COG Financial Services Limited and its controlled entities

ABN 58 100 854 788

Appendix 4E & Preliminary Final Report

Results for announcement to the market
Year ended 30 June 2023

Comparisons are to the year ended 30 June 2022

	30 June 2023 $'000	30 June 2022 $'000	Increase / (decrease)	% movement
Revenue from continuing operations	366,009	320,961	45,048	14.0%
Net profit from continuing operations	17,960	28,550	(10,590)	(37.1%)
Net profit from continuing operations after tax, attributable to members	8,055	19,685	(11,630)	(59.1%)

	30 June 2023 Cents	30 June 2022 Cents
Earnings per share, attributable to members	4.26	10.92
	30 June 2023 $'000	**30 June 2022 $'000**
Net assets	**214,470**	**207,615**
Less: Intangible assets	(184,086)	(148,151)
Non-controlling interests	(50,554)	(36,669)
Right-of-use lease assets	(5,432)	(5,775)
Net tangible assets (NTA)	**(25,602)**	**17,020**
NTA per share (cents) [1]	**(13.43)**	**9.06**

Commentary and explanations of the results

The financial report of the Company for the financial year ended 30 June 2023 presents the consolidated financial performance for the Group. Additional Appendix 4E disclosure requirements, commentary, and explanation of the results for the financial year are contained in the Directors' Report and the accompanying Financial Report dated 25 August 2023.

Dividends

The Board has declared a final dividend of $8,961k (4.7 cents per fully paid ordinary share). This dividend will be paid on 20 October 2023 out of the Company's profit reserve at 30 June 2023 to all shareholders registered on the record date of 21 September 2023 and will be 100% franked. The ex-dividend date for entitlement will be 20 September 2023.

The dividend will be paid out of profits appropriated to the Company's profit reserve (and not offset against accumulated losses).

Notes

(1) The decrease in NTA per share (cents) reflects the Group's acquisition of controlling interests during the year ended 30 June 2023 as disclosed in Note E1 of the enclosed 30 June 2023 Annual Financial Report.

(2) All the documents comprise the information required by listing rule 4.3A. The information should be read in conjunction with the audited 30 June 2023 Annual Financial Report and all ASX announcements made by the Company during the year.

Dividends (continued)

The Company established a Dividend Reinvestment Plan (DRP) for its shareholders on 5 February 2020. The DRP will apply to the final dividend for the year ended 30 June 2023 and will remain in place until further notice. Participation in the DRP is optional and available to eligible shareholders of fully paid ordinary shares in the Company with a registered address in Australia or New Zealand as at the record date of 21 September 2023. Shareholders who successfully participate in the DRP for the final FY23 dividend will be issued shares at a share price determined in accordance with the DRP Rules based on the average daily volume weighted average price ("VWAP") during the period of 10 days commencing on 25 September 2023. The Board has determined that a discount of 2.5% on the Market Price will apply to new shares issued under the DRP.

	30 June 2023 $'000	30 June 2022 $'000
Dividends paid or provided during the year/period		
Final 2023 fully franked ordinary dividend of 4.7 cents (2022: 4.8 cents) per fully paid ordinary share franked at the tax rate of 30% (2022: 30%)	8,961	9,028
Interim 2023 fully franked ordinary dividend of 3.7 cents (2021: 3.5 cents) per fully paid ordinary share franked at the tax rate of 30% (2021: 30%)	7,009	6,527

Dividends (distributions)	Amount per security [1]	Franked amount per security	Record date	Payment date
Final dividend 30 June 2020 (FY20)	1.52 cents	100%	24 September 2020	23 October 2020
Interim dividend 31 December 2020 (FY21)	1.22 cents	100%	26 March 2021	26 April 2021
Final dividend 30 June 2021 (FY21)	6.0 cents	100%	23 September 2021	22 October 2021
Interim dividend 31 December 2021 (FY22)	3.5 cents	100%	25 March 2022	28 April 2022
Final dividend 30 June 2022 (FY22)	4.8 cents	100%	22 September 2022	21 October 2022
Interim dividend 31 December 2022 (FY23)	3.7 cents	100%	16 March 2023	18 April 2023
Final dividend 30 June 2023 (FY23)	4.7 cents	100%	21 September 2023	20 October 2023

Changes in control and significant influence

The notes to the financial statements outline entities over whom the Group has gained control (see Note E1) or significant influence (see Note E2) during the financial year ended 30 June 2023.

Patrick Tuttle
25 August 2023

COG Financial Services Limited
and its controlled entities

ABN 58 100 854 788

Annual Financial Report

For the year ended 30 June 2023

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Chairman's Letter

I am delighted to present COG Financial Services Limited's (COG or the Company) Annual Report for the financial year ended 30 June 2023. This is my fifth annual report as Independent Chair of the Board. The following commentary aims to provide you with context on the Group's performance and an update on our future strategic priorities.

During 2023, COG has continued to successfully implement its corporate strategy of:

- building Australia's leading Finance Broking & Aggregation services provider in the small-to-medium enterprise sector (SME);
- delivering profitable and low risk growth in its Funds Management and Lending business; and
- expanding its lending into mid-prime products for distribution through its finance broking network.

The evolution of these strategies is evident in our 2023 financial performance, with underlying net profit after tax and amortisation of intangibles arising from business combinations (NPATA) attributable to COG shareholders increasing by 7% on the prior year to $24.3m, when ignoring the share of results in the associate Earlypay Limited in both years. This is a very pleasing result against the backdrop of tightening economic conditions generally and supply chain challenges across the year.

Highlights for FY23 include:

- increase in Net Asset Finance (NAF) settled by 15% to $7.7b, representing an estimated 21% market share[1] of broker originated NAF for commercial equipment finance;
- decrease in underlying NPATA (after non-controlling interests) by 5% to $23.7m (FY22: $25.1m) due to share of loss in the associate Earlypay Limited ("EPY") (increase of 7% on pcp, ignoring share of results in EPY in both periods);
- declaration of a fully-franked final dividend of 4.7 cents per share (cps), which equates to an annualised total dividend yield of 6.1%;
- acquisition of a 70% interest in Club Transport Finance Pty Limited (trading as 'Chevron Equipment Finance') (Chevron) by QPF on 1 July 2022;
- acquisition of a 100% interest in the novated lease business known as 'Paywise' by Fleet Network on 5 April 2023 which was partly funded through the capitalisation of Fleet Network via contributions from EML / ASWIG, allowing consolidation of COG's existing novated lease businesses, Fleet Network and Be Car Wise;
- while not previously announced, we also acquired a 100% interest in the car and lifestyle asset aggregation groups National Finance Choice ("NFC") and United Financial Services ("UFS") by COG Aggregation on 31 July 2023 (NFC and UFS are long-established aggregation groups, representing 182 broker firms nationwide and writing approximately $1 billion in volume per annum);
- increase in funds under management by 19% on the prior year to $763.4m;
- while continuing to focus on cost management, synergies and running an efficient operating model we have actively looked to invest into core infrastructure and functional enhancement within the information technology areas across the business to enhance our security settings and the delivery of services across COG's finance broker network; and
- continuing decisive response to the risks and challenges posed by the current economic landscape, with a core focus on employee well-being, cashflow and liquidity, cost management and customer support.

COG has rapidly built its presence through an acquisition driven strategy. Since December 2015, COG has acquired aggregation platforms, finance brokers, leasing businesses and other related lending and funds management businesses for a combined consideration of approximately $263.5m funded by a mix of new COG shares issued ($75.4m), cash ($161.7m) and debt ($26.4m).

COG continues to focus on expanding its asset finance distribution network nationally. This business is diversified by geography, asset and borrower type, with further acquisitions providing additional benefits in the form of scale, diversity and reach. In acquiring businesses, COG has adopted a 'skin in the game' business model, whereby founders/vendors retain an equity investment in their businesses, and COG provides management input, expertise, and support to address challenges and help them grow. This diversified model provides a hedge against any unexpected or adverse impacts from the performance of individual businesses.

[1] Derived from information contained in the Commercial & Asset Finance Brokers Association of Australia (CAFBA) Aggregator Benchmark Report 2020 and the Australian Finance Industry Association (AFIA) Annual Review FY20 and updated for actual FY23 CAPEX growth in Australia as per the Australian Bureau of Statistics (ABS).

COG currently has an estimated market share of 21% of annual net commercial asset finance originated by finance brokers, making it Australia's largest aggregator of finance broker originated asset finance. In FY23, COG settled an aggregated $7.7b of NAF, up 15% from $6.7b in FY22. The asset finance broker market remains fragmented, and COG is focused on achieving a 30% market share through further targeted acquisitions and organic growth.

COG's funds management and lending business also made a significant contribution to the Group's results. In November 2021 COG increased its ownership interest in Westlawn to 75%, and Westlawn acquired a 70% interest in Equity-One in March 2022, with a view to expanding its funds management business which it is pleasing to report is coming to fruition. The ongoing development of Westlawn's business paves the way for it to become the main lender for the COG Group, via the distribution of Westlawn's lending products through COG's broker network.

COG reaffirms its strategy to deliver profitable lending growth commensurate with the Group's risk appetite, by leveraging its market-dominant distribution network, and capital light funding arrangements.

Review of operations - Group performance

The following table provides shareholders with a summary of COG's underlying and statutory results for the year ended 30 June 2023:

In $m

Period ended 30 June	Underlying [(1)] 2023	2022	Change %	Statutory 2023	2022	Change %
Revenue [(2)]	**363.2**	**323.0**	**12%**	**366.0**	**321.0**	**14%**
Finance Broking & Aggregation	307.4	274.4	12%	307.6	274.3	12%
Funds management and Lending	55.6	40.6	37%	56.4	41.6	36%
All Other / Intersegment	0.2	8.0	-98%	2.0	5.1	-61%
EBITDA	**52.8**	**51.3**	**3%**	**42.7**	**51.1**	**-16%**
EBITDA after non-controlling interests (NCI)	**33.9**	**36.0**	**-6%**	**23.9**	**35.3**	**-32%**
Finance Broking & Aggregation	27.0	22.9	18%	26.8	22.4	20%
Funds management and Lending	14.2	13.3	7%	14.2	13.8	3%
All Other / Intersegment	(7.3)	(0.2)	3550%	(17.1)	(0.9)	1800%
Profit after tax attributable to NCI	**10.1**	**8.6**	**17%**	**9.9**	**8.9**	**11%**
Profit after tax and NCI	**18.3**	**20.4**	**-10%**	**8.1**	**19.7**	**-59%**
NPATA [(3)] after NCI	**23.7**	**25.1**	**-6%**	**13.5**	**24.5**	**-45%**
(-) Less government subsidies	-	(0.1)	-100%	-	(0.1)	-100%
NPATA after NCI before government subsidies	**23.7**	**25.0**	**-5%**	**13.5**	**24.4**	**-45%**

(1) On an underlying basis attributable to shareholders. Excludes profit on sale of assets (FY23 $0.3m after tax, FY22 $nil), impairment charge (FY23 $9.4m after tax, FY22 $0.6m after tax), redundancy and restructuring costs (FY23 $0.5m after tax, FY22 $0.1m after tax), transaction costs (FY23 $0.1m after tax, FY22 $0.4m after tax), one-off unguaranteed residual rights recognition (FY23 $nil, FY22 $0.4m after tax) and COG's 20.14% proportionate share of Earlypay's redundancy and restructuring costs (FY23 $0.1m after tax, FY22 $nil) and impairment charge incurred by Earlypay (FY23 $0.4m, after tax FY22 $nil).

(2) Underlying revenue (i) includes share of results from associates (FY23: -$1.9m loss, FY22: $3.3m); and (ii) excludes interest income (FY23: $1.4m, FY22: $0.2m), one-off unguaranteed residual rights recognised during the period (FY23: $nil, FY22: $1.0m) as well as COG's 20.14% proportionate share of Earlypay's redundancy and restructuring costs (FY23 $0.1m, FY22 $nil) and impairment charge incurred by Earlypay (FY23 $0.4m, FY22 $nil).

(3) Excludes amortisation of acquired intangibles of (FY23: $5.4m after tax attributable to members, FY22: $4.8m after tax attributable to members) in relation to intangibles recognised as part of business combinations.

