RESIMAC GROUP LTD

Appendix 4D

Financial report
for the half-year ended 31 December 2022

ABN: 55 095 034 003

ASX : RMC

RESULTS FOR ANNOUNCEMENT TO THE MARKET

(All comparisons to half-year ended 31 December 2021 "HY22")	$'000	Up/ down	Movement from HY22 %
Revenue from ordinary activities	**426,663**	Up	68%
Statutory profit from ordinary activities after tax attributable to members	**38,936**	Down	27%
Net comprehensive income for the period attributable to members	**45,422**	Down	21%

DIVIDENDS	Amount per share (cents)	Franked amount per security (cents)
Interim FY23 dividend declared (23 February 2023)	**4.00**	**4.00**
Final FY22 dividend paid (23 September 2022)	**4.00**	**4.00**
	8.00	**8.00**
Previous corresponding period:		
Interim FY22 dividend paid (24 March 2022)	4.00	4.00
Final FY21 dividend paid (21 September 2021)	4.00	4.00
	8.00	8.00

Record date for determining entitlements to the dividend	10 March 2023
Date the interim dividend is payable	24 March 2023

Dividend Reinvestment Plan

The Company's Dividend Reinvestment Plan (DRP) was suspended in April 2022 and will not apply to the FY23 interim dividend payment.

1) Previous corresponding period

The previous corresponding period is the half-year ended 31 December 2021, unless otherwise stated.

2) Net tangible assets per security

Net tangible assets per security is $0.89 (HY22: $0.76).

3) Explanation of results

This information should be read in conjunction with the Resimac Group Ltd 2022 Annual Report and with any public announcements made in the period by the Group in accordance with the continuous disclosure requirements of the *Corporations Act 2001* and the ASX Listing Rules.

The information provided in this report contains all the information required by ASX Listing Rule 4.2A.

Normalised earnings

The Group generated a statutory net profit after tax (NPAT) of $38,936,000 for the period ended 31 December 2022. To reflect the Group's normalised earnings, the NPAT has been adjusted to remove non-recurring costs and one-off gains/losses, as per below:

	HY23 $'000
Statutory NPAT	**38,936**
Dividend income from listed equity investment	**(5,175)**
Fair value write-down on unlisted equity investment	**3,600**
Customer fee remediation program	**(429)**
Tax effect of normalised items	**601**
Normalised NPAT	**37,533**

4) Details of associates and joint venture entities

The Company does not have any associates and joint venture entities during the period.

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

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

6) Review

This report is based on the condensed consolidated half-year financial report reviewed by Deloitte Touche Tohmatsu.

7) Commentary on results for the period

Commentary on results for the period is contained in the press release accompanying this statement.

Warren McLeland

Warren McLeland
Chairman

Sydney
23 February 2023

DIRECTORS' REPORT
RESIMAC GROUP LTD AND ITS CONTROLLED ENTITIES

The Directors of Resimac Group Ltd ("Resimac" or "the Company") submit herewith the financial report of Resimac and its controlled entities ("the Group") for the half-year ended 31 December 2022. In order to comply with the provisions of the *Corporations Act 2001*, the directors report as follows:

Directors

The names of the Directors holding office at any time during or since the end of the half-year are:

- **Mr Warren McLeland**
  Chairman and Non-Executive Director
- **Mrs Susan Hansen**
  Independent Non-Executive Director
- **Mr Wayne Spanner**
  Independent Non-Executive Director
- **Mr Duncan Saville**
  Non-Executive Director
- **Mrs Caroline Waldron**
  Independent Non-Executive Director

Key management personnel

The key management personnel are all of the above directors and:

- **Mr Scott McWilliam**
  Chief Executive Officer
- **Mr Jason Azzopardi**
  Chief Financial Officer
- **Ms Danielle Corcoran**
  Chief Operating Officer
- **Mr Majid Muhammad**
  Chief Information Officer
- **Mr Andrew Marsden**
  Chief Treasury Officer

DIRECTORS' REPORT

RESIMAC GROUP LTD AND ITS CONTROLLED ENTITIES

Review of operations

Net interest income decreased 6% to $117,240,000 on the previous corresponding period (PCP) driven by lower home loan assets under management and BBSW increasing in advance of RBA cash rate increases.

Operating expenses increased 32% to $51,140,000 on PCP driven by higher Australian based employees, and fair value losses on unlisted equity investment and derivatives.

Total home loan settlements across the Group's direct and third party distribution channels were $2.4 billion.

The Group's total assets under management of $16.1 billion at 31 December 2022 comprise:

- On balance sheet home loans and advances to customers of $14.7 billion, down 4% compared to 30 June 2022;
- On balance sheet asset finance loans of $0.5 billion; and
- White label off-balance sheet portfolio of $0.9 billion, down 17% compared to 30 June 2022 in line with the Group's strategy to cease originating white label loans.

Macroeconomic environment

Financial markets face an uncertain economic outlook driven by supply chain disruptions and skilled labour shortages driving up inflationary pressure both on a local and global scale. As at 31 December 2022, the RBA and RBNZ have sought to contain inflation by increasing cash rates consecutively over the last 6 months taking rates to 3.10% and 4.25% in Australia and New Zealand respectively, with forecasted further increases in the next 6 months.

Rising cost of living pressures from higher interest rates and inflationary pressures could lead to mortgage stress and financial hardship on some customers. Resimac's robust credit risk framework continues to insulate the impacts of the macroeconomic environment, albeit we will work with customers who require assistance where required. The number of customers under a hardship arrangement at 31 December 2022 was 123 (31 December 2021:174).

Funding programmes

During the period ended 31 December 2022, the following new Residential Mortgage Backed Securities (RMBS) and Asset Backed Securities (ABS) were issued to facilitate assets under management, optimise term duration and funding costs:

- The RESIMAC Asset Finance Trust – Warehouse Series No.1 was settled on 31 August 2022 and is a domestic asset financing warehouse with an initial facility limit of $516 million.
- The RESIMAC Triomphe Trust - Premier Series 2022-2 transaction was settled on 28 September 2022 and is a domestic prime issue with a total issuance size of $500 million.
- The RESIMAC Bastille Series 2022-2NC transaction was settled on 15 December 2022 and is a domestic non-conforming issue with a total issuance of $500 million.
- The RESIMAC Versailles Series 2022-1 transaction was settled on 22 December 2022 and is a New Zealand prime issue with a total issuance size of NZD$200 million.

DIRECTORS' REPORT
RESIMAC GROUP LTD AND ITS CONTROLLED ENTITIES

Auditor's independence declaration

The auditor's independence declaration is included on page 41 of this financial report.

Subsequent events

Financial dividend declared

The Board of Resimac Group Ltd declared a fully-franked interim dividend of 4.00 cents per share. The Record Date is 10 March 2023. The payment date will be 24 March 2023. The dividend has not been provided for in this financial report.

Rounding off of amounts

Unless otherwise indicated, the Company has rounded off amounts in this Directors' report and the half-year financial report to the nearest thousand dollars in accordance with *ASIC Corporations Instrument 2016/191*.

Signed in accordance with a resolution of the directors made pursuant to s.306 (3) of the *Corporations Act 2001.*

On behalf of the Directors of Resimac Group Ltd.

