816k (30 June 2020: $5,282k) which are funds held by the Group on behalf of its novated leasing business customers, and insurance broking trust accounts (representing the unpaid insurance premiums due to insurers and refunds due to customers) and are not available for general use.

Directors' Declaration

1. In the opinion of the Directors of COG Financial Services Limited (formerly 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 31 December 2020 and of its performance for the period ended on that date; and

      ii. complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*; and

   b) 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

26 February 2021

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INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of COG Financial Services Limited

Report on the Half-Year Financial Report

Conclusion

We have reviewed the half-year financial report of COG Financial Services Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 31 December 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 half-year ended on that date, a summary of statement of accounting policies and other explanatory information, and the directors' declaration.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the accompanying half-year financial report of the Group does not comply with the Corporations Act 2001 including:

(i) Giving a true and fair view of the Group's financial position as at 31 December 2020 and of its financial performance for the half-year ended on that date; and

(ii) Complying with Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations 2001.

Basis for conclusion

We conducted our review in accordance with ASRE 2410 Review of a Financial Report Performed by the Independent Auditor of the Entity. Our responsibilities are further described in the Auditor's Responsibilities for the Review of the Financial Report section of our report. We are independent of the Company in accordance with the auditor independence requirements of the Corporations Act 2001 and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 Code of Ethics for Professional Accountants (including Independence Standards) (the Code) that are relevant to the audit of the annual 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 the same terms if given to the directors as at the time of this auditor's review report.

Responsibility of the directors for the financial report

The directors of the Company are responsible for the preparation of the half-year 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 half-year financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

Auditor’s responsibility for the review of the financial report

Our responsibility is to express a conclusion on the half-year financial report based on our review. ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the Corporations Act 2001 including giving a true and fair view of the Group’s financial position as at 31 December 2020 and its financial performance for the half-year ended on that date and complying with Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations 2001.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

BDO Audit Pty Ltd

BDO

Gareth Few

Gareth Few
Director

Sydney, 26 February 2021

Corporate Directory

Directors
Patrick Tuttle
Chairman

Bruce Hatchman
Non-executive Director (resigned 8 September 2020)

Peter Rollason
Non-executive Director (appointed 17 September 2020)

Steve White
Non-executive Director

Cameron McCullagh
Executive Director

Mark Crain
Executive Director (appointed 15 November 2019)

Chief Executive Officer
Andrew Bennett

Chief Financial Officer
John McRae

Company Secretary
David Franks

Registered Office
David Franks
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Phone 1300 288 664

Share Registry
Automic Registry Services
Level 5, 126 Phillip Street
Sydney NSW 2000
Phone 1300 288 664
Email: hello@automic.com.au
Internet: www.automicgroup.com.au

External Auditors
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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