The underlying results for the year ended 30 June 2023 reflect:

- Revenue of $363.2m, an increase of 12% on the prior year;
- Earnings before interest, taxes, depreciation and amortisation (EBITDA) from core operations, and before minority interests, of $52.8m, an increase of 3% on the prior year;
- Profit after tax, attributable to members of the Group, of $18.3m, a decrease of 10% on the prior year;
- Net profit after tax and amortisation of intangibles arising from business combinations (NPATA), attributable to members of the Group, was $23.7m, a decrease of 6% on prior year (and an increase of 7% on prior year, ignoring the share of results in the associate Earlypay Limited in both years); and
- Earnings per share adjusted for the amortisation of acquired intangibles (EPSA)[1] of 12.55 cps, a decrease of 10% on the prior year, ignoring government subsidies received in both years (and an increase of 2% on prior year, ignoring the share of results in the associate Earlypay Limited in both years).

[1] Calculated based on the Weighted Average Number of Outstanding Shares (WANOS)

Depreciation and amortisation of $14.5m is a non-cash item and increased by 21% on the prior year. This is primarily due to an increase in amortisation of acquired intangibles to $10.9m for the period, as compared to $9.1m in the prior year. Intangible assets recognised on the acquisition of businesses are amortised over their estimated useful life.

The Group's net asset position as at the end of the period was $214.5m (FY22: $207.6m).

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

Finance Broking & Aggregation (FB&A)
The Finance Broking & Aggregation segment continued to grow with the net amount financed through COG's aggregation businesses totalling $7.7b in 2023, an increase of 15% on the prior year. The higher NAF is attributable to full year contributions from 2022 acquisitions, new 2023 acquisitions, and strong performances overall from businesses in this segment. Revenues increased by 12% to $307.4m. EBITDA contribution attributable to COG shareholders increased by 18% to $27.0m in 2023.

COG has established a nationwide distribution network, through its independent aggregation platform members and equity owned brokers and is a key and trusted advisor to the Australian SME sector. COG estimates it now accounts for approximately 21% of annual industry NAF settled by finance brokers for commercial equipment finance and holds a leading position as Australia's largest finance broker aggregation platform.

COG continues to pursue organic growth, as well as acquiring strategic stakes in complementary businesses that include finance broking and aggregation, insurance broking, and novated leasing. During the year ended 30 June 2023, COG acquired additional interests from minority shareholders in the existing Group-controlled entities, Sovereign and Fleet Avenue.

Effective 1 July 2022, QPF (a 57% owned subsidiary of COG) also acquired a 70% controlling interest in Chevron Equipment Finance (Chevron). Chevron specialises in arranging asset finance for commercial clients and its client base consists of SMEs predominantly operating in the transport and earthmoving sectors Australia wide.

Effective 23 January 2023, QPF Insurance Pty Ltd (a 80% owned subsidiary of QPF) and Chevron (a 70% owned subsidiary of QPF) acquired each a 50% interest in the insurance broker Chevron Insurance Consultants Pty Ltd (Chevron Insurance).

Effective 5 April 2023, Fleet Network Pty Limited (Fleet Network) (an entity that was a 95.2% owned subsidiary of Platform) acquired 100% of the novated lease business known as 'Paywise'. The transaction was partly funded through the capitalisation of Fleet Network by contributions from EML Group, a partnership between Employers Mutual Limited (an Australian owned mutual) and ASWIG Management Pty Limited. Since 1910, the EML Group has provided a range of products encompassing workers' compensation, general insurance, and life insurance claims management. The acquisition and partial divestment not only allows COG to expand its novated lease business but to also include salary packaging and partner with an established organisation to leverage their relationships in the provision of services to employers and their staff across the country. Platform now owns 78.1% of Fleet Network. Effective 1 September 2022, Fleet Network also acquired the novated lease business known as Australian Car Packaging.

In addition, effective 18 October 2022, an internal reorganisation occurred in relation to Beinformed Group Pty Ltd (Be Car Wise) (a wholly owned subsidiary of Platform), which was transferred from Platform to Fleet Network as part of plans to consolidate the novated lease business across the COG Group.

The Group continues to focus on improving systems and processes available to all businesses within this segment, leveraging the skills and expertise of management to enhance performance across the segment. *COG Connect* has been designed to interface directly with our finance partners and will continue to support management of the sales process. *COG Connect* continues to be upgraded to further enhance the client experience and deliver process efficiencies.

Funds Management and Lending (FM&L)

The Funds Management and Lending segment delivered revenues for the year ended 30 June 2023 of $55.6m, up 37% on the prior year. Revenues for the year are inclusive of government subsidies of $nil ($0.2m in the prior year), as well as revenue contributions from the Equity-One acquisition of $9.0m[1]. This revenue growth was partially offset by a lower revenue contribution from TL Commercial Finance Pty Limited (TLC) due to the transfer of that business to Westlawn and TLC's legacy book run-off. The segment's EBITDA contribution attributable to COG shareholders increased by 7% to $14.2m in 2023.

The Westlawn related unlisted Managed Investment Scheme, which is a scalable, capital light funding structure is expected to become the core funding vehicle for the Group's lending business and has continued to grow through the current year. The balance of the Scheme at 30 June 2023 was $36.9m and includes senior and subordinated issuances.

Westlawn has continued utilising its branch network for product distribution to accelerate Equity-One growth. Funds under management & Lending of $763.4m are up 19% on this time last year, inclusive of the continued growth of Equity-One. Equity-One is a funds management business based in Melbourne and operates a peer to peer, contributory mortgage scheme, with funds under management of $500.8m at 30 June 2023.

New loans and leases written in FY23 totalled $110.8m, a decrease of 24% on the prior year, as a result of the impact supply chain constraints and interest rate rises had on equipment finance during the year. The business has completed a product refresh in relation to its Chattel Mortgage product coming into the end of the financial year which is expected to assist with material volume growth moving forward.

TLC is currently in run-off with the total lease and loan receivables of $10.7m as at 30 June 2023 representing the present value of lease and loan instalments and related unguaranteed residual values expected to be received over the next two to three years.

The Expected Credit Loss (ECL) provision for the Group decreased to 1.6% at 30 June 2023 from 2.3% at 30 June 2022, largely due to the continued volume increase of the loan portfolio, which has a lower delinquency profile than the lease product, thus diluting the Group's total loss rate. From a product perspective, the ECL for finance leases decreased from 7.2% to 6.5% while the ECL rate for loans remained unchanged at 0.9%.

COG continues to focus on the next steps in its strategy, being the expansion of its funds management and lending activities into mid-prime products for distribution through its finance broking network. COG has set a medium-term target of funding 20% of intermediated financing completed by its broking network from COG non-prime lending products. The implementation of this strategy is underway with significant progress made during 2023.

[1] Reflective of Equity-One revenue from 1 July 2022 to 1 March 2023 (as business acquired by Westlawn on 1 March 2022).

Other

Earlypay Limited

COG's Other segment includes the Group's share of Earlypay Limited (ASX: EPY) loss of $1.5m (before tax) for the year ended 30 June 2023.

During the period, COG received fully franked dividends from EPY of $1.0m, $0.2m being received in cash with the balance received through the granting of new EPY shares, in line with EPY's Dividend Reinvestment Plan.

Impairment indicators were identified as a result of the loss recognised by EPY for the financial year and therefore, impairment testing was conducted at 30 June 2023. This exercise resulted in an impairment loss of $9,377k.

COG owned 20.14% of the voting shares in EPY as at 30 June 2023.

IT managed services

On 31 August 2022, the Group sold the non-core managed IT business services provided by Hal Group Pty Limited which generated a profit on sale of $0.4m. Hal Group Pty Limited has been renamed to COG TLC Pty Limited following the business sale.

Dividend

The Company's dividend policy permits a payout ratio of up to 70% of NPATA to members.

Since the end of the financial year the Board declared a final dividend of $9.0m (4.7 cps). This dividend will be paid on 20 October 2023 out of the Company's profit reserve as at 30 June 2023 to all shareholders registered on the record date of 21 September 2023 and will be fully franked. The ex-dividend date for entitlement will be 20 September 2023. The dividend will be paid out of profits appropriated to the Company's profit reserve (and not offset against accumulated losses).

Total dividends of 8.4 cps were declared by the Company in relation to FY23, an increase of 1.2% on the prior year (FY22: 8.3 cps). A dividend payout ratio of 67.3% of NPATA to members was applied in FY23 (FY22: 62.0%).

The Company established a Dividend Reinvestment Plan (DRP) for its shareholders on 5 February 2020. The DRP will apply to the final dividend for the year ended 30 June 2023 and will remain in place until further notice. The Board has determined that a discount of 2.5% on the Market Price will apply to new shares issued under the DRP.

Strategic Objectives
COG is building a leading position in the Australian SME asset finance industry.

Our strategic objectives are to:

1. ***Establish a leading position in the asset finance broking market***
   COG will continue to grow market share and revenue generated from broker originated business equipment finance and insurance broking, through expansion of independent aggregation platform members and in equity owned brokers. With an estimated market share of 21% of annual broker originated NAF for commercial equipment finance, we are targeting, over time, a 30% market share, representing an annual NAF of approximately $10.0b.

   - Continued investment in, and acquisition of, well managed Asset Finance Brokers
     - COG, along with key management from the Finance Broking and Aggregation businesses, continue to seek complementary acquisitions where price and available synergies are appropriate
     - COG is targeting a minimum 50% interest with vendors retaining equity in their businesses
     - consideration being a mix of cash and COG equity, or drawdown from our acquisition finance facility
   - Organic growth of COG owned brokers
   - Expand membership revenue and deliver enhanced services in member broker aggregation businesses
   - Acquisition and development of complementary businesses including insurance broking and novated leasing

2. ***Expand in-house Lending products and operational capability***
   - Organic growth of the lending portfolio, with focus on the mid-prime equipment finance business
   - Continue to enhance our integrated IT lending system to support increased portfolio size
   - Expand product offering to include auto loans, utilising risk-based product pricing commensurate with funding costs
   - Leverage the Group's captive broker distribution network (equity owned brokers and independent aggregation services network partners)

3. ***Introduce and grow new sources of diversified, low cost funding***
   - Continue to establish and grow capital-light sources of funding which minimise the Group's direct credit exposure, including managed investment schemes which deliver annuity-style management fee income
   - This will further diversify the Group's earnings between broker, fee and commission income, coupled with management fee and net interest margin income from its funds management and lending activities
   - De-risk the Group's balance sheet and reduce direct economic exposure to expected credit losses (ECL) from future funds management and lending activities

The Board remains confident that COG's core Finance Broking & Aggregation business, coupled with an increasing contribution from its capital-light Funds Management and Lending activities, will continue to deliver solid financial returns to our shareholders despite the Australian economy facing a period of further economic uncertainty in FY23 and beyond.

Director and Key Management Personnel changes
On 7 November 2022, Richard Balzer was appointed as the Group Chief Financial Officer. Richard was previously CFO of MKM (part of MA Financial Group Ltd) and has deep experience in financial services including similar roles at Pepper Money and Macquarie Bank. In addition, Richard held senior finance roles at Coca Cola Amatil and Campbell Arnott's. I would also like to thank John McRae (previous Group Chief Financial Officer) for his tireless efforts in building the finance function at COG during his tenure and wish him all the best in his future endeavours.

Finally, on behalf of the Board, I would like to thank our staff, partners, funders, customers, and shareholders for your continued support. It is genuinely appreciated and never taken for granted. I would also like to record my thanks to our Board of Directors and our Management team, led by our CEO, Andrew Bennett, for their tremendous passion, commitment and hard work in FY23. We remain highly focused on continuing the successful execution of the Group's strategy, managing growth, and delivering enhanced value to all key stakeholders in the year ahead.

Yours sincerely,

Patrick Tuttle
Chairman
25 August 2023

Directors' Report

The Directors of COG Financial Services Limited (COG or the Company) and its controlled entities (the Group), present their report together with the financial statements of the Group, for the financial year ended 30 June 2023.

Director details
The following persons were Directors of the Company during or since the end of the financial year:
Patrick Tuttle - Chairman
Steve White - Non-executive Director
Peter Rollason - Non-executive Director
Cameron McCullagh - Executive Director
Mark Crain - Executive Director

Directors' biographies
Patrick Tuttle
BEc (Accounting and Finance), CA

- Non-executive Chairman (Independent) from 31 January 2019
- Non-executive Director (Independent) from 3 October 2018 to 30 January 2019
- Member of Audit and Risk Committee from 31 January 2019
- Chairman of Audit and Risk Committee from 16 November 2018 to 30 January 2019
- Chairman of Nomination and Remuneration Committee from 31 January 2019
- Member of Nomination and Remuneration Committee from 16 November 2018 to 30 January 2019
- Director since 3 October 2018

Patrick has more than 35 years' experience in the financial services sector, having initially qualified as a Chartered Accountant with Price Waterhouse. Prior to joining Pepper Group Limited in 2001 as finance director, he was a divisional finance director for a range of operating businesses within Macquarie Group Limited (ASX: MQG), including the Banking & Property, Corporate Finance, and Project & Structured Finance Groups.