Warren McLeland
Chairman

Sydney
23 February 2023

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE HALF-YEAR ENDED 31 DECEMBER 2022

	Note	HY23 $'000	HY22 $'000
Interest income	1	**419,481**	241,750
Interest expense	2	**(302,241)**	(117,431)
Net interest income		**117,240**	124,319
Fee and commission income	1	**1,133**	5,255
Fee and commission expense	2	**(16,793)**	(19,928)
Fair value (losses)/gains on derivatives	1/2	**(4,530)**	6,087
Fair value write-down on unlisted equity investment	2	**(3,600)**	-
Other income	1	**6,049**	514
Employee benefits expense	2	**(26,109)**	(22,710)
Other expenses	2	**(16,901)**	(16,072)
Loan impairment expense	2	**(564)**	(1,888)
Profit before tax		**55,925**	75,577
Income tax expense		**(16,973)**	(22,071)
PROFIT AFTER TAX		**38,952**	53,506
Attributable to:			
Owners of the parent		**38,936**	53,506
Non-controlling interest		**16**	-
		38,952	53,506

		HY23 cents per share	HY22 cents per share
Earnings per share			
Basic	13	**9.66**	13.11
Diluted	13	**9.63**	13.03

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE HALF-YEAR ENDED 31 DECEMBER 2022

	Note	**HY23 $'000**	HY22 $'000
PROFIT AFTER TAX		**38,952**	53,506
Other comprehensive income, net of income tax			
Items that will not be reclassified subsequently to profit or loss:			
Fair value movement on equity investments in listed companies through OCI, net of tax		**(208)**	3,591
Items that may be reclassified subsequently to profit or loss:			
Changes in fair value of cash flow hedges		**7,412**	154
Tax effect		**(2,218)**	(46)
Currency translation differences		**1,500**	290
Other comprehensive income for the period, net of tax		**6,486**	3,989
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		**45,438**	57,495
Attributable to:			
Owners of the parent		**45,422**	57,495
Non-controlling interest		**16**	-
		45,438	57,495

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2022

	Note	**HY23 $'000**	FY22 $'000
ASSETS			
Cash and cash equivalents	3	**1,161,049**	932,781
Trade and other receivables		**5,693**	5,661
Current tax receivable		**8,936**	-
Loans and advances	4	**15,109,151**	15,669,860
Contract assets	1	**18,327**	24,077
Other financial assets	5	**29,855**	23,483
Derivative financial assets	17	**57,949**	39,220
Right-of-use assets	6	**8,149**	8,959
Plant and equipment		**1,700**	1,928
Other assets		**3,791**	3,707
Goodwill and intangible assets	7	**28,423**	27,496
		16,433,023	16,737,172
LIABILITIES			
Trade and other payables	8	**19,710**	30,062
Current tax payable		**-**	1,464
Interest-bearing liabilities	9	**15,972,760**	16,288,455
Lease liabilities	10	**10,276**	11,097
Other financial liabilities	11	**9,000**	11,750
Derivative financial liabilities	17	**720**	235
Other liabilities		**3,552**	3,476
Provisions		**8,177**	10,449
Deferred tax liabilities		**3,495**	2,116
		16,027,690	16,359,104
NET ASSETS		**405,333**	378,068
EQUITY			
Share capital	14	**175,392**	176,476
Reverse acquisition reserve	14	**(61,541)**	(61,541)
Total issued capital		**113,851**	114,935
Reserves	12	**(20,050)**	(25,466)
Retained earnings	12	**311,419**	288,599
Equity attributable to owners of the parent		**405,220**	378,068
Non-controlling interest	12	**113**	-
		405,333	378,068

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE HALF-YEAR ENDED 31 DECEMBER 2022

	Share capital	Reverse acquisition reserve[1]	Total issued capital	Reserves[2]	Retained earnings	Attributable to owners of the parent	Non-controlling interest	Total
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Balance as at 1 July 2021	181,675	(61,541)	120,134	(18,126)	219,131	321,139	-	321,139
Profit for the period	-	-	-	-	53,506	53,506	-	53,506
Other comprehensive income, net of income tax	-	-	-	3,989	-	3,989	-	3,989
Total comprehensive income for the period	**-**	**-**	**-**	**3,989**	**53,506**	**57,495**	**-**	**57,495**
Issue of shares under the Dividend Reinvestment Plan	837	-	837	-	-	837	-	837
Equity dividends	-	-	-	-	(16,336)	(16,336)	-	(16,336)
Treasury shares	590	-	590	-	-	590	-	590
Share-based payments	-	-	-	(878)	-	(878)	-	(878)
Balance at 31 December 2021	**183,102**	**(61,541)**	**121,561**	**(15,015)**	**256,301**	**362,847**	**-**	**362,847**
Balance as at 1 July 2022	**176,476**	**(61,541)**	**114,935**	**(25,466)**	**288,599**	**378,068**	**-**	**378,068**
Profit for the period	**-**	**-**	**-**	**-**	**38,936**	**38,936**	**16**	**38,952**
Other comprehensive income, net of income tax	**-**	**-**	**-**	**6,486**	**-**	**6,486**	**-**	**6,486**
Total comprehensive income for the period	**-**	**-**	**-**	**6,486**	**38,936**	**45,422**	**16**	**45,438**
Acquisition of non-controlling interest	**-**	**-**	**-**	**-**	**-**	**-**	**97**	**97**
Share buyback	**(2,873)**	**-**	**(2,873)**	**-**	**-**	**(2,873)**	**-**	**(2,873)**
Equity dividends	**-**	**-**	**-**	**-**	**(16,116)**	**(16,116)**	**-**	**(16,116)**
Treasury shares	**1,789**	**-**	**1,789**	**-**	**-**	**1,789**	**-**	**1,789**
Share-based payments	**-**	**-**	**-**	**(1,070)**	**-**	**(1,070)**	**-**	**(1,070)**
Balance at 31 December 2022	**175,392**	**(61,541)**	**113,851**	**(20,050)**	**311,419**	**405,220**	**113**	**405,333**

1 As a result of reverse acquisition accounting on the Resimac/Homeloans merger, an equity account was created as a component of equity. This account called 'Reverse acquisition reserve' is similar in nature to share capital. The Reverse acquisition reserve is not available for distribution.

2 Comprises cash flow hedge reserve, foreign currency translation reserve, fair value reserve, share-based payment reserve and other reserve. Refer to note 12 for more detail.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE HALF-YEAR ENDED 31 DECEMBER 2022

	Note	**HY23 $'000**	HY22 $'000
Cash flows from operating activities			
Interest received		**409,124**	246,677
Interest paid		**(280,547)**	(108,079)
Receipts from loan fees and other income		**16,169**	21,454
Payments to suppliers and employees		**(91,302)**	(97,639)
Receipts/(payments) of net loans from/to borrowers		**576,838**	(985,155)
Income tax paid		**(26,261)**	(35,078)
Net cash from / (used in) operating activities		**604,021**	(957,820)
Cash flows from investing activities			
Payment for plant and equipment		**(138)**	(164)
Payment for acquisition of subsidiary		**(900)**	-
Cash acquired on acquisition of subsidiary		**220**	-
Payment for new investments		**-**	(7,933)
Return of capital from listed equity investment		**1,581**	-
Dividend income from listed equity investments		**3,622**	-
Proceeds on disposal of White Label loan tranche		**-**	1,756
Net cash from / (used in) investing activities		**4,385**	(6,341)
Cash flows from financing activities			
Proceeds from borrowings		**3,305,330**	8,741,688
Repayment of borrowings		**(3,660,183)**	(7,416,007)
Proceeds from exercise of share options		**510**	165
Payment of lease liabilities		**(838)**	(796)
Swap receipts/(payments)		**5,305**	(1,485)
Payment of dividends		**(16,116)**	(15,499)
Loan to related entity		**(12,000)**	-
Payment for share buybacks		**(2,873)**	-
Payment for acquisition of treasury shares		**-**	(342)
Net cash (used in) / from financing activities		**(380,865)**	1,307,724
Net increase in cash and cash equivalents		**227,541**	343,563
Cash and cash equivalents at the beginning of the period (1 July)		**932,781**	619,809
Effects of exchange rate changes on cash balances held in foreign currencies		**727**	414
Cash and cash equivalents at the end of the period	3	**1,161,049**	963,786