As finance director for Pepper Group, Patrick was responsible for all aspects of the non-bank lender's financial, treasury, wholesale funding and securitisation activities. In 2008 he became CEO of Pepper's Australian mortgage lending and asset finance business, before being appointed as Co-Group CEO of the group's global consumer lending and asset management activities in 2012, spanning eight countries (including the UK, Ireland, Spain, South Korea, and China) with assets under management in excess of $50 billion and over 2,000 employees.

Patrick is a former Deputy Chairman of the Australian Securitisation Forum, Inc. and was recognised as a Lifetime Member (Fellow) of the ASF in 2014 in recognition of services to the Australian securitisation industry. He was also awarded Australian Financial Services Executive of the Year (2014) by CEO Magazine.

- Other current Directorships: Openpay Group Limited (ASX: OPY) (Non-Executive Chairman) and Beforepay Group Limited (ASX: B4P) (Non-Executive Director)
- Previous Directorships (listed companies in the last 3 years): Douugh Limited
- Interests in COG shares: 265,005 shares

Steve White
M.Mngt, GAICD

- Non-executive Director (Independent)
- Member of Audit and Risk Committee
- Chairman of Audit and Risk Committee to 15 November 2018
- Member of Nomination and Remuneration Committee
- Director since 2010

Steve White

Steve has had over 30 years of experience in Investment Banking, including roles with Barclays Capital Singapore, Rothschild and HSBC Japan in their treasury divisions. For 10 years he held a position as a Principal of a boutique risk advisory firm which concentrated on assisting C-suite executives with the management of significant financial market risks. This experience is combined with significant Corporate Governance experience including as a Responsible Manager for a Wholesale Australian Financial Services Licence for 10 years. Steve continues to be engaged in providing advice and assistance to businesses across a number of industries. Steve is a Graduate Member of the Australian Institute of Company Directors and has a Master of Management from MGSM.

- Other current Directorships: Earlypay Limited (ASX: EPY)
- Previous Directorships: None
- Interests in COG shares: 369,875 shares

Cameron McCullagh
FCA, B. Bus

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

Cameron has over 40 years' experience in the finance sector, having trained as a Chartered Accountant at KPMG. Cameron was a partner at Moore Stephens Sydney and founded and grew White Outsourcing to an entity with back-office administration of over $30 billion. Cameron was CEO of Employers Mutual until 2010, having grown it from $30 million of annual premium under management to over $1 billion. As COO, Cameron took operational responsibility for the successful listing on the ASX of the insurance broking accumulator Steadfast Group. Cameron is Chairman of AS White Global Pty Limited, which has over 1,000 employees in Australia and Asia providing offshore teams to Australian businesses.

- Other current Directorships: Hospitality Employers Mutual Limited (APRA licensed insurer)
- Previous Directorships: None
- Interest in COG shares: 40,601,657 shares

Peter Rollason
B.Sc (Hons), ACA, MAICD

- Non-executive Director (Independent) from 17 September 2020
- Member of Audit and Risk Committee from 17 September 2020
- Chairman of Audit and Risk Committee from 17 September 2020
- Member of Nomination and Remuneration Committee from 17 September 2020
- Director since September 2020

Peter qualified as a Chartered Accountant in the UK and has 35 years' experience in senior leadership roles in global banking and non-bank financial institutions. More recently, Peter was with Liberty Financial, one of Australia's largest non-bank financial institutions where he was a member of the senior management team and board director responsible for strategy, business development and marketing in addition to heading the New Zealand operations which included loan origination, the Mike Pero branded broking network, and a successful debenture funding program. Prior to joining Liberty Financial, Peter was a partner at Deloitte where he advised on buy and sell-side M&A transactions, capital raising and securitisation facilities to a range of banks and non-banks. Peter was also a member of the Deloitte Top 40 Leadership group representing the Financial Services Industry (FSI) sector.

Peter Rollason

Peter is a former member of the Australian Securitisation Forum (ASF) national committee and was appointed a Fellow of the ASF as recognition for his services to the non-bank financial institutions sector.

- Other current Directorships: Sydney Stock Exchange (Chairman)
- Previous Directorships (listed companies in the last 3 years): None
- Interests in COG shares: nil

Mark Crain

B. International Bus, Diploma Finance & Mortgage Broking Management

- Executive Director
- Director since 2019

Mark has over 20 years' experience in banking and finance, with the last 15 years specialising in commercial asset finance. After completing his International Business degree, Mark held roles at NAB and Mercedes-Benz Finance. In 2008, Mark joined QPF (now a 57% owned finance broking business of COG) and has since developed a strong client base and established a number of broker partnership models with national vendors and financiers. Mark has been heavily involved in various acquisitions since QPF joined COG in 2016 and is an Executive director.

- Other Directorships: None
- Previous Directorships: None
- Interests in COG shares: 800,000 shares

Company Secretary

David Franks - BEc, CA, FFin, FGIA, JP

David is a Principal of the Automic Group. He is a Chartered Accountant, Fellow of the Financial Services Institute of Australia, Fellow of the Governance Institute of Australia, Justice of the Peace, Registered Tax Agent and holds a Bachelor of Economics (Finance and Accounting) from Macquarie University. With over 30 years' experience in finance, governance and accounting, David has been CFO, Company Secretary and/or Director for numerous ASX listed and unlisted public and private companies, in a range of industries covering energy retailing, transport, financial services, mineral exploration, technology, automotive, software development and healthcare. He is currently the Company Secretary for the following ASX Listed entities: Applyflow Limited, COG Financial Services Limited, Cogstate Limited, Dubber Corporation Limited, Evergreen Lithium Limited, Exopharm Limited, IRIS Metals Limited, IXUP Limited, JCurve Solutions Limited, Noxopharm Limited, Nyrada Inc, Omega Oil and Gas Limited, White Energy Company Limited and ZIP Co Limited. David was also a Non-Executive Director of JCurve Solutions Limited from 2014 to 2021.

Principal activities

The Company is an Australian Securities Exchange (ASX) listed company whose principal activities are in the equipment finance, funds management and lending sectors. The investment objective of the Company is to grow earnings per share by investing in complementary entities and growing existing businesses that specialise in equipment financing and broking, aggregation, insurance broking, and novated leasing.

Review of operations and financial results

The financial report for the year ended 30 June 2023 presents the consolidated financial performance for the Group.

Profit after tax, attributable to members of the Group for the year ended 30 June 2023 was a profit of $8.1m (2022: profit of $19.7m). Earnings per share, attributable to members from continuing operations was 4.26 cents per share (cps) for the year (2022: 10.92 cps).

The Group's net asset position as at the end of the financial year was $214.5m (2022: $207.6m).

Likely developments

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

In assessing future business acquisitions, strict acquisition criteria will be applied, including the requirement that an acquisition is earnings per share accretive for the Group within an appropriate time frame.

COG continues to work closely with the existing Management team of each acquired business and allows each entity to operate in a manner consistent with their ownership structure.

The medium-term goal for the Funds Management and Lending segment is to increase value by selectively originating leases and loans of primarily mid-prime credit quality and with a focus on growing the core chattel mortgage portfolio. Volumes of new originations are expected to gradually increase through the offering of COG branded lending products via its owned broking distribution network.

The Directors are focused on the development of additional sources of funding and sales resources, and alliances with vendors. With the successful launch of Westlawn Finance Limited's managed investment scheme and acquisition of Equity-One Mortgage Fund Limited, it is expected that the amount of funds under management will increase, enabling COG's future funds management and lending activities to progress in a capital efficient manner.

Dividends

The Company's dividend policy permits a payout ratio of up to 70% of NPATA to members.

For the period ended 31 December 2022, the Board declared a fully franked interim dividend of 3.7 cps (2021: 3.5 cps). The aggregate amount of the interim dividend of $7,009k was paid on 18 April 2023 out of the Company's profits reserve at 31 December 2022. The Company's DRP applied to the interim dividend. The $97k increase from the total proposed dividend amount of $6,912k disclosed in the 1H23 COG Financial Report is due to rounding and the fact that an additional 102,814 new shares were issued on 3 March 2023 as part of the CEO Long-term incentive plan, before the dividend record date of 16 March 2023. COG issued 1,205,196 fully paid shares on 18 April 2023 under COG's DRP in respect of the FY23 interim dividend.

Since the end of the financial year the Board has declared a final dividend of $8,961k (4.7 cps). This dividend will be paid on 20 October 2023 out of profits appropriated to the Company's profit reserve (and not offset against accumulated losses) at 30 June 2023 to all shareholders registered on the record date of 21 September 2023 and will be 100% franked. The ex-dividend date for entitlement will be 20 September 2023.

The Company established a Dividend Reinvestment Plan (DRP) for its shareholders on 5 February 2020. The DRP will apply to the final dividend for the year ended 30 June 2023 and will remain in place until further notice. The Board has determined that a discount of 2.5% on the Market Price will apply to new shares issued under the DRP.

Events subsequent to reporting date

Effective 31 July 2023, the Group acquired an 100% equity interest in United Financial Services Pty Ltd, United Financial Services Network Pty Ltd, United Financial Services (Qld) Pty Ltd (together 'UFS') and National Finance Choice Pty Ltd ('NFC') from McMillan Shakespeare via its subsidiary COG Aggregation Pty Ltd for a total consideration of $4,742k. NFC and UFS are long-established aggregation groups, operating primarily in the car and lifestyle asset market and representing 182 broker firms nationwide, writing approximately $1 billion in volume per annum.

Apart from the matter disclosed above, and the final dividend declared on 25 August 2023, no other matter or circumstance has arisen since 30 June 2023 that would materially affect the Group's reported results or would require disclosure in this report.

Directors' Report (continued)

Directors' meetings

The number of meetings of Directors (including meetings of committees of Directors) held during the year and the number of meetings attended by each Director is as follows:

	Board Meetings[1]		Audit and Risk Committee		Nomination and Remuneration Committee	
Director	**A**	**B**	**A**	**B**	**A**	**B**
Patrick Tuttle	9	9	3	3	4	4
Steve White	9	9	3	3	4	4
Cameron McCullagh	9	8	N/A	N/A	N/A	N/A
Peter Rollason	9	9	3	3	4	4
Mark Crain	9	8	N/A	N/A	N/A	N/A

[1] No Board sub-committee meetings were held during the year.

Where:

- Column A is the number of meetings the Director was entitled to attend.
- Column B is the number of meetings the Director attended.

Remuneration report - audited

The Directors of COG present the Remuneration Report for Non-executive Directors, Executive Directors, and other senior executives, collectively referred to as the Key Management Personnel (KMP), prepared in accordance with the *Corporations Act 2001* and the *Corporations Regulations 2001.*

The Remuneration Report is set out under the following main headings:

a. Principles of compensation
b. Remuneration structure
c. Company performance and shareholder wealth
d. KMP remuneration
e. KMP share and option transactions
f. Service agreements
g. Other KMP transactions

a. Principles of compensation

COG's policy for determining the nature and amount of remuneration of KMP is as follows:

- the maximum total remuneration of the Directors of COG (other than Executive Directors) has been set at $400,000 per annum to be divided among them in such proportions as they determine, and
- other KMP are remunerated based on market competitive rates which are benchmarked from time-to-time.

The principles of COG's executive incentive programs are:

- to align rewards to business outcomes that deliver value to shareholders, and
- to ensure remuneration is competitive in the relevant employment marketplace to support the attraction, motivation, and retention of executive talent.

The remuneration of executives is linked to the performance of COG through short and long-term incentive programs designed to increase shareholder wealth based on earnings growth and increases in share price. Non-executive directors are remunerated through fixed fees only.

Executive Remuneration

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

Remuneration report - audited

b. Remuneration structure

Short term incentives

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

The STI Scheme for Andrew Bennett (CEO) and Richard Balzer (CFO) are based on financial and non-financial KPIs associated with business and personal performance. For all STIs there was no minimum incentive, any STI that does not vest is forfeited, and the payment of a STI is dependent upon employment with the Group on the payment date.

The STI for the CEO and CFO were based on an annual assessment of performance, with the maximum STI payable for 2023 being $200,000 and $75,000, respectively.

Long term incentives

The Group has granted the following share options and performance rights under its Long-term Incentive (LTI) Plan to Andrew Bennett, as part of his remuneration:

Service period	Tranche	Grant date	Vesting date	Exercise price [2]	Granted	Exercised	Expired/ Forfeited / Cancelled [1]	Balance at 30 June 2023 [1]
Options								
FY18	N/A	25 July 2018	25 July 2018	$1.05	685,714	-	(685,714)	-
FY19	N/A	25 July 2019	25 July 2019	$1.05	322,581	-	(322,581)	-
FY20	N/A	23 December 2020	23 December 2020	$0.49	418,410	-	(418,410)	-
Total					**1,426,705**	**-**	**(1,426,705)**	**-**
Performance rights								
FY21 LTIP	Tranche 1	11 August 2022	30 June 2021	N/A	102,814	102,814	-	-
	Tranche 2	11 August 2022	30 June 2022	N/A	102,814	102,814	-	-
	Tranche 3	11 August 2022	30 June 2023	N/A	102,814	-	-	102,814
Total					**308,442**	**205,628**	**-**	**102,814**

(1) At an Extraordinary General Meeting (EGM) held on 30 June 2021, shareholders approved the consolidation of the Company's issued share capital (every 10 shares and every 10 options were consolidated into one share and one option, respectively), effective 1 July 2021, and the cancellation of 685,714 and 322,581 unlisted options issued to Andrew Bennett in exchange for payments to him of $127,081 and $100,000, respectively. On 22 December 2022 the remaining 418,410 options were cancelled in exchange for $401,682 payment to Mr Bennett.

(2) On a post share consolidation basis.

At the EGM held on 30 June 2021 the adoption of a new LTI Plan, effective 1 January 2021, was approved. The revised LTI Plan allows for the issue of performance rights, options, or shares in the Company (Incentive Securities), or a combination of those Incentive Securities. The Board may determine from time to time to issue Incentive Securities under the LTI Plan.

The Incentive Securities issued under the LTI Plan will be used to attract, motivate, and retain eligible participants and to provide them with an incentive to deliver growth and value to all shareholders. The Incentive Securities may also be used to attract and retain non-executive directors in a marketplace that is experiencing increased competition for talented directors who bring value to the Board and the Company.

Under the revised LTI Plan, the Board may offer eligible participants such number of Incentive Securities in the Company as it may decide on the terms and conditions set out in the rules of the LTI Plan, and in the invitation letter given to the proposed participant.

Under the revised remuneration arrangements that came into effect on 1 January 2021, Andrew Bennett is entitled to receive performance rights with a grant date value of up to $237,500 per annum (and representing up to 50% of his fixed annual remuneration) that will be subject to vesting conditions set by the Board. The performance rights granted each year will vest over 3 years.

Remuneration report - audited

b. Remuneration structure

The following update in relation to the CEO's participation in the LTI Plan were announced on 11 August 2022:

FY21 long-term incentive:
Andrew Bennett's allocation and associated vesting conditions under the LTI Plan are as follows:

(a) Tranche 1: 102,814 performance rights, convertible into 102,814 ordinary shares upon vesting, with 40% vesting on being employed at 30 June 2021 and 60% vesting on being employed and achieving normalised earnings per share (EPS) Compound Annual Growth Rate (CAGR) on 30 June 2021;

(b) Tranche 2: 102,814 performance rights, convertible into 102,814 ordinary shares upon vesting, with 40% vesting on being employed at 30 June 2022 and 60% vesting on being employed and achieving normalised EPS Compound Annual Growth Rate (CAGR) on 30 June 2022;

(c) Tranche 3: 102,814 performance rights, convertible into 102,814 ordinary shares upon vesting, with 40% vesting on being employed at 30 June 2023 and 60% vesting on being employed and achieving normalised EPS Compound Annual Growth Rate (CAGR) on 30 June 2023;

In respect of the vesting conditions:

- these will be assessed no later than 15 September each year; and
- CAGR requirements are:

	CAGR	Range	Vesting %
Threshold	0.0%	< Threshold	0.0%
Target 1	2.5%	> Threshold & < Target 1	25.0%
Target 2	7.5%	> Target 1 & < Target 2 = > Target 2	Straight Line Pro rata from 25.0% to 100.0% 100%

Tranche 1 and Tranche 2 have been assessed by the Board as meeting the vesting requirements as Andrew Bennett was employed at vesting date and the Company achieved a normalised EPS CAGR for the years ended 30 June 2021 and 30 June 2022 of 174% and 79%, respectively. Therefore, 102,814 shares were issued to Andrew Bennett on 11 August 2022 in lieu of Tranche 1 and 102,814 shares were issued to Andrew Bennett on 3 March 2023 in lieu of Tranche 2.

FY22 long-term incentive:
The Board has awarded 100% of the maximum entitlement, being $237,500 and subject to a 3-year vesting period, on similar terms to those described above.

No other KMP were eligible to participate in the LTI Plan in 2022. No options have been granted over unissued shares during or since the end of the financial year.

Non-executive Director remuneration
The current base remuneration for Non-executive Directors was last reviewed with effect from 16 November 2018. The maximum total remuneration of the Directors of COG (other than executive Directors) has been set at $400,000 per annum to be divided among them in such proportions as they determine. Non-executive Directors received no additional benefits other than base remuneration and superannuation.

The annual remuneration structure of Non-executive Directors, who are not direct employees of the Company, are as follows:

	1 July 2022 to 30 June 2023 [1] $
Base fees	
Chairman	150,000
Other directors	75,000
Additional fees	
Audit & Risk Committee and Remuneration Committee - Chairman	10,000

(1) Annualised

All other roles as chairman of a committee or member of a committee carry no additional fees. All amounts are inclusive of superannuation.

Target remuneration structure

The table below represents the target remuneration mix for KMP as at 30 June 2023.

	Fixed remuneration %	Variable remuneration short-term %	Variable remuneration long-term %
Executive Directors			
Cameron McCullagh - Executive Director	100%	nil	nil
Mark Crain - Executive Director	52%	48%	nil
Non-executive Directors			
Patrick Tuttle - Chairman	100%	nil	nil
Peter Rollason - Director	100%	nil	nil
Steve White - Director	100%	nil	nil
Senior executives			
Andrew Bennett - Chief Executive Officer	48%	18%	34%
Richard Balzer - Group Chief Financial Officer	81%	19%	nil

Remuneration report - audited

c. Company performance and shareholder wealth

The following table compares COG's performance and KMP remuneration in respect of the current financial year and previous four financial years:

	2023 [1]	2022 [1]	2021 [1,2]	2020[1,2]	2019[1,2]
Net profit/(loss) after tax ($'000)	8,055	19,685	(26,378)	(10,046)	4,300
Interim dividends declared (cps) [2]	3.7	3.5	1.22	-	-
Final dividends declared (cps) [2]	4.7	4.8	6.0	1.52	-
Share price at 30 June ($) [2]	1.38	1.58	1.35	0.56	0.96
EPS (cps) [2]	4.26	10.92	(16.26)	(6.83)	3.23
Total KMP Remuneration ($'000)	2,508	2,382	2,122	1,536	1,646

(1) COG's financial performance in 2023 and 2022 includes several non-cash and non-recurring items, as disclosed in the *Review of operations and financial results* section of the Directors Report, and the adoption of AASB 16 *Leases* by the Group in 2020. The 2023 results are therefore not directly comparable to prior years.

(1) On a post share consolidation basis.

Directors' Report (continued)

Remuneration report - audited

d. Key Management Personnel remuneration

The remuneration of KMP of COG during the year is set out in the following table:

		Short-term benefits			Post-employment					
		Fixed remuneration [1]	STI cash bonus	Non-cash benefits	Post-employment benefits [1]	Termination	Other long-term benefits [2]	Share-based payments (equity) [4]	Total	Performance based remuneration
		$	$	$	$	$	$	$	$	%
Executive Directors										
Cameron McCullagh	2023	68,182	-	-	7,159	-	839	-	76,180	0.0%
	2022	68,182	-	-	6,818	-	1,030	-	76,030	0.0%
Mark Crain	2023	287,093	179,877	-	59,547	-	3,753	-	530,270	33.9%
	2022	269,069	87,511	-	33,699	-	5,195	-	395,474	22.1%
Non-executive Directors [3]										
Patrick Tuttle	2023	144,796	-	-	15,204	-	-	-	160,000	0.0%
	2022	145,454	-	-	14,545	-	-	-	159,999	0.0%
Steve White	2023	68,182	-	-	7,159	-	-	-	75,341	0.0%
	2022	68,182	-	-	6,818	-	-	-	75,000	0.0%
Peter Rollason	2023	77,273	-	-	8,114	-	-	-	85,387	0.0%
	2022	77,273	-	-	7,727	-	-	-	85,000	0.0%
Senior executives										
Andrew Bennett [4]	2023	444,037	200,000	1,031	25,292	-	10,262	362,641	1,043,263	53.9%
	2022	483,685	190,000	1,299	21,000	-	6,977	497,620	1,200,581	57.3%
Richard Balzer [5]	2023	198,136	75,000	668	16,861	-	-	-	290,665	25.8%
Former KMP										
John McRae [6]	2023	161,847	-	-	10,538	75,000	-	-	247,385	0.0%
	2022	309,277	50,000	-	27,500	-	3,317	-	390,094	12.8 %
Total	**2023**	**1,449,546**	**454,877**	**1,699**	**149,874**	**75,000**	**14,854**	**362,641**	**2,508,491**	**32.6%**
Total	**2022**	**1,421,122**	**327,511**	**1,299**	**118,107**	**-**	**16,519**	**497,620**	**2,382,178**	**34.6%**

(1) Post-employment benefits are wholly comprised of superannuation.
(2) Other long-term benefits are wholly comprised of long service leave.
(3) Total remuneration paid to COG Non-executive Directors in FY2023 amounts to $320,728 and is within the cap of $400,000 per annum.
(4) Share-based payments in FY2023 reflects the grant of FY2021 long-term incentive and an estimate for the grant of FY2022 and FY2023 long-term incentives, calculated on a pro-rata basis with reference to the respective service (vesting) periods. Share-based payments in FY2022 reflects the grant of FY2021 long-term incentive, as announced on ASX on 11 August 2022, calculated on a pro-rata basis with reference to the respective service (vesting) periods.
(5) Richard Balzer commenced as a KMP on 7 November 2022.
(6) John McRae ceased as a KMP on 6 November 2022.

Remuneration report - audited

e. Key Management Personnel share and option transactions

The movement during the year in the number of ordinary shares held, directly or indirectly, by each of the KMP, including their related parties, is as follows:

Number of shares	1 July 2021	On market purchase [1]	On market sale	30 June 2022	On market purchase [1]	On market sale	Granted as compensation	30 June 2023
Executive Directors								
Cameron McCullagh	**33,009,395**	5,471,204	(887,799)	**37,592,800**	3,008,857	-	-	**40,601,657**
Mark Crain	**1,315,635**	-	-	**1,315,635**	-	(515,635)	-	**800,000**
Non-executive Directors								
Patrick Tuttle	**265,005**	-	-	**265,005**	-	-	-	**265,005**
Steve White	**375,708**	-	(5,833)	**369,875**	-	-	-	**369,875**
Peter Rollason	**-**	-	-	**-**	-	-	-	**-**
Senior Management								
Andrew Bennett	**70,000**	4,982	-	**74,982**	33,076	-	205,628	**313,686**
Richard Balzer	**-**	-	-	**-**	-	-	-	**-**
Former KMP								
John McRae	**-**	-	-	**-**	-	-	-	**-**
	35,035,743	**5,476,186**	**(893,632)**	**39,618,297**	**3,041,933**	**(515,635)**	**205,628**	**42,350,223**

(1) Includes shares issued under the Dividend Reinvestment Plan.

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

There were 205,628 shares issued during the financial year on the exercise of performance rights granted as remuneration to Andrew Bennett (2022: nil).

Remuneration report - audited

f. Service agreements

Terms of employment for the Executive Directors and senior executives are formalised in service agreements. The major provisions of the agreements for continuing KMP relating to agreement terms and fixed remuneration are set out below:

Name	Fixed Remuneration per annum [1]	Term of agreement	Notice period [2]	Termination payment [3]
Cameron McCullagh	$75,341	No set term	12 weeks	12 weeks
Mark Crain	$221,000	No set term	2 months	2 months
Andrew Bennett [5]	$500,000	No set term	3 months	3 months [4]
Richard Balzer	$325,292	No set term	3 months	3 months [4]

(1) Fixed Remuneration includes statutory superannuation contributions
(2) Notice periods are consistent for both COG personnel and the KMP
(3) Termination payment in lieu of notice period is calculated as a proportion of the KMP's fixed remuneration. Summary termination with no payment is enforceable for gross misconduct or gross negligence
(4) In the event of redundancy due to a take-over or merger of COG, a severance package of 12 months base salary including notice period and any redundancy entitlements will apply
(5) Effective 1 July 2022, Andrew Bennett's fixed annual remuneration has been increased to $500,000, inclusive of superannuation contributions.