Statement of compliance

The half-year financial report is a general purpose condensed financial report which:

- has been prepared in accordance with the requirements of the *Corporations Act 2001*, and AASB 134 *Interim Financial Reporting;*

- compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 *Interim Financial Reporting*; and

- does not include notes of the type normally included in an annual financial report and shall be read in conjunction with the most recent annual financial report.

Basis of preparation

The condensed consolidated financial statements have been prepared on the basis of historical cost, except for certain financial instruments which have been measured at fair value. All amounts are presented in Australian dollars unless otherwise noted.

The Company is an entity of the kind referred to in *ASIC Corporations* (Rounding in Financial/Directors' Reports) Instrument 2016/191, and in accordance with that amounts in the Directors' Report and the financial statements are rounded off to the nearest thousand dollars, unless otherwise indicated.

The accounting policies and methods of computation adopted in the preparation of the half-year financial report are consistent with those adopted and disclosed in the Group's 2022 annual financial report for the financial year ended 30 June 2022, except for the impact of the Standards and Interpretations described below. The changes in accounting policies will also be reflected in the Group's consolidated financial statements as at and for the year ending 30 June 2022. These accounting policies are consistent with Australian Accounting Standards (AAS) and with International Financial Reporting Standards (IFRS).

Amendments to Accounting Standards that are mandatorily effective for the current reporting period

The Group has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (the AASB) that are relevant to the Group's operations and mandatorily effective on or after 1 July 2022.

The new and revised Standards and Interpretations adopted during the period do not materially affect the Group's accounting policies or any of the amounts recognised in the condensed consolidated financial statements.

Standards and Interpretations in issue not yet adopted

Certain new accounting standards and interpretations have been published that are not effective for the 31 December 2022 reporting period and have not been early adopted by the Group.

Standard/amendment	Effective for annual reporting periods beginning on or after
AASB 2020-1 *Amendments to Australian Accounting Standards – Classification of Liabilities as Current or Non-current*	1 July 2023
AASB 2021-2 *Amendments to Australian Accounting Standards – Disclosure of Accounting Policies and Definition of Accounting Estimates*	1 July 2023
AASB 2021-5 *Amendments to Australian Accounting Standards – Deferred Tax related to Assets and Liabilities arising from a Single Transaction*	1 July 2023

The condensed notes to the condensed consolidated financial statements

The notes include information required to understand the financial statements and is material and relevant to the operations, financial position and performance of the Group. Information is considered material and relevant if, for example:

- the amount in question is significant because of its size or nature;
- it is important for understanding the results of the Group;
- it helps to explain the impact of significant changes in the Group's business – for example, acquisitions and impairment write-downs; or
- it relates to an aspect of the Group's operations that is important to its future performance.

The notes are organised into the following sections:

Key numbers: provides a breakdown of individual line items in the financial statements that the Group consider most relevant and summarises the accounting policies, judgements and estimates relevant to understanding these line items;

Capital: provides information about the capital management practices of the Group and shareholder returns for the year;

Risk: details the Group's exposure to various financial risks, explains how these affect the Group's financial position and performance and what the Group does to manage these risks;

Group structure: explains aspects of the Group structure and how changes have affected the financial position and performance of the Group;

Unrecognised items: provides information regarding items not recognised in the financial statements but could potentially have an impact on the Group's financial position and performance; and

Other: provides information on items which require disclosure to comply with AAS and other regulatory pronouncements, however, are not considered critical in understanding the financial performance or position of the Group.

Critical accounting judgements and key sources of estimation uncertainty

In the application of the Group's accounting policies, the Group is required to make judgements, estimates and assumptions about the carrying value of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making judgements. Actual results may differ from these estimates.

a) Critical judgements in applying the entity's accounting policies

The following are the critical judgements and estimates that the Group has made in the process of applying the Group's accounting policies and have the most significant effect on the amounts recognised in the financial statements. The critical judgements and estimates adopted in the preparation of the half-year financial report are consistent with those adopted in the Group's 2022 annual financial report for the financial year ended 30 June 2022.

- Impairment of financial assets;
- Impairment of other financial assets;
- Goodwill impairment; and
- Net present value (NPV) of future trail commission: recognition of future commission receivable and payable.

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the reporting date, that have a risk of causing a material adjustment to the carrying amounts of the assets and liabilities within the next financial year.

Impairment of financial assets

The calculation of the impairment provision on financial assets is based on:

- objective evidence of impairment for a portfolio of financial assets using the Group's future expected credit loss model; and
- observable changes in economic conditions that correlate with default on receivables.

Judgements are required on key concepts such as whether there has been a significant increase in credit risk, measurement of lifetime expected credit loss and forward-looking assumptions. Difference in key judgements and estimates may impact the amount of provision on financial assets recognised in the statement of financial position and impairment expense recognised in the statement of profit and loss.

Impairment of other financial assets

Investments that are not traded in an active market, however classified as fair value through profit or loss (FVTPL) are disclosed at fair value at the end of each reporting period. Judgement are involved in fair value assessment conducted on the unlisted shares, including assessing the impact of market conditions on the current and future operating models.

Goodwill impairment

The Group has performed an assessment of the indicators of impairment of goodwill at the reporting date. Refer to note 7.

NPV of future trail commission

The recognition of the future trailing commission receivable and payable in the statement of financial position is an area of judgement due to the valuation techniques applied in line with the accounting standards. The key assumptions underlying the estimation of present value of future cash flows are the annualised run-off and prepayment rates.

The Group has identified two reportable segments based on the nature of the products and services provided, the type of customers for those products and services, the geographies where the business operates and the existence of discrete and separate reporting and management teams. The internal reports about reportable segments are regularly reviewed by the Board and executive management team (Key Management Personnel or KMP).

The Group's reportable segments under AASB 8 *Operating Segments* are:

1. Australian Lending business

Represents the distribution and lending business currently captured under the Resimac, Resimac Asset Finance and homeloans.com.au brands.

The segment contains the bulk of the Australian based income and expense. It incorporates the new business settled through the various distribution channels, the margin net of funding costs of the on balance sheet loans and advances, and the upfront and trail commission on the non-principally funded loans (white label portfolio).

The Group's fully owned subsidiary Resimac Asset Finance (RAF) specialises in both Australian based secured commercial and consumer lending. Management have assessed the impact of the RAF business on its Group results as not material, and therefore does not represent a reportable segment for the period ended 31 December 2022, notwithstanding RAF is considered a separate operating segment by Management.

2. New Zealand Lending business

Whilst the nature of the customers and products are similar to the Australian Lending segment, given the different jurisdiction and market conditions, management believe it is appropriate to distinguish the result of New Zealand from Australia.

Separating the Australian and New Zealand trading business is supported by the operation of a dedicated NZ board, NZ segment monthly management reporting, separate regulatory requirements/oversight, and staff solely accountable for the NZ business including a locally based Head of New Zealand.

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

	AUSTRALIAN LENDING		NEW ZEALAND LENDING		CONSOLIDATED	
	HY23 $'000	HY22 $'000	**HY23 $'000**	HY22 $'000	**HY23 $'000**	HY22 $'000
Revenue from external customers	**403,379**	236,160	**23,284**	17,446	**426,663**	253,606
Total segment revenue	**403,379**	236,160	**23,284**	17,446	**426,663**	253,606
Segment results before tax, depreciation, amortisation, finance costs and impairment	**62,970**	78,030	**1,931**	5,076	**64,901**	83,106
Depreciation and amortisation	**(1,168)**	(1,194)	**(43)**	(43)	**(1,211)**	(1,237)
Loan impairment	**(564)**	(1,868)	**-**	(20)	**(564)**	(1,888)
Finance costs	**(6,854)**	(4,142)	**(347)**	(262)	**(7,201)**	(4,404)
Segment results before income tax	**54,384**	70,826	**1,541**	4,751	**55,925**	75,577
Income tax expense [1]					**(16,973)**	(22,071)
PROFIT AFTER TAX					**38,952**	53,506

1. Income tax expense is disclosed on a consolidated basis, not by reportable operating segment.

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

	AUSTRALIAN LENDING		**NEW ZEALAND LENDING**		**CONSOLIDATED**	
	HY23	FY22	**HY23**	FY22	**HY23**	FY22
	$'000	$'000	**$'000**	$'000	**$'000**	$'000
Segment assets	**15,470,751**	15,164,674	**953,336**	831,890	**16,424,087**	16,737,172
	15,470,751	15,164,674	**953,336**	831,890	**16,424,087**	16,737,172
Segment liabilities	**(15,117,150)**	(14,826,433)	**(907,045)**	(797,810)	**(16,024,195)**	(16,355,524)
Net assets excluding tax	**353,601**	338,241	**46,291**	34,080	**399,892**	381,648
Tax assets[2]					**8,936**	-
Tax liabilities[2]					**(3,495)**	(3,580)
NET ASSETS					**405,333**	378,068

2. Tax assets and liabilities are disclosed on a consolidated basis, not by reportable operating segment.

1. Revenue

1.1 Revenue streams

The Group generates revenue primarily from interest income, annuity trail income on white label loans and other fee income. White label loans are those loans funded through the historic Homeloans white-label channel and do not sit on the Group's balance sheet.

	HY23 $'000	HY22 $'000
Interest income		
Loans and advances	**411,449**	240,815
Bank deposits	**7,400**	25
Discount unwind on NPV of trail commission	**632**	910
	419,481	241,750
Fee and commission income (Revenue from contracts with customers)	**1,133**	5,255
Fair value gains on derivatives	**-**	6,087
Other income		
Dividend income	**5,175**	61
Other	**874**	453
	6,049	514
Total revenue	**426,663**	253,606

1.2 Disaggregation of revenue from contracts with customers

In the following table, revenue from contracts with customers is disaggregated by primary geographical market, major service lines and timing of revenue recognition. The table also includes a reconciliation of the disaggregated revenue with the Group's reportable segments (See "Segment Information" on page 16).

1. **Revenue** (continuation)

	AUSTRALIAN LENDING		NEW ZEALAND LENDING		CONSOLIDATED	
	HY23	HY22	**HY23**	HY22	**HY23**	HY22
	$'000	$'000	**$'000**	$'000	**$'000**	$'000
Major service lines						
Mortgage origination	**53**	850	**-**	-	**53**	850
Loan management	**(2,661)**	1,295	**-**	-	**(2,661)**	1,295
Lending fee income	**2,347**	2,663	**1,394**	447	**3,741**	3,110
	(261)	4,808	**1,394**	447	**1,133**	5,255
Timing of revenue recognition						
Service transferred at a point in time	**(261)**	4,808	**1,394**	447	**1,133**	5,255
Revenue from contracts with customers	**(261)**	4,808	**1,394**	447	**1,133**	5,255
Interest income	**397,896**	228,153	**21,585**	13,597	**419,481**	241,750
Fair value gains on derivatives	**-**	2,873	**-**	3,214	**-**	6,087
Other income	**5,744**	3,199	**305**	3,402	**6,049**	6,601
External revenue as reported in segment information	**403,379**	236,160	**23,284**	17,446	**426,663**	253,606

1. **Revenue** (continuation)

1.3 Assets related to contract with customers

The Group has recognised the following assets related to contracts with customers.

	HY23 $'000	FY22 $'000
Contract assets – present value of future trail commission receivable		
Current	**5,904**	7,763
Non-current	**12,423**	16,314
	18,327	24,077

Key estimates and assumptions

The key estimates and assumptions underlying the remeasurement of the estimated future cash flows include the:

	HY23	FY22
Annualised run-off	**21.8%**	22.9%
Prepayment rate (run-off buffer)	**25%**	25%

Annualised run-off

Run-off is a combination of discharges, prepayments and scheduled loan repayments. A three year rolling average is used in the valuation as the Group's best estimate of future run-off to avoid potential year-on-year volatility in run-off.

Prepayment rate

In order to manage both volatility of rates over time and the uncertainty associated with this modelling, a conservative run-off buffer of 25% is included in the valuation by management, and remains unchanged compared with FY22.

2. Expenses

	HY23 $'000	HY22 $'000
Interest		
Bond and warehouse facilities	**293,583**	111,281
Amortisation – bond issue costs	**5,240**	5,143
Discount unwind on NPV of trail commission	**311**	457
Corporate facility	**2,894**	317
Interest on lease liabilities	**213**	233
	302,241	117,431
Fee and commission		
Mortgage origination	**332**	612
Loan management	**9,902**	12,222
Borrowing costs	**2,510**	2,923
RMBS financing costs	**4,478**	4,171
Discharge fee refund provision release	**(429)**	-
	16,793	19,928
Employee benefits		
Remuneration, bonus, superannuation and on-costs	**25,277**	22,224
Share-based payments	**832**	486
	26,109	22,710
Fair value losses on derivatives		
Fair value losses on interest rate swaps	**3,477**	-
Fair value losses on overnight index swaps	**1,053**	-
	4,530	-
Fair value write-down on unlisted equity investment	**3,600**	-
Other		
Marketing	**3,542**	3,093
Technology expenses	**5,837**	6,420
Audit and other professional fees	**1,620**	1,335
Rent and occupancy costs	**525**	470
Insurance[1]	**1,291**	1,103
Depreciation and amortisation	**390**	390
Depreciation charge of right-of-use assets	**821**	847
Other	**2,875**	2,414
	16,901	16,072
Loan impairment expense	**564**	1,888
	370,738	178,029

1. Resimac paid an annual insurance premium to a related party in relation to Directors & Officers (D&O) Liability insurance, the insurance premiums charged were at arm's length market terms and conditions.