For Non-executive Directors, terms of service are in accordance with Rule 6.7 of COG's constitution. The constitution requires one third of the Directors or, if their number is not a multiple of 3, then, subject to the Listing Rules, the number nearest to one third (rounded up to the nearest whole number), to retire from office and if eligible seek re-election at each annual general meeting.

f. Other Key Management Personnel transactions

Indemnification for vendor program losses

During the 2019 and 2018 financial years TL Commercial Finance undertook a number of transactions with an equipment finance vendor program partner. During the 2019 financial year the vendor partner entered into voluntary liquidation. While the Group considered the underlying lease arrangements with lessees introduced as part of the program were enforceable the Group took the action to settle these lessee obligations for a lower value than its contractual rights. Cameron McCullagh, one of the Group's Executive Directors, chose to indemnify the Group for the majority of this loss. As part of this indemnification Cameron McCullagh paid an amount of $1,023,160 to the Group to offset the net cash loss incurred by the Group. During the 2023 financial year $64,600 was recovered and is due to be subsequently repaid to Cameron McCullagh. In FY22 an amount of $68,233 was recovered and repaid to Cameron McCullagh.

End of audited remuneration report.

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

Risk Management
The Board has overall responsibility for the establishment and oversight of the risk management framework. The Board oversees how management monitors compliance with the Group's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Group.

The Group is exposed to various risks in relation to financial instruments. The main types of risks are credit risk and liquidity risk.

Cash is held with bank and financial institution counterparties, which are rated A- to AA-, based on Standard and Poor's long-term credit ratings and as such credit risk is low.

The Group's exposure to credit risk relating to finance lease receivables arises from the potential failure by a lessee to meet their contractual obligations and is primarily due to individual characteristics of each lessee. Management considers the factors that may influence the credit risk of its customer base, including the default risk associated with the lessee's industry, location, and movements in macroeconomic factors when conducting its activities. The Group's lease arrangements include retention of title clauses, so that in the event of non-payment the Group has a secured claim.

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

Options and performance rights
Details of options and performance rights issued to Andrew Bennett under his employment contract are shown above in the *Long term incentives* section of this report. No options or performance rights have been granted over unissued shares during or since the end of the financial year.

Indemnities given and insurance premiums paid for auditors and officers
COG has executed a deed of indemnity for each of the Directors and officers which indemnify them to the extent permitted by Sections 199A, 199B and 199C of the *Corporations Act 2001*.

During the year, COG paid a premium to insure officers of COG including all Directors.

The liabilities insured are legal costs that may be incurred in defending civil or criminal proceedings that may be brought against the officers in their capacity as officers of COG, and any other payments arising from liabilities incurred by the officers in connection with such proceedings, other than where such liabilities arise out of conduct involving a wilful breach of duty by the officers or the improper use by the officers of their position or of information to gain advantage for themselves or someone else to cause detriment to COG.

Details of the amount of the premium paid in respect of the insurance policies are not disclosed as such disclosure is prohibited under the terms of the contract.

COG does not indemnify or pay premiums on behalf of its auditors.

COG has not otherwise, during or since the end of the financial year, except to the extent permitted by law, indemnified or agreed to indemnify any current or former officer or auditors of COG against a liability incurred by an officer or auditor.

Directors’ Report (continued)

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

A copy of the auditor’s independence declaration as required under S307C of the *Corporations Act 2001* is included on page 26 of this financial report and forms part of this Directors’ Report.

Proceedings on behalf of COG
No person has applied for leave of the Court under S237 of the *Corporations Act 2001* for leave to bring proceedings on behalf of COG, or to intervene in any proceedings to which COG is a party for the purpose of taking responsibility on behalf of COG for all or part of those proceedings.

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

Signed in accordance with a resolution of the Board of Directors on 25 August 2023.

Patrick Tuttle
Chairman

Cameron McCullagh
Executive Director

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Australia

DECLARATION OF INDEPENDENCE BY TIM AMAN TO THE DIRECTORS OF COG FINANCIAL SERVICES LIMITED

As lead auditor of COG Financial Services Limited for the year ended 30 June 2023, I declare that, to the best of my knowledge and belief, there have been:

1. No contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
2. No contraventions of any applicable code of professional conduct in relation to the audit.

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

Tim Aman
Director

BDO Audit Pty Ltd

Sydney

25 August 2023

Corporate Governance Statement

The Board is committed to achieving and demonstrating the highest standards of corporate governance. As such, COG Financial Services Limited (COG) has adopted the fourth edition of the Corporate Governance Principles and Recommendations, which was released by the ASX Corporate Governance Council on 27 February 2019 and became effective for financial years beginning on or after 1 January 2020.

COG's Corporate Governance Statement for the financial year ended 30 June 2023 is dated 25 August 2023 and was approved by the Board on that date. The Corporate Governance Statement is available on COG's website at https://www.cogfs.com.au.

Consolidated Statement of Comprehensive Income

For the year ended 30 June 2023

	Notes	2023 $'000	2022 $'000
Revenue from continuing operations	A2	366,009	320,961
Cost of sales		(86,172)	(74,241)
Commissions paid		(132,790)	(129,188)
Employee benefits expense	A3	(60,813)	(49,507)
Administration expenses		(21,029)	(12,952)
Occupancy expenses		(1,751)	(1,292)
Finance costs	A4.1	(1,521)	(607)
Funding costs (Funds Management and Lending)	A4.2	(6,962)	(4,358)
Depreciation and amortisation		(14,577)	(11,958)
Acquisition-related expenses		(396)	(483)
Impairment	E2	(9,377)	(583)
Profit on disposal of assets		389	-
Other expenses		(1,047)	(339)
Share of results from associates	E2	(1,910)	3,285
Profit before income tax		**28,053**	**38,738**
Income tax expense	A5.1	(10,093)	(10,188)
Profit after tax for the year		**17,960**	**28,550**
Other comprehensive income:			
Items that may be reclassified subsequently to the statement of profit or loss:			
Gain on the revaluation of land and buildings, net of tax		-	427
Gain on the revaluation of equity instruments at FVOCI, net of tax		23	15
Total comprehensive income for the year		**17,983**	**28,992**
Profit after tax attributable to:			
Members of COG Financial Services Limited		8,055	19,685
Non-controlling interests		9,905	8,865
Total profit after tax for the year		**17,960**	**28,550**
Total comprehensive income attributable to:			
Members of COG Financial Services Limited		8,073	20,016
Non-controlling interests		9,910	8,976
Total comprehensive income for the year		**17,983**	**28,992**
Basic earnings per share from continuing operations, attributable to members (cents)	A6	**4.26**	**10.92**
Diluted earnings per share from continuing operations, attributable to members (cents)	A6	**4.26**	**10.91**

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

Consolidated Statement of Financial Position

As at 30 June 2023

	Notes	2023 $'000	2022 $'000
Assets			
Current			
Cash and cash equivalents	A7	101,796	76,107
Trade and other receivables	C1	22,390	18,861
Contract assets	C3	2,941	2,881
Financial assets - lease receivables	D1	10,324	20,323
Financial assets - loans	D2	64,929	52,968
Other financial assets	C4	2,508	1,835
Inventories		530	288
Total current assets		**205,418**	**173,263**
Non-current			
Contract assets	C3	8,292	7,897
Financial assets - lease receivables	D1	15,951	27,175
Financial assets - loans	D2	133,007	114,766
Other financial assets	C4	17,556	7,230
Financial assets at fair value through other comprehensive income	E6	203	171
Equity accounted associates	E2	13,919	25,588
Property, plant and equipment		9,132	8,208
Intangible assets	B1	184,086	148,151
Right-of-use lease assets	B3	5,432	5,775
Total non-current assets		**387,578**	**344,961**
Total assets		**592,996**	**518,224**
Liabilities			
Current			
Trade and other payables	C2	34,932	32,195
Customer salary packaging liability		21,024	6,338
Interest bearing liabilities	D3	204,063	195,717
Current tax liabilities		2,363	5,103
Provisions		8,775	7,857
Lease liabilities	D5	1,774	1,787
Other liabilities		80	283
Total current liabilities		**273,011**	**249,280**
Non-current			
Trade and other payables	C2	12,229	1,888
Interest bearing liabilities	D3	73,564	41,179
Deferred tax liabilities	A5.2	13,777	12,326
Lease liabilities	D5	4,324	4,590
Provisions		1,621	1,346
Total non-current liabilities		**105,515**	**61,329**
Total liabilities		**378,526**	**310,609**
Net assets		**214,470**	**207,615**
Equity			
Share capital	E3	279,470	275,512
Accumulated losses		(117,793)	(117,793)
Reserves	E3.3	2,239	13,227
Non-controlling interests		50,554	36,669
Total equity		**214,470**	**207,615**

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

Consolidated Statement of Changes in Equity

For the year ended 30 June 2023

	Notes	Share capital $'000	Accumulated losses $'000	Reserves $'000	Non-controlling interests $'000	Total equity $'000
Balance at 1 July 2022		**275,512**	**(117,793)**	**13,227**	**36,669**	**207,615**
Net profit for the year, after tax		-	-	8,055	9,905	**17,960**
Gain on the revaluation of equity instruments at FVOCI, net of tax		-	-	18	5	**23**
Total comprehensive income for the year		**-**	**-**	**8,073**	**9,910**	**17,983**
Transactions with owners:						
Share based payment expense, net of cancelled/exercised		-	-	27	-	**27**
Options to acquire further interest in subsidiaries		-	-	(11,809)	-	**(11,809)**
Disposal of part interest in subsidiary		-	-	1,394	565	**1,959**
Non-controlling interests acquired		-	-	(280)	(151)	**(431)**
Non-controlling interest recognised through business combinations		-	-	-	3,056	**3,056**
Non-controlling interest acquisition contribution		-	-	7,642	9,047	**16,689**
Dividends		-	-	(16,035)	(8,542)	**(24,577)**
Issue of share capital		4,066	-	-	-	**4,066**
Costs of raising capital, net of tax		(108)	-	-	-	**(108)**
Balance at 30 June 2023	E3	**279,470**	**(117,793)**	**2,239**	**50,554**	**214,470**
Balance at 1 July 2021		**247,315**	**(117,793)**	**22,817**	**37,322**	**189,661**
Net profit for the year, after tax		-	-	19,685	8,865	**28,550**
Gain on the revaluation of land and buildings, net of tax		-	-	320	107	**427**
Gain on the revaluation of equity instruments at FVOCI, net of tax		-	-	11	4	**15**
Total comprehensive income for the year		**-**	**-**	**20,016**	**8,976**	**28,992**
Transactions with owners:						
Share based payment expense		-	-	26	-	**26**
Disposal of part interest in subsidiary		-	-	734	246	**980**
Non-controlling interests acquired		-	-	(13,858)	(13,114)	**(26,972)**
Non-controlling interest recognised through business combinations		-	-	-	10,874	**10,874**
Non-controlling interest acquisition contribution		-	-	-	107	**107**
Dividends		-	-	(16,508)	(7,742)	**(24,250)**
Issue of share capital		29,025	-	-	-	**29,025**
Costs of raising capital, net of tax		(828)	-	-	-	**(828)**
Balance at 30 June 2022	E3	**275,512**	**(117,793)**	**13,227**	**36,669**	**207,615**

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

Consolidated Statement of Cash Flows

For the year ended 30 June 2023

	Notes	2023 $'000	2022 $'000
Cash flows from operating activities			
Receipts from customers		386,675	346,586
Payments to suppliers and employees		(332,639)	(292,568)
Dividends received		574	970
Finance costs paid		(7,017)	(5,373)
Income taxes paid		(15,807)	(14,415)
Net cash inflow from operating activities	A7	**31,786**	**35,200**
Cash flows from investing activities			
Net cash (outflow) on acquisitions, net of cash acquired		(15,021)	(47,569)
Net cash (outflow) on investment in associates		-	(5,035)
Payments for deferred consideration		(349)	(197)
Payments for equipment - finance leases		(8,386)	(5,633)
Repayments of equipment – finance leases		28,917	51,315
Loans advanced		(102,411)	(146,298)
Repayments of loans		73,442	77,484
Payments for property, plant and equipment		(2,098)	(1,756)
Proceeds from sale of property, plant and equipment		224	244
Payments for intangible assets		(1,141)	(707)
Payments for investments		(15,821)	(1,847)
Proceeds from sale of investments		6,307	6,251
Other loan repayments received		116	506
Net cash (outflow) from investing activities		**(36,221)**	**(73,242)**
Cash flows from financing activities			
Proceeds from issue of shares		4,066	29,025
Costs of raising capital		(108)	(828)
Proceeds from interest bearing liabilities		97,285	68,828
Repayments of interest bearing liabilities		(60,956)	(51,110)
Repayment of lease liabilities		(2,275)	(2,137)
Dividends paid		(16,035)	(16,508)
Dividends paid by subsidiaries to non-controlling interests		(8,542)	(7,742)
Non-controlling interest acquisition contribution		16,689	107
Net cash inflow from financing activities		**30,124**	**19,635**
Net increase/(decrease) in cash and cash equivalents		25,689	(18,407)
Cash and cash equivalents, beginning of the financial year		76,107	94,514
Cash and cash equivalents, end of the financial year	A7	**101,796**	**76,107**
Non-cash investing and financing activities:			
Scrip consideration issued for acquisitions of investments		-	-

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

Preface to the Notes to the Financial Statements

COG Financial Services Limited (COG or the Company) and its controlled entities (the Group) is an Australian Securities Exchange (ASX) listed Company whose principal activities are focused on the equipment finance sector. The investment objective of the Company is to grow earnings per share by investing in complementary entities and growing existing businesses that specialise in equipment financing and broking, aggregation, insurance broking, and novated leasing.