3. Cash and cash equivalents

	HY23 $'000	FY22 $'000
Cash at bank and on hand	**11,774**	18,996
Cash collections account [1]	**1,147,765**	912,283
Restricted cash [2]	**1,510**	1,502
	1,161,049	932,781

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

4. Loans and advances

	HY23 $'000	FY22 $'000
Gross loans and advances	**15,155,120**	15,716,901
Less: allowance for impairment	**(45,969)**	(47,041)
	15,109,151	15,669,860
Current	**5,455,843**	4,557,901
Non-current	**9,699,277**	11,159,000
	15,155,120	15,716,901
Impairment allowances		
Collective allowance	**42,934**	42,692
Specific allowance	**3,035**	4,349
	45,969	47,041
Movement in impairment allowances [3]		
Balance at 1 July	**47,041**	37,565
Provided for during the period		
- Specific	**364**	842
- Collective	**200**	10,604
Written off	**(1,636)**	(1,970)
Balance at end of the period	**45,969**	47,041

3. Comparative movement in impairment allowances are for a 12 month period.

4. Loans and advances (continuation)

Impairment and provisioning

AASB 9 requires an Expected Credit Loss model (ECL) at each reporting date to reflect changes in credit risk since initial recognition of the loans and advances. The ECL model forecasts expected credit loss incorporating macroeconomic forecasts and portfolio performance over the previous 48 months. The Group provisioning policy and methodology is referenced in Note 22 and 23 of the FY22 annual report. As at 31 December 2022, the Group held the Collective Provision balance consistent with the provision at 30 June 2022. This represents a 28bps (FY22: 27bps) collective provision coverage of home loans assets under management.

Whilst we remain cautious of the current economic environment with a small portion of our loan portfolio experiencing stress, our overall portfolio quality remains strong and our credit risk management continues to limit the economic losses. At 31 December 2022, 123 home loan customers were in active hardship arrangements (113 at 30 June 2022), Prime 90 days arrears were 25 bps (14 bps at 30 June 2022), and Specialist 90 days arrears were 64 bps (38 bps at 30 June 2022). Despite this increase, home loan specific provision at 31 December 2022 remain low at $2.5 million (30 June 2022: $4.2 million).

The following table summarises the loans and advances and the expected credit loss by stage and risk category:

Maximum exposure to credit risk[1]	Stage 1 - Collective $'000	Stage 2 - Collective $'000	Stage 3 - Collective $'000	Stage 3 - Specific $'000	Total $'000
Balance as at 31 December 2022					
Loans and advances					
- Mortgage lending	**14,157,570**	**390,316**	**62,129**	**4,611**	**14,614,626**
- Asset finance lending	**500,959**	**5,520**	**1,326**	**917**	**508,722**
- Commercial lending	**274**	**-**	**-**	**-**	**274**
Total	**14,658,803**	**395,836**	**63,455**	**5,528**	**15,123,622**
Balance as at 30 June 2022					
Loans and advances					
- Mortgage lending	14,923,300	318,070	39,547	6,000	15,286,917
- Asset finance lending	395,159	1,435	129	303	397,027
- Commercial lending	556	-	-	-	556
Total	15,319,015	319,505	39,676	6,304	15,684,500

[1] Excludes capitalised upfront commissions, deferred mortgage fees and collections owed to trusts.

Expected credit loss	Stage 1 - Collective $'000	Stage 2 - Collective $'000	Stage 3 - Collective $'000	Stage 3 - Specific $'000	Total $'000
Balance as at 31 December 2022					
Loans and advances					
- Mortgage lending	**19,826**	**13,190**	**7,612**	**2,524**	**43,152**
- Asset finance lending	**2,155**	**151**	**-**	**511**	**2,817**
- Commercial lending	**-**	**-**	**-**	**-**	**-**
Total	**21,181**	**13,341**	**7,612**	**3,035**	**45,969**
Balance as at 30 June 2022					
Loans and advances					
- Mortgage lending	23,023	12,720	4,844	4,171	44,757
- Asset finance lending	1,969	81	55	178	2,283
- Commercial lending	1	-	-	-	1
Total	24,992	12,801	4,899	4,349	47,041

The majority of the Group's exposure to loans and advances is limited, as they are legally owned by special purpose vehicles (trusts) with limited recourse to the Group. Losses on mortgage loans in these entities are therefore limited to the Group's investment in notes in these trusts and the residual income rights of trusts. The trust structures are designed such that losses are covered by the income generated from the assets within the trust before the investment notes are impaired.

4. Loans and advances (continuation)

The following table summarises the movement in credit exposures:

	Stage 1 - Collective $'000	Stage 2 - Collective $'000	Stage 3 - Collective $'000	Stage 3 - Specific $'000	Total $'000
Provision for impairment losses					
Balance as at 30 June 2022	**24,992**	**12,801**	**4,899**	**4,349**	**47,041**
Net transfer between stages	**3,550**	**(2,464)**	**(1,062)**	**(24)**	**-**
Stage 1 - Collective	**-**	**(3,104)**	**(170)**	**(276)**	**(3,550)**
Stage 2 - Collective	**3,104**	**-**	**(676)**	**36**	**2,464**
Stage 3 - Collective	**170**	**676**	**-**	**216**	**1,062**
Stage 3 - Impaired	**276**	**(36)**	**(216)**	**-**	**24**
Net re-measurement on transfers between stages	**(9,060)**	**4,513**	**4,836**	**1,662**	**1,951**
Impact of transfers between stages and re-measurement	**19,482**	**14,850**	**8,673**	**5,987**	**48,992**
Net Financial Assets Originated	**5,244**	**300**	**25**	**32**	**5,601**
Movements in existing individually assessed provisions and write-backs	**-**	**-**	**-**	**(433)**	**(433)**
Write-offs	**-**	**-**	**-**	**(1,679)**	**(1,679)**
Discharges/Other	**(2,745)**	**(1,809)**	**(1,086)**	**(872)**	**(6,512)**
Balance as at 31 December 2022	**21,981**	**13,341**	**7,612**	**3,035**	**45,969**
Credit Exposure					
Balance as at 1 July 2022	**15,319,015**	**319,505**	**39,676**	**6,304**	**15,684,500**
Net transfers between stages and financial assets originated	**(660,212)**	**76,331**	**23,779**	**903**	**(559,199)**
Write-offs	**-**	**-**	**-**	**(1,679)**	**(1,679)**
Balance as at 31 December 2022	**14,658,803**	**395,836**	**63,455**	**5,528**	**15,123,622**

5. Other financial assets

	Note	HY23 $'000	FY22 $'000
Equity in ASX Listed Companies (FVTOCI)	16	**14,085**	15,963
Equity in Unlisted Companies (FVTPL)	16	**3,510**	7,260
Loan to related entity[1]	16	**12,000**	-
Term Deposit (Amortised cost)		**260**	260
		29,855	23,483
Current		**12,260**	260
Non-current		**17,595**	23,223
		29,855	23,483

1. Resimac provided a short-term interest bearing loan of $12 million to a related party. Interest is charged on arm's length terms. Accrued interest of $0.2 million for the period ended 31 December 2022 is presented within trade and other receivables in this financial report.

6. Right-of-use assets

	HY23 $'000	FY22 $'000
Lease - buildings		
Balance at the beginning of the period	**8,959**	10,638
Depreciation	**(821)**	(1,669)
Foreign exchange	**11**	(10)
Balance at the end of the period	**8,149**	8,959
Lease - buildings		
Right-of-use assets at cost	**14,234**	14,234
Less: accumulated depreciation	**(6,085)**	(5,275)
Total right-of-use assets	**8,149**	8,959

The Group lease offices with lease terms between 3 to 8 years. The Group recognises a right-of-use asset and a lease liability at the lease commencement date in the consolidated statement of financial position. The right-of-use asset is initially measured at cost, and subsequently at cost less accumulated depreciation and impairment losses, and adjusted for certain remeasurements of the lease liability. Depreciation of right-of-use asset is recognised in the consolidated statement of profit and loss. Under AASB 16 *Leases*, right-of-use assets are tested for impairment in accordance with AASB 136 *Impairment of Assets*.

7. Goodwill and intangible assets

	HY23 $'000	FY22 $'000
Goodwill		
Balance at beginning of the period	**27,430**	27,430
Additional accounts recognised from business combinations	**949**	-
Balance at end of the period	**28,379**	27,430
Other intangible assets		
Balance at beginning of the period	**66**	136
Amortisation	**(22)**	(70)
Balance at end of the period	**44**	66
Total goodwill and other intangible assets	**28,423**	27,496

Impairment of goodwill

At 31 December 2022, the Group has performed an assessment of the indicators of impairment of goodwill, which included consideration of the impact of COVID-19 and macroeconomic environment. Goodwill of $21.7 million has been allocated for impairment assessment purposes to the Australian Lending Business segment. This segment is considered to be the group of cash-generating units (CGU) that are expected to benefit from the synergies of the business combination to which that goodwill relates. RAF goodwill of $6.7 million, including the goodwill recognised from RAF's interest in 23 Degrees Capital Partners Pty Ltd, is considered a separate CGU (refer to note 18.2) and has been separately assessed for impairment testing.

Indicators of impairment

The indicators of impairment have been considered by management. These include both internal and external sources of information such as:

- significant changes (historical and future) in the market, economic, legal or technological environment which would have an adverse impact on the Group;
- interest rate changes which impact the discount rate used in modelling;
- evidence of a worsening financial position;
- plans to discontinue operations; and
- macro economic conditions including the impact of COVID-19 pandemic.

At 31 December 2022, based on the factors listed above, management have not identified any indicators of impairment and there has been no further developments which would change or impair the goodwill balance as at 31 December 2022.

8. Trade and other payables

	HY23 $'000	FY22 $'000
Revenue collected in advance	**1,393**	1,179
Commissions payable	**3,378**	5,267
Accruals	**11,909**	13,433
Other creditors	**3,030**	10,183
	19,710	30,062
Current	**19,710**	30,062

9. Interest-bearing liabilities

	HY23 $'000	FY22 $'000
Debt securities on issue	**15,563,722**	15,840,773
Corporate debt facilities	**80,000**	70,000
Issuance facilities	**329,038**	377,682
	15,972,760	16,288,455
Current	**5,750,194**	4,723,652
Non-current	**10,222,566**	11,564,803
	15,972,760	16,288,455

The amounts due and payable on the secured debt facilities within the next 12 months are disclosed as current based on a forecast amortisation profile of the underlying loan receivables.

Debt securities on issue

Debt securities on issue consist of RMBS bonds issued and warehouse facilities. All of the drawn interest-bearing liabilities are secured on cashflows derived from the underlying loan receivable portfolio.

Corporate debt facilities

Corporate debt facilities consists of $50 million of Secured Capital Note with a 3 year tenor. Additionally at 31 December 2022, the Group had drawn $30 million from its Corporate Debt facility (FY22: $20 million).

Issuance facilities

The Group maintains a series of subsidiary SPV's for the purpose of raising financing for its RMBS-related credit risk retention ("CRR") obligations. CRR is a mandatory requirement for the Group's RMBS issuance activities in the U.S., European, Japanese and U.K. jurisdictions where, in general, the Group is required to hold an economic interest of at least 5% in value of an RMBS issuance. The subsidiary SPV's hold a 5% vertical strip of bonds of an individual RMBS issuance and raises secured financing from banks and credit investors.

10. Lease liabilities

Lease liabilities included in the Statement of Financial Position	**HY23 $'000**	FY22 $'000
Balance at beginning of the period	**11,097**	12,482
Addition	**12**	251
Interest incurred	**213**	460
Payment of lease liabilities	**(1,051)**	(2,089)
Foreign exchange	**5**	(7)
Balance at the end of the financial period	**10,276**	11,097
Current	**1,716**	1,700
Non-current	**8,560**	9,397
	10,276	11,097
Maturity analysis – contractual undiscounted cashflows		
Less than one year	**2,164**	2,189
One to five years	**9,140**	8,990
More than five years	**382**	1,535
Total undiscounted lease liabilities at the end of the financial period	**11,686**	12,714

Amounts recognised in Statement of Comprehensive Income	**HY23 $'000**	HY22 $'000
Depreciation charge of right-of-use assets	**821**	847
Interest expense on lease liabilities	**213**	233
Amounts recognised in Statement of Cash Flows		
Interest paid	**(213)**	(233)
Payment of lease liabilities	**(838)**	(796)

11. Other financial liabilities

	HY23	FY22
	$'000	$'000
Present value of future trail commission payable	**9,000**	11,750
	9,000	11,750
Current	**2,677**	3,847
Non-current	**6,323**	7,903
	9,000	11,750

12. Reserves and retained earnings

	Retained earnings	Reserves: Cash flow hedge reserve	Reserves: Foreign currency translation reserve	Reserves: Fair value reserve	Reserves: Share-based payment reserve	Reserves: Other reserve	Reserves: Total reserves	Non-controlling interest
	$’000	$'000	$'000	$'000	$’000	$’000	$’000	$’000
Balance at 1 July 2021	219,131	(9,917)	(55)	(2,373)	2,201	(7,982)	(18,126)	-
Profit after tax	53,506	-	-	-	-	-	-	-
Changes in fair value of cash flow hedges, net of tax	-	108	-	-	-	-	108	-
Currency translation differences	-	-	290	-	-	-	290	-
Fair value movement on investment through OCI, net of tax	-	-	-	3,591	-	-	3,591	-
Equity dividends	(16,336)	-	-	-	-	-	-	-
Share-based payments	-	-	-	-	(878)	-	(878)	-
Balance at 31 December 2021	256,301	(9,809)	235	1,218	1,323	(7,982)	(15,015)	-
Balance at 1 July 2022	**288,599**	**(12,631)**	**(1,291)**	**(4,056)**	**494**	**(7,982)**	**(25,466)**	**-**
Acquisition of non-controlling interest	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**97**
Profit after tax	**38,936**	**-**	**-**	**-**	**-**	**-**	**-**	**16**
Changes in fair value of cash flow hedges, net of tax	**-**	**5,194**	**-**	**-**	**-**	**-**	**5,194**	**-**
Currency translation differences	**-**	**-**	**1,500**	**-**	**-**	**-**	**1,500**	**-**
Fair value movement on investments through OCI, net of tax	**-**	**-**	**-**	**(208)**	**-**	**-**	**(208)**	**-**
Equity dividends	**(16,116)**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Share-based payments	**-**	**-**	**-**	**-**	**(1,070)**	**-**	**(1,070)**	**-**
Balance at 31 December 2022	**311,419**	**(7,437)**	**209**	**(4,264)**	**(576)**	**(7,982)**	**(20,050)**	**113**