COG is the ultimate parent company of the Group and is a for-profit listed company limited by shares, incorporated and domiciled in Australia.

The financial statements have been approved and authorised for issue by the Board of Directors on 25 August 2023.

The financial statements are general purpose financial statements that:

- have been prepared in accordance with the requirements of the *Corporations Act 2001*, Australian Accounting Standards and other authoritative pronouncements of the Australian Accounting Standards Board (AASB) and International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB),
- include the assets and liabilities of all subsidiaries of the Company as at 30 June 2023 and the results of the subsidiaries for the year then ended. Inter-entity transactions with, or between subsidiaries are eliminated in full on consolidation,
- have been prepared on a historical cost basis, as modified by the revaluation of certain financial assets and liabilities at fair value, and
- are measured and presented in Australian dollars which is the Company's functional and presentation currency with all values rounded to the nearest thousand dollars unless otherwise stated, in accordance with ASIC Legislative Instrument 2016/191.

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

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

Key judgements and estimates

Key judgements, accounting estimates and assumptions, including any significant changes to those applied in the preparation of the 2023 Annual Financial Report, are shown in the relevant notes. The accounting policies adopted have been consistently applied to all years presented, unless otherwise stated.

In the process of applying the Group's accounting policies, Management have also made judgements and applied estimates concerning future events.

Judgements and estimates that are material to the financial report are found in the following notes:

- A2 Revenue
- A5 Taxation
- B2 Impairment of intangible assets
- C1 Trade and other receivables
- C3 Contract assets
- D1 Financial assets - lease receivables
- D2 Financial assets - loans
- E1 Business combinations
- E2 Equity accounted associates

Preface to the Notes to the Financial Statements (continued)

Reclassification of prior year balances
Certain prior year amounts in the following notes to the financial statements have been reclassified to conform to the current year presentations.

- Consolidated Statement of Cash Flows
- A5.2 Deferred tax liabilities
- A7 Reconciliation of cash flows from operating activities
- B2 Impairment of intangible assets
- D1 Financial Assets – Lease Receivables
- E2 Equity accounted associates
- E3.2 Dividends

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 30 June 2023, the Group's current assets of $205,418k are $67,593k lower than current liabilities of $273,011k due to COG's subsidiary Westlawn Finance Limited (Westlawn), which funds a substantial part of 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 or liquidity 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;
- *Funds Management and Lending* activities are focused on the management of investment funds and providing financing arrangements to commercial customers for essential business assets; and
- *All Other / Intersegment* activities, which include: (i) equity investment of 20.14% in the associate Earlypay Limited, and (ii) corporate office function provided by the ultimate parent entity.

30 June 2023	Finance Broking and Aggregation $'000	Funds Management and Lending [1] $'000	All Other / Intersegment $'000	Total $'000
Revenue [2]	307,423	55,614	166	363,203
Underlying EBITDA from core operations [3]	**40,587**	**19,462**	**(7,274)**	**52,775**
Profit on disposal of assets [4]	-	-	389	389
Acquisition related expenses	(268)	-	(128)	(396)
Impairment [5]	-	-	(9,806)	(9,806)
Redundancy and restructuring costs	-	-	(277)	(277)
Statutory EBITDA from core operations	**40,319**	**19,462**	**(17,096)**	**42,685**
Interest income				1,466
Depreciation and amortisation				(14,577)
Finance costs				(1,521)
Profit before tax				**28,053**
Income tax expense				(10,093)
Profit after tax				**17,960**
Non-controlling interests				(9,905)
Profit after tax, attributable to members				**8,055**

30 June 2022	Finance Broking and Aggregation $'000	Funds Management and Lending [1] $'000	All Other / Intersegment $'000	Total $'000
Revenue [2]	274,366	40,655	8,003	323,024
Underlying EBITDA from core operations [3]	**34,772**	**16,771**	**(233)**	**51,310**
Impairment	(498)	(85)	-	(583)
One-off unguaranteed residual rights recognition	-	1,040	-	1,040
Acquisition related expenses	(13)	(4)	(466)	(483)
Redundancy and restructuring costs	-	-	(163)	(163)
Statutory EBITDA from core operations	**34,261**	**17,722**	**(862)**	**51,121**
Interest income				182
Depreciation and amortisation				(11,958)
Finance costs				(607)
Profit before tax				**38,738**
Income tax expense				(10,188)
Profit after tax				**28,550**
Non-controlling interests				(8,865)
Profit after tax, attributable to members				**19,685**

(1) Funds Management and Lending includes Westlawn Finance Limited.
(2) Revenue includes share of results from associates (FY23: -$1,910k loss, FY22: $3,285k) and excludes interest income (FY23: $1,466k, FY22 $182k), one-off unguaranteed residual rights recognised during the period (FY23: $nil, FY22 $1,040k) as well as COG's 20.14% proportionate share of Earlypay's redundancy and restructuring costs (FY23 $141k, FY22 $nil) and impairment charge incurred by Earlypay (FY23 $429k, FY22 $nil).
(3) Excludes non-recurring items.
(4) On 31 August 2022, the Group sold the managed IT services provided by Hal Group Pty Limited which generated a profit on sale of $389k.
(5) Includes COG's 20.14% proportionate share of impairment charge incurred by Earlypay (FY23 $429k, FY22 $nil).

A - Financial Performance (continued)

A2 REVENUE

Key judgement - Trail commissions

The Group receives trail commission from lenders as a percentage of the principal outstanding for several of its financing arrangements, subject to the continuation of the financing between the customer and the financier. The value of this contract asset is determined based on a discounted cashflow model which includes the following key inputs:

- the weighted average implicit rate of the underlying financing arrangements,
- principal outstanding balance, and
- the average life expectancy of a loan prior to repayment/refinancing.

These factors are complex and the determination of key assumptions requires a high degree of judgement. Any change in the value of the trail commission contract asset is recognised in the *Commission, trail, fee, and volume bonus income* revenue line.

	2023 $'000	2022 $'000
Commission, trail, fee, and volume bonus income	236,584	213,243
Sale of goods	88,663	79,076
Finance lease income	7,913	12,394
Finance income - loans	17,710	8,840
Interest income	1,466	182
Government grants	-	189
Dividend income	192	4
Other operating revenue	13,481	7,033
	366,009	**320,961**

Accounting policy

Revenue recognition

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

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

Contract assets are recognised when the Group has transferred the promised service as at the reporting date, but the financier has not yet paid.

Finance lease income relates to the Lending segment and most transactions within this segment are outside the scope of AASB 15.

Revenue is recognised at a point in time when the Group satisfies all its obligations under the arrangements.

A2 REVENUE

Accounting policy
Revenue recognition
Commission, fee, and volume bonus income
Commission, fee, and volume bonus income is recognised when all the required documentation has been received by the financier and the Group's obligations under the financing arrangement have been completed. The Group recognises revenue at a point in time and adjusts it for any risk of clawback based on the historical rate of clawbacks for similar transactions. The Group recognises revenue at a point in time and adjusts it for any risk of clawback based on the historical rate of clawbacks for similar transactions (see Note C1).

Trail income
Trail income is recognised when all the required documentation has been received by the financier and the Group's obligations under the financing arrangement have been completed. The Group estimates trail income on a portfolio basis using the expected value method as all its financing arrangements have similar characteristics at the reporting date. The expected value is determined using the model outlined in the key judgments section above with changes in the resultant contract asset recognised in *the Commission, trail, fee, and volume bonus income* revenue line.

Sale of goods
Sale of goods is recognised at the point of sale, which is where the customer has taken delivery of the goods and has the capacity to pay for them in a timely manner. Revenues disclosed are stated net of returns, discounts, allowances, and amounts collected on behalf of third parties. Sale of goods revenue is recognised in relation to car sales and salary packaging operations in the Finance Broking and Aggregation segment and in relation to hardware sales in the All Other segment.

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

Finance lease income
Finance lease income is recognised by applying the interest rate within the lease arrangement to the future lease payments and the estimated value of any unguaranteed end of term earnings or secondary income. Initial direct costs incurred in the origination of leases are included as part of the receivables in the Consolidated Statement of Financial Position.

Dividend income
Dividends are received from financial assets measured at fair value through other comprehensive income (FVOCI). Dividends are recognised as other income in the Profit and loss when the right to receive payment is established. This applies even if they are paid out of pre-acquisition profits, unless the dividend clearly represents a recovery of part of the cost of an investment.

A3 EMPLOYEE BENEFITS EXPENSE

	Note	2023 $'000	2022 $'000
Salaries and wages expense		48,997	41,222
Superannuation expense		5,160	4,209
Equity-settled share-based payments expense	A3.1	767	26
Payroll tax		3,112	2,249
Other employee benefits expense		2,777	1,801
		60,813	**49,507**

A3.1 SHARE BASED PAYMENTS

Options and performance rights

Andrew Bennett

The Group has issued share options and performance rights to Andrew Bennett who commenced as a member of key management personnel in 2018. These share options, which were issued as part of Andrew 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:

Service period	Tranche	Grant date	Vesting date	Exercise price [2]	Granted	Exercised	Expired/ Forfeited / Cancelled [1]	Balance at 30 June 2023 [1]
Options								
FY18	N/A	25 July 2018	25 July 2018	$1.05	685,714	-	(685,714)	-
FY19	N/A	25 July 2019	25 July 2019	$1.05	322,581	-	(322,581)	-
FY20	N/A	23 December 2020	23 December 2020	$0.49	418,410	-	(418,410)	-
Total					**1,426,705**	**-**	**(1,426,705)**	**-**
Performance rights								
FY21 LTIP	Tranche 1	11 August 2022	30 June 2021	N/A	102,814	102,814	-	-
	Tranche 2	11 August 2022	30 June 2022	N/A	102,814	102,814	-	-
	Tranche 3	11 August 2022	30 June 2023	N/A	102,814	-	-	102,814
Total					**308,442**	**205,628**	**-**	**102,814**

(1) At an Extraordinary General Meeting (EGM) held on 30 June 2021, the shareholders approved the consolidation of the Company's issued share capital (every 10 shares and every 10 options were consolidated into one share and one option, respectively), effective 1 July 2021, and the cancellation of 685,714 and 322,581 unlisted options issued to Andrew Bennett in exchange for payments to him of $127,081 and $100,000, respectively. Further, at an Extraordinary General Meeting (EGM) held on 22 December 2022, the shareholders approved the cancellation of 418,410 unlisted options issued to Andrew Bennett in exchange for a payment to him of $401,682.

(2) On a post share consolidation basis.

At the EGM held on 30 June 2021 the adoption of a new LTI Plan, effective 1 January 2021, was approved. The revised LTI Plan allows for the issue of performance rights, options, or shares in the Company (Incentive Securities), or a combination of those Incentive Securities. The Board may determine from time to time to issue Incentive Securities under the LTI Plan.

The Incentive Securities issued under the LTI Plan will be used to attract, motivate, and retain eligible participants and to provide them with an incentive to deliver growth and value to all shareholders. The Incentive Securities may also be used to attract and retain non-executive directors in a marketplace that is experiencing increased competition for talented directors who bring value to the Board and the Company.