13. Earnings per share

	HY23	HY22
Profit attributable to ordinary equity holders of the parent ($'000)	**38,936**	53,506
WANOS[1] used in the calculation of basic EPS (shares, thousands)	**403,190**	408,189
Dilutive effect of share options	**1,257**	2,570
WANOS[1] used in the calculation of diluted EPS (shares, thousands)	**404,447**	410,759
Earnings per share		
Basic (cents per share)	**9.66**	13.11
Diluted (cents per share)	**9.63**	13.03

1. Weighted average number of shares.

14. Issues of equity securities

	HY23 $'000	FY22 $'000
Issued capital	**178,125**	180,998
Treasury shares	**(2,733)**	(4,522)
Share capital	**175,392**	176,476
Reverse acquisition reserve [1]	**(61,541)**	(61,541)
Total issued capital	**113,851**	114,935

1. As a result of reverse acquisition accounting in the Resimac/Homeloans merger, an account was created as a component of equity. This account called 'Reverse acquisition reserve' is similar in nature to share capital. The Reverse acquisition reserve is not available for distribution.

Issued capital as at 31 December 2022 was $178,125,200 (404,210,575 ordinary shares). During the period, the Company acquired 2,701,928 shares for $2,872,955 (average price of $1.06 per share) under the Group's on market share buyback scheme. These shares were cancelled prior to 31 December 2022.

14. Issues of equity securities (continuation)

14.1 Issued capital

	No. of shares – Thousands	$'000
Balance at 1 July 2021	408,404	183,011
Issue of shares under the DRP:		
• FY21 Dividend on 21 September 2021	388	837
• HY22 Dividend on 24 March 2022	603	957
Share buyback cancelled shares (average price: $1.53 per share)	(2,483)	(3,807)
Balance at 30 June 2022	**406,912**	**180,998**
Share buyback cancelled shares (average price: $1.06 per share)	(2,702)	(2,873)
Balance at 31 December 2022	**404,210**	**178,125**

Fully paid ordinary shares, which have no par value, carry one vote per share and carry a right to dividends.

14.2 Treasury shares

Treasury shares held in Resimac Group Ltd by Resimac EST Pty Ltd as Trustee for the Resimac Group Limited Employee Share Trust, are for the benefit of eligible employees of the Resimac Group Employee Share Option and Rights Plan. Shares issued to employees are recognised on a first-in-first-out basis.

	No. of shares – Thousands	$'000
Balance at 1 July 2021	540	1,336
Allocation of shares under LTI#1 (Tranche 2)	(300)	(740)
Allocation of shares under Employee Share Plan	(100)	(192)
Acquisition of shares (average price: $1.48 per share)	2,785	4,118
Balance at 30 June 2022	**2,925**	**4,522**
Allocation of shares under LTI#2	(785)	(1,484)
Allocation of shares under Employee Share Plan	(200)	(305)
Balance at 31 December 2022	**1,940**	**2,733**

15. Dividends

	HY23 $'000	HY22 $'000
Declared and paid during the period (fully-franked at 30 per cent)		
Final FY22 dividend[1]: $0.04 (FY21: $0.04)	**16,116**	16,336
	16,116	16,336
Proposed and unrecognised as a liability (fully-franked at 30 per cent)		
Interim FY23 dividend: $0.04 (Interim FY22: $0.04)	**16,168**	16,352

1. The final FY22 dividend paid is net of dividend paid to treasury shares held by the Group ($122,286), eliminated on consolidation.

The Company's Dividend Reinvestment Plan (DRP) was suspended in April 2022 and will not apply to dividends declared and paid post April 2022.

16. Fair value of financial instruments

This note provides information about how the Group determines the fair value of various financial assets and liabilities.

16.1 Fair value of financial assets and liabilities that are measured at fair value on a recurring basis

Financial assets and liabilities are disclosed in accordance with AASB 9 *Financial Instruments*.

A number of the Group's financial assets and liabilities are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of those financial assets and liabilities are determined (in particular, the valuation technique(s) and inputs used).

The following assets and liabilities are measured at fair value by the Group for financial reporting purposes:

	Fair value hierarchy	**Valuation technique(s) and key inputs (s)**	**HY23 $'000**	FY22 $'000
Financial assets				
Equity in ASX Listed Companies	Level 1	Most recent traded price and other available market information	**14,085**	15,963
Equity in Unlisted Company	Level 3	Acquisition value, financial performance since acquisition and subsequent capital rise since acquisition (if applicable)	**3,510**	7,260
Loan to related entity	Level 3	Contractual value, financial performance since grant date	**12,000**	-
Interest rate swaps	Level 2	Discounted cash flow Forward interest rates, contract interest rates	**25,402**	27,252
Cross currency swaps	Level 2	Discounted cash flow Forward interest rates, contract interest rates	**32,547**	11,400
Overnight index swaps	Level 2	Discounted cash flow Forward interest rates, contract interest rates	**-**	568
Financial liabilities				
Overnight index swaps	Level 2	Discounted cash flow Forward interest rates, contract interest rates	**720**	235

An assessment of the fair value of the Group's investments at 31 December 2022 resolved to reduce the Group's investment in unlisted entities by $3.6 million. The movement was recognised as a loss in the statement of profit and loss at 31 December 2022 (see note 2).

17. Derivative financial assets and liabilities

The carrying values are as follows:

	HY23 **$'000**	FY22 $'000
Derivative financial assets		
Cross currency swaps	**32,547**	11,400
Interest rate swaps	**25,402**	27,252
Overnight index swaps	**-**	568
	57,949	39,220
Derivative financial liabilities		
Overnight index swaps	**720**	235
	720	235

The Group seeks to minimise the effects of foreign currency and some interest rate exposures by using derivative instruments to hedge these positions. Derivatives are initially recognised at fair value at the date derivative contracts are entered into, and subsequently measured at their fair value at each reporting period.

Hedge accounting

The Group designates certain hedging instruments, which includes derivatives in respect of foreign currency and interest rate risks, as cash flow hedges.

At the inception of the hedge relationship the Group documents the relationship between the hedging instrument and hedged item, along with its risk management objectives and its strategy for undertaking various hedge transactions.

Furthermore, at the inception of the hedge and on an ongoing basis, the Group documents whether the hedging instrument that is used in a hedging relationship is effective in offsetting changes in fair values or cash flows of the hedged item attributable to the hedged risk, which is when the hedging relationships meet all of the following hedge effectiveness requirements:

- there is an economic relationship between the hedged item and the hedging instrument;
- the effect of credit risk does not dominate the value changes that result from that economic relationship; and
- the hedge value is largely reflective of the hedged item.

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in other comprehensive income and accumulated under the heading of cash flow hedging reserve. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss and is included in the other expenses or other income line item.

The majority of the Group's interest rate swaps are not designated as hedging instruments for accounting purposes, the changes in the fair value are recognised immediately in profit or loss for these interest rate swaps.

18. Acquisition of subsidiary

18.1 Accounting for Business combinations

The Group accounts for business combinations using the acquisition method when control is transferred to the Group. The consideration transferred in the acquisition is generally measured at fair value, as are the identifiable net assets acquired. Any goodwill that arises is tested annually for impairment. Transaction costs incurred in connection with a business combination are expensed as incurred, except if related to the issue of debt or equity securities.

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognised in profit or loss.

Any contingent consideration is measured at fair value at the date of acquisition. If an obligation to pay contingent consideration that meets the definition of a financial instrument is classified as equity, then it is not remeasured and settlement is accounted for within equity. Otherwise, other contingent consideration is remeasured at fair value at each reporting date and subsequent changes in the fair value of the contingent consideration are recognised in profit or loss.

18.2 Details of acquisition

On 1 August 2022 Resimac exercised the option to acquire a controlling stake in 23 Degrees Capital Partners Pty Ltd (operating as Sonder) for a purchase consideration of $0.9 million, increasing Resimac's interest in 23 Degrees Capital Partners Pty Ltd from 15% to 51%.

The total fair value of the purchase consideration for the 51% ownership in 23 Degrees Capital Partners Pty Ltd consists of the following:

- $150,000 paid for the acquisition of 15% on 10 August 2021; and
- $900,000 paid for the acquisition of an additional 36% on 1 August 2022.

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

	Fair value $'000
Assets	
Cash and cash equivalents	**220**
Other assets	**8**
Total assets	**228**
Liabilities	
Other liabilities	**(29)**
Total liabilities	**(29)**
Fair value of identified net assets	**199**
Less: Non-controlling interest	**(98)**
Add: goodwill (Refer to note 7)	**949**
Purchase consideration	**1,050**

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

Accounting policy choice for non-controlling interests

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

19. Share based payments

19.1 Employee share option plan of the Company

The Company has a share option scheme (pursuant to the Resimac Group Employee Share Option and Rights Plan) for senior employees of the Company. In accordance with the terms of the Plan, as approved by shareholders at the 2017 Annual General Meeting, senior employees may be granted options to purchase ordinary shares.

Each employee share option converts into one ordinary share of the Company on exercise. No amounts are paid or payable by the recipient on receipt of the option. The options carry neither rights to dividends nor voting rights. Options may be exercised at any time from the date of vesting to the date of their expiry.

Long-Term Incentive (LTI#1) Share Options - CEO

Resimac offered the CEO Scott McWilliam the opportunity to purchase 1,800,000 share options vesting in three equal tranches on each anniversary of the grant date. The options were granted on 18 August 2017 and all options vest within 12 months, 24 months and 36 months of respective grant date associated with each tranche. The options expire within 36 months of their vesting, or one month after resignation, whichever is the earlier. The sole vesting condition of the options is to remain employed with the Company to the respective vesting date associated with each tranche.

Long-Term Incentive (LTI#2) Share Options – CEO and General Managers (GMs)

Under the Group's LTI share options and rights plan, the CEO and members of the senior management team receive options over ordinary shares and a potential cash component of $2.4 million. The options were granted on 15 August 2019 and the vesting date for all options is 31 August 2022, subject to the Group achieving Net Profit After Tax (NPAT) growth hurdles, digital transformation hurdles, compliance hurdles and remaining employed with the Group until the vesting date.

A cash component LTI of $1.7 million was paid to the CEO and senior management in September 2022. Furthermore 785,000 share options were exercised in September 2022.

Employee Share Plan (ESP)

The Group commenced the Resimac Group Employee Share Scheme (ESS) in March 2021 whereby each financial year eligible employees are offered up to $1,000 worth of fully paid Resimac ordinary shares for no cash consideration.

Shares allocated under the ESS cannot be sold until the earlier of three years after allocation or the time when the participant is no longer employed by the Group.

19.2 Movements in share options during the period

The following reconciles the share options outstanding at the beginning and the end of the period:

	Number of LTI options – LTI#1	Number of LTI options – LTI#2	Number of ESP options	Number of options total	Weighted average fair value$ - LTI#1	Weighted average fair value$ - LTI#2	Weighted average fair value$ - ESP
Unvested options at 1 July 2022	-	3,525,000	-	3,525,000	-	0.20	-
Vested options at 1 July 2022	300,000	-	-	300,000	0.09	-	-
Options held at 1 July 2022	**300,000**	**3,525,000**	**-**	**3,825,000**	**0.09**	**0.20**	**-**
Granted during the period	-	-	199,875	199,875	-	-	0.98
Exercised during the period	-	(785,000)	(199,875)	(984,875)	-	1.26	0.98
Unvested options at 31 Dec 2022	-	-	-	-	-	-	-
Vested options at 31 Dec 2022	300,000	2,740,000	-	3,040,000	0.09	0.20	-
Options held at 31 Dec 2022	**300,000**	**2,740,000**	**-**	**3,040,000**	**0.09**	**0.20**	**-**

20. Subsequent events

20.1 Financial dividend declared

The Board of Resimac Group Ltd declared a fully-franked interim dividend of 4.00 cents per share. The Record Date is 10 March 2023. The payment date will be 24 March 2023. The dividend has not been provided for in this financial report.

DIRECTORS' DECLARATION
RESIMAC GROUP LTD AND ITS CONTROLLED ENTITIES

The Directors declare that:

(a) 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; and

(b) in the Directors' opinion, the attached financial statements and notes thereto are in accordance with the *Corporations Act 2001,* including compliance with accounting standards and giving a true and fair view of the financial position and performance of the consolidated entity.

Signed in accordance with a resolution of the Directors made pursuant to s.303 (5) of the *Corporations Act 2001.*

On behalf of the Directors

Warren McLeland
Chairman

Sydney
23 February 2023

Deloitte Touche Tohmatsu
ABN 74 490 121 060

Grosvenor Place
225 George Street
Sydney NSW 2000
PO Box N250 Grosvenor Place
Sydney NSW 1220 Australia

Tel: +61 2 9322 7000
Fax: +61 2 9322 7001
www.deloitte.com.au

The Board of Directors
Heather Baister
Partner
Chartered Accountants

23 February 2023

Dear Board Members,

Auditor's Independence Declaration to Resimac Group Limited

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

As lead audit partner for the review of the financial report of Resimac for the half year ended 31 December 2022, I declare that to the best of my knowledge and belief, there have been no contraventions of:

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

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

Yours faithfully

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

Heather Baister
Partner
Chartered Accountants

Deloitte Touche Tohmatsu
ABN 74 490 121 060

Grosvenor Place
225 George Street
Sydney NSW 2000
Australia

Tel: +61 2 9322 7000
www.deloitte.com.au

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

Conclusion

We have reviewed the half-year financial report of Resimac Group Limited (the "Company") and its subsidiaries (the "Group"), which comprises the condensed consolidated statement of financial position as at 31 December 2022, and the condensed consolidated statement of profit or loss and other comprehensive income, the condensed consolidated statement of changes in equity and the condensed consolidated statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors declaration as set out on pages 13 to 40.

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

(a) Giving a true and fair view of the Group's financial position as at 31 December 2022 and of its performance for the half-year ended on that date; and

(b) 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 Half-year Financial Report* section of our report. We are independent of the Group in accordance with the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 Code of Ethics for Professional Accountants (including Independence Standards) (the Code) that are relevant to our audit of the 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 in the same terms if given to the directors as at the time of this auditor's review report.

Directors' Responsibilities for the Half-year 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.

Deloitte.

Auditor's Responsibilities for the Review of the Half-year 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 2022 and its 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.

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

Heather Baister
Partner
Chartered Accountants

Sydney, 23 February 2023