Under the revised LTI Plan, the Board may offer eligible participants such number of Incentive Securities in the Company as it may decide on the terms and conditions set out in the rules of the LTI Plan, and in the invitation, letter given to the proposed participant.

Under the revised remuneration arrangements that came into effect on 1 January 2021, Andrew Bennett is entitled to receive performance rights with a grant date value of up to $237,500 per annum (and representing up to 50% of his fixed annual remuneration) that will be subject to vesting conditions set by the Board. The performance rights granted each year will vest over 3 years.

A3.1 SHARE BASED PAYMENTS

The following update in relation to the CEO's participation in the LTI Plan were announced on 11 August 2022:

FY21 long-term incentive:
Andrew Bennett's allocation and associated vesting conditions under the LTI Plan are as follows:

(a) Tranche 1: 102,814 performance rights, convertible into 102,814 ordinary shares upon vesting, with 40% vesting on being employed at 30 June 2021 and 60% vesting on being employed and achieving normalised earnings per share (EPS) Compound Annual Growth Rate (CAGR) on 30 June 2021;

(b) Tranche 2: 102,814 performance rights, convertible into 102,814 ordinary shares upon vesting, with 40% vesting on being employed at 30 June 2022 and 60% vesting on being employed and achieving normalised EPS Compound Annual Growth Rate (CAGR) on 30 June 2022;

(c) Tranche 3: 102,814 performance rights, convertible into 102,814 ordinary shares upon vesting, with 40% vesting on being employed at 30 June 2023 and 60% vesting on being employed and achieving normalised EPS Compound Annual Growth Rate (CAGR) on 30 June 2023.

In respect of the vesting conditions:

- these will be assessed no later than 15 September of the subject year end;
- CAGR requirements are:

	CAGR	Range	Vesting %
Threshold	0.0%	< Threshold	0.0%
Target 1	2.5%	> Threshold & < Target 1	25.0%
Target 2	7.5%	> Target 1 & < Target 2 = > Target 2	Straight Line Pro rata from 25.0% to 100.0% 100%

Tranche 1 and Tranche 2 have been assessed by the Board as meeting the vesting requirements as Andrew Bennett was employed at vesting date and the Company achieved a normalised EPS CAGR for the years ended 30 June 2021 and 30 June 2022 of 174% and 79%, respectively. Therefore, 102,814 shares were issued to Andrew Bennett on 11 August 2022 in lieu of Tranche 1 and 102,814 shares were issued to Andrew Bennett on 3 March 2023 in lieu of Tranche 2.

The share-based payment expense in relation to the above is recognised over FY2023 and FY2024 (in line with a grant date of 11 August 2022 and respective service/vesting periods).

FY22 long-term incentive:
The Board has awarded 100% of the maximum entitlement, being $237,500 and subject to a 3-year vesting period, on similar terms to those described above.

Employee expenses
Employee expenses are recognised in the profit and loss when the employee delivers the related service.

Equity-settled share-based payment
The cost of equity-settled transactions is measured at fair value on the date where all parties agree to the terms of the arrangement. Fair value is determined using a Black-Scholes option pricing model based on the factors outlined above. The share-based payment is recognised in profit or loss with a corresponding increase in equity over the term of the arrangement with the expense allocated over the term of the arrangement, based on the best available estimate of the remuneration expected to be paid at the end of the term. No adjustment is made to any expense recognised in the prior year if the actual and estimated amount of share-based payments vary.

Employee benefit liabilities
Employee benefits are included in current provisions at their face value if the Group expects to settle it within the next twelve months. Employee benefits payable later than one year are included in non-current provisions and have been measured at the present value of the estimated future cash outflows to be made for those benefits. The present value is determined using market yields on high quality corporate bonds with terms to maturity that match the expected timing of cash flows.

A4 FINANCE & FUNDING COSTS

A4.1 FINANCE COSTS

	2023 $'000	2022 $'000
Interest on corporate facility	589	61
Other finance costs	932	546
	1,521	**607**

The Group's finance costs include:

- *Interest expense on corporate facility*; interest expense is paid quarterly based on the principal outstanding and a market based floating rate plus margin.
- *Other finance costs*; this includes interest expense on unsecured loans, minor other financing activities throughout the Group, and foreign exchange gains and losses.

A4.2 FUNDING COSTS (FUNDS MANAGEMENT AND LENDING)

	2023 $'000	2022 $'000
Interest on finance lease and loans portfolios	6,962	4,358
	6,962	**4,358**

The Group's funding costs include:

- *Interest expense on finance lease and loan portfolios*; interest expense is calculated based on the funding rate provided by the Group's financiers. The funding rate is dependent on the finance lease or loan cashflows being funded and the specific requirements of each funder.

A5 TAXATION

Key judgement - recovery of deferred tax assets
Deferred tax assets are recognised for deductible temporary differences and operating tax losses only if the Group considers it is probable that future taxable amounts will be available to utilise those temporary differences and losses. As at 30 June 2023 the Group had a deferred tax asset of $223k recognised in relation to historical tax losses (2022: $6k). Management continues to consider it probable that future taxable profits would be available against which the above tax losses can be recovered and, therefore, the related deferred tax asset can be realised.

In addition, as at 30 June 2023 the Group had $3,450k of gross unrecognised tax losses ($1,035k tax effected), (2022: $6,626k of gross unrecognised tax losses ($1,988k tax effected). Management will continue to monitor expected future taxable profits of the Group to determine the extent that these tax losses should be recognised as deferred tax assets in future periods.

A5.1 INCOME TAX EXPENSE

The prima facie tax on profit before income tax is reconciled to income tax expense as follows:

	2023 $'000	2022 $'000
Accounting profit before income tax	28,053	38,738
Prima facie tax payable on profit before income tax at 30% (2022: 30%)	8,416	11,621
Add/(deduct):		
Impairment expense	2,814	1
Franking credits applied	(8,943)	(7,542)
Non-deductible expenses	271	148
Other assessable income	8,783	7,177
(Over) provision from prior years	(184)	(280)
Allowable deduction for capital raising costs recognised in equity	(95)	(95)
Utilisation of tax losses not previously brought to account	(969)	(842)
	10,093	**10,188**

A5.2 DEFERRED TAX LIABILITIES

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

	2023 $'000	2022 $'000
Property, plant, and equipment	(1,026)	40
Lease receivables	(3,701)	(4,250)
Loans	388	793
Contract assets	(5,027)	(4,333)
Intangible assets	(13,733)	(12,290)
Employee benefits	3,017	2,355
Tax losses	223	6
Other items	6,082	5,353
	(13,777)	**(12,326)**

A5 TAXATION

Accounting policy

Income tax expense comprises current and deferred income tax. It is recognised in profit or loss except to the extent that it relates to a business combination, or items recognised directly in equity. Calculation of tax is based on tax rates and tax laws that have been enacted or substantively enacted at the reporting date.

Tax consolidated group

COG and its wholly owned Australian resident subsidiaries have formed an income tax consolidated group under the tax consolidation regime. The head entity within that tax consolidated group is COG. Consequently, these entities are taxed as a single entity and the deferred tax assets and liabilities of these entities are offset in the consolidated financial statements. In addition, certain controlled entities and their wholly owned subsidiaries have formed income tax consolidated groups under the tax consolidation regime. These entities are also taxed as a single entity and the deferred tax assets and liabilities of these tax consolidated groups are offset in the consolidated financial statements.

Current tax

Current tax liabilities are taxation obligations to the Australian Taxation Office that are unpaid at the reporting date. Current tax is payable on taxable profit, which differs from profit or loss in the consolidated financial statements (accounting profit).

Deferred tax

Deferred tax assets and liabilities are recognised where there is a difference in timing between the accounting recognition of the asset or liability and the tax timing of the same asset or liability. This method is used for all differences between tax and accounting basis except for:

- initial recognition of goodwill, or
- if the transaction has no impact on accounting or taxable profit.

In addition, a deferred tax liability is not recognised if the reversal of the difference is under the control of the Group, it relates to investments in subsidiaries or associates and the Group does not intend to take any action to trigger a change in ownership of the subsidiary or associate in the foreseeable future.

Deferred tax assets are recognised up to the value that it is probable that there will be sufficient taxable profits in future years to offset the asset reversals; this is based on forecasts of individual subsidiaries in the Group and their future taxable profits and the timing of the reversal of the temporary differences. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised, such reductions are reversed when the probability of future taxable profits improves.

Unrecognised deferred tax assets are reassessed at each reporting date and recognised to the extent that it has become probable that future taxable profits will be available against which they can be used.

Deferred tax liabilities are always provided for in full. Deferred tax assets and liabilities are offset only when the Group has the legal ability and intent to settle these amounts on a net basis with the same taxation authority.

A6 EARNINGS PER SHARE

Both the basic and diluted earnings per share have been calculated using the profit attributable to members of the Company as the numerator.

	2023	2022
Profit after income tax, attributable to members ($'000)	8,055	19,685
Basic earnings per share (cents)	**4.26**	**10.92**
Diluted earnings per share (cents)	**4.26**	**10.91**
Weighted average number of ordinary shares outstanding during the year used in calculating basic and diluted earnings per share ('000)	189,206	180,223
Closing number of ordinary shares on issue at the end of the year ('000)	190,662	187,911

A - Financial Performance (continued)

A6 EARNINGS PER SHARE

Except for the performance rights issued to Andrew Bennett, there are no other outstanding securities that if they were able to be exercised by the holders as at 30 June 2023 would reduce earnings per share to other shareholders (potentially dilutive) in nature for the Company. The Company's share capital was consolidated effective 1 July 2021, refer Note E3.1.

A7 RECONCILIATION OF CASH FLOWS FROM OPERATING ACTIVITIES

	2023 $'000	2022 $'000
Profit from ordinary activities after income tax	**8,055**	**19,685**
Adjustments for non-cash items included in profit or loss:		
Depreciation and amortisation	14,577	11,958
Impairment	9,377	583
Share based payment	767	26
Profit on sale of property, plant and equipment	(382)	(410)
Share of equity accounted results	1,910	(3,285)
Profit after tax attributable to non-controlling interests	9,905	8,865
Finance lease income - unguaranteed secondary income	(4,508)	(4,218)
Changes in assets and liabilities:		
Movement in trade and other receivables	(2,589)	(247)
Movement in contract assets	(455)	(906)
Movement in other financial assets	1,873	3,598
Movement in inventories	(241)	216
Movement in trade and other payables	(968)	3,659
Movement in current and deferred tax liabilities	(5,714)	(4,018)
Movement in other liabilities	382	1,027
Movement in provisions	(203)	(1,333)
Net cash inflow from operating activities	**31,786**	**35,200**

Cash and cash equivalents

This is comprised of cash at bank and on hand. Included in cash at bank and on hand are amounts of $26,574k (2022: $11,759k) which are funds held by the Group on behalf of its novated leasing 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.

Financial exposures - Credit risk

Cash is held with bank and financial institution counterparties, which are rated A- to AA-, based on Standard and Poor's long-term credit ratings and as such credit risk is low.

B - Intangibles and Lease Assets

B1 INTANGIBLE ASSETS

Reconciliation of carrying amount

Carrying amount	Goodwill $'000	Software $'000	Customer relationships $'000	Supplier agreements $'000	Other $'000	Total $'000
Balance at 1 July 2021	82,090	1,449	26,457	6,868	864	117,728
Acquisition through business combinations	20,508	49	17,151	-	1,388	39,096
Additions	-	707	-	-	-	707
Disposals	-	-	-	-	-	-
Impairment	-	-	-	-	-	-
Amortisation	-	(637)	(7,066)	(1,551)	(126)	(9,380)
Balance at 30 June 2022	**102,598**	**1,568**	**36,542**	**5,317**	**2,126**	**148,151**
Balance at 1 July 2022	102,598	1,568	36,542	5,317	2,126	148,151
Acquisition through business combinations	30,277	4,441	8,418	-	3,105	46,241
Additions	-	1,211	-	-	-	1,211
Disposals	-	(70)	-	-	-	(70)
Transfers	-	-	(198)	198	-	-
Impairment	-	-	-	-	-	-
Amortisation	-	(932)	(8,648)	(1,642)	(225)	(11,447)
Balance at 30 June 2023	**132,875**	**6,218**	**36,114**	**3,873**	**5,006**	**184,086**

Accounting policy

Goodwill

Goodwill arising on the acquisition of subsidiaries has an infinite useful life and is measured at cost less accumulated impairment losses.

Other intangible assets

Other intangible assets, including software, customer relationships, supplier agreements and other intellectual property that are acquired or developed by the Group and have finite useful lives are measured at cost less accumulated amortisation and any accumulated impairment losses.

Impairment

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

Amortisation

Amortisation is calculated to write off the cost of intangible assets less their estimated residual values using the straight-line method over their estimated useful lives and is recognised in profit or loss. Goodwill is not amortised.

The estimated useful lives for current and comparative periods are as follows:

- Software 2 - 6 years
- Customer relationships 3 - 10 years
- Supplier agreements 3 - 10 years
- Other intellectual property 2 - 5 years

Amortisation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

B - Intangibles and Lease Assets (continued)

B2 IMPAIRMENT OF INTANGIBLE ASSETS

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:

- Fair Value Less Costs to Sell (FVLCTS): the amount which the business could be sold for (less sale related expenses), or
- Value in Use (VIU): the value of future cashflows which the Group could generate from continuing to run the business discounted to current value to reflect the time value of money and risks surrounding the assumptions used to model future performance.

The recoverable amount determined as the more favourable of the two methods outlined above is then compared to the carrying amount of assets to determine if there is any impairment.

Impairment testing is complex and involves the following key judgements:

- impairment is tested at a cash generating unit (CGU) level, which is the lowest level at which the Group generates discrete and separate cash inflows and outflows. The Group considers this to be at the segment level, as such impairment is tested at the level outlined in the operating segment (Note A1).
- the calculation of FVLCTS and VIU models is complex and involves a significant number of judgements regarding future performance, discount rates to be applied to future performance assumptions and the price which an external party would pay to purchase businesses similar to those operated by the Group.

The disclosures below outline the key assumptions and the outcome of impairment testing completed.

Goodwill is allocated to the following CGUs at 30 June 2023:

	2023 $'000	2022 $'000
Cash Generating Unit		
Finance Broking and Aggregation	88,189	79,163
Novated	24,663	3,412
Funds Management (formerly Funds Management and Lending)	20,023	20,023
	132,875	**102,598**

Finance Broking and Aggregation CGU

The recoverable amount of goodwill for the Finance Broking and Aggregation CGU is based on a FVLCTS model. The model includes the following key assumptions:

- EBITDA for the business unit is broadly consistent with the actual EBITDA for the year ended 30 June 2023.
- EBITDA multiples ranging from 9.0x to 9.5x for arms-length transactions of businesses of similar size and nature to the CGU within recent financial periods (based on information provided by external experts).

Novated CGU

The value of goodwill for the Novated CGU relates to goodwill recognised on the acquisition of Fleet Network in 2017 and goodwill recognised on a provisional basis in relation to the acquisitions of Howjack Holdings Pty Limited ('Howjack') and Australian Car Packaging ('ACP') by the Group's indirect subsidiary Fleet Network.

The recoverable amount of goodwill for the Novated CGU is based on a FVLCTS model. The model includes the following key assumptions:

- EBITDA for the business unit is broadly consistent with the actual EBITDA for the year ended 30 June 2023.
- EBITDA multiples ranging from 7.0x to 8.0x for arms-length transactions of businesses of similar size and nature to the CGU within recent financial periods.

B - Intangibles and Lease Assets (continued)

B2 IMPAIRMENT OF INTANGIBLE ASSETS

Funds Management CGU (formerly Funds management and Lending)

The value of goodwill for the Funds Management CGU relates to goodwill recognised in relation to the acquisition of Equity-One Mortgage Find Limited (Equity-One) by the Group's subsidiary Westlawn Finance Limited, effective 1 March 2022.

The recoverable amount of goodwill for the Funds Management CGU is based on a FVLCTS model. The model includes the following key assumptions:

- EBITDA for the business unit is broadly consistent with the actual EBITDA for the year ended 30 June 2023.
- EBITDA multiples ranging from 11.0x to 12.0x for arms-length transactions of businesses of similar size and nature to the CGU within recent financial periods (based on information provided by external experts).

The resulting FVLCTS model is consistent with a level 3 instrument in the fair value hierarchy. No reasonably possible changes would unfavourably impact the model to the extent that the related goodwill would be impaired.

B3 RIGHT-OF-USE LEASE ASSETS

	2023 $'000	2022 $'000
Right-of-use lease assets - at cost	10,473	10,583
Less: Accumulated depreciation	(5,041)	(4,808)
Net carrying amount	**5,432**	**5,775**

Reconciliation of carrying amount

Carrying amount	**Office premises $'000**	**Motor Vehicles $'000**	**Total $'000**
Balance at 1 July 2021	6,048	112	6,160
Additions	1,322	55	1,377
Disposals	(267)	(68)	(335)
Depreciation	(1,413)	(14)	(1,427)
Balance at 30 June 2022	**5,690**	**85**	**5,775**
Balance at 1 July 2022	5,690	85	5,775
Additions	1,653	4	1,657
Disposals	(219)	-	(219)
Depreciation	(1,748)	(33)	(1,781)
Balance at 30 June 2023	**5,376**	**56**	**5,432**

Accounting policy

Group as lessee

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

Non-lease components of property leases

Under AASB 16, payments for non-lease components (such as property outgoings and taxes), are excluded from the lease liability unless an election is made to combine lease and non-lease components. A small portion of the Group's leased property portfolio has non-lease components embedded within their respective contract.

The Group has not elected to combine lease and non-lease components for its property leases. The expense related to the non-lease component continues to be recognised as an occupancy expense in the Consolidated Statement of Comprehensive Income.

B3 RIGHT-OF-USE LEASE ASSETS

Recognition and measurement

Right-of-use lease assets

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

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

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

C - Working Capital

C1 TRADE AND OTHER RECEIVABLES

Key judgement - Terminated lease receivables
Terminated lease receivables represent lease arrangements where the Group has executed its rights under the lease contract to seek full repayment of all outstanding contractual amounts as at the termination date. Prior to termination these leases are treated as finance lease receivables (see Note D1) and are discounted to present value based on the expected timing of lease payments over the lease term. On termination the full value of all future repayments is recognised as due and payable at termination date ('grossed up'), with the uplift recognised in finance lease income.

A provision is then raised to the extent that each individual terminated lease is not considered recoverable. The assessment of recoverable amount is based on each individual arrangement including the counterparty, security held against the lessee and any related parties, and the asset being financed. This estimate involves significant judgement by Management on the arrangement's recoverability and is reassessed as the conditions relating to the terminated lease arrangement progress.

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

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

	2023 $'000	2022 $'000
Current		
Terminated lease receivable	10,313	13,091
Less: Allowance for doubtful debts	(8,085)	(9,390)
	2,228	3,701
Trade receivables	4,242	4,261
Less: Allowance for doubtful debts	(22)	(18)
	4,220	4,243
Accrued income and other debtors	15,952	10,925
Other receivables	415	323
Provision for clawbacks	(425)	(331)
	22,390	**18,861**

Financial exposures - Credit risk
Management believes that the amounts that are past due by more than 30 days are collectable, based on historical payment behaviour and extensive analysis of customer credit risk, including underlying customers' credit scores if they are available. The ageing of the Group's trade receivables that were not impaired was as follows:

	2023 $'000	2022 $'000
Trade receivables		
Neither past due nor impaired	2,014	2,097
Past due 1 - 30 days	914	1,110
Past due 31 - 90 days	654	408
Past due 91 - 120 days	76	167
Past due 121+ days	584	479
Total	**4,242**	**4,261**

C - Working Capital (continued)

C1 TRADE AND OTHER RECEIVABLES

Financial exposures - Credit risk
The movement in the allowance for impairment in respect of trade and other receivables during the year was as follows:

	Trade receivables $'000	Terminated lease receivable $'000	Provision for clawbacks $'000
Balance at 1 July 2021	**199**	**11,620**	**236**
Terminated and provided for during the year less write-offs	(181)	(2,230)	95
Balance at 30 June 2022	**18**	**9,390**	**331**
Terminated and provided for during the year less write-offs	4	(1,305)	94
Balance at 30 June 2023	**22**	**8,085**	**425**

Accounting policy
Trade and other receivables
See Accounting policy in Note D4.

Provision for clawbacks
The provision for clawbacks is in relation to arrangements recognised under AASB 15 *Revenue from Contracts with Customers*. This reflects the risk that amounts previously recognised as revenue in relation to brokerage arrangements in the Finance Broking & Aggregation segment could be recovered by the financier should the underlying finance arrangement underperform against agreed thresholds. The provision recognised reflects the volume weighted historical clawback amounts calculated on an individual entity level within the Group.

C2 TRADE AND OTHER PAYABLES

	2023 $'000	2022 $'000
Current		
Trade payables	11,436	10,864
Deferred consideration [1]	183	247
Salaries and bonuses	2,398	1,762
GST and other taxes	3,460	4,346
Other payables and accruals	17,455	14,976
	34,932	**32,195**
Non-current		
Trade payables	420	140
Deferred consideration [1]	-	285
Financial liability to acquire further interests in subsidiaries [2]	11,809	-
GST and other taxes	-	1,463
	12,229	**1,888**

(1) Deferred consideration relates to the purchase of Centrepoint Finance Yeppoon by DLV (Qld) Pty Limited (COG's indirect subsidiary) on 1 July 2021 of $183k (2022: $294k relating to the purchase of Centrepoint Finance Yeppoon by DLV (Qld) Pty Limited and $238k relating to a purchase of a 5% interest in Linx Group Holdings Pty Limited from non-controlling shareholders on 1 April 2022).
(2) Reflects the fair value of contractual obligation to acquire further interests in subsidiaries, recognised in accordance with paragraph 23 of AASB 132 *Financial Instruments: Presentation*.

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

Accounting policy
See Accounting policy in Note D4.

C3 CONTRACT ASSETS

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

	2023 $	2022 $
Current		
Trail receivable	2,941	2,881
	2,941	**2,881**
Non-current		
Trail receivable	8,292	7,897
	8,292	**7,897**

Accounting policy
See Accounting policy in Note A2.

C4 OTHER FINANCIAL ASSETS

	2023 $'000	2022 $'000
Corporate bonds - at amortised cost	-	1,420
Less: Provision for impairment	-	(1,097)
	-	323
Investments - at amortised cost [1]	13,864	5,347
Others	6,200	3,395
	20,064	**9,065**
Current	2,508	1,835
Non-current	17,556	7,230
	20,064	**9,065**

[1] Investment in unlisted notes

Reconciliation of carrying amount

	2023	2022
Balance at 1 July	9,065	12,169
Additions	15,390	1,642
Disposals	(4,348)	(4,506)
Amortisation of corporate bonds	-	(6)
Impairment of asset	-	(187)
Write-off	(43)	(47)
Balance at 30 June	**20,064**	**9,065**

Accounting policy
See Accounting policy in Note D4.

D - Financial Instruments

D1 FINANCIAL ASSETS - LEASE RECEIVABLES

Key judgment - Secondary income

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

- continue to pay the Group for a right to use the asset,
- return the asset to the Group in good working order,
- purchase the asset for the higher of a contractually specified amount or the fair value of the asset as determined at the end of the contract term, or
- acquire the asset for an agreed purchase amount (but only in cases where the lessee has met all contractual requirements).

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

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

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

Key judgement - Expected credit loss provision

The Group applies the simplified approach to its financial assets - lease receivables as permitted under AASB 9 *Financial instruments*, where a lifetime Expected Credit Loss (ECL) provision is recognised for the whole lease receivable portfolio. The intent of the ECL provision is to capture the risk of non-collectability of a financial asset from the date it is first originated. ECL provisions are required even if there is no evidence of that individual financial asset being impaired, as it is a forward-looking provision designed to capture the risk of future losses and represents a probability-weighted estimate of credit losses. Finance lease receivables, where defaults have already occurred, are outlined in Note C1, and include terminated leases and leases with payments in arrears.

The provision for ECL for finance lease receivables is based on assumptions relating to the risk of default and expected loss rates and reflects the expected losses over the entire life of the finance lease receivable. Management exercises judgement in making these assumptions and selecting model inputs for lease assets by taking historical static loss pool data and modifying it for lease duration, any changes in credit risk assessed at the commencement of each lease, and macro-economic factors which may impact future collectability. Credit losses are measured as the present value of all cash shortfalls (being the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Group expects to receive).

Calculation of the ECL provision is based on the expected losses over the entire life of the finance lease receivable. It involves significant estimates and judgements in relation to:

- key lease characteristics such as credit criteria on which the deal is initially assessed, lease term, asset type, industry type, lessee location and default security held,
- loss and prepayment curves for the lease portfolio,
- the extent to which historical loss rates are representative of expected future loss rates,
- the impact of macro-economic factors on the creditworthiness of the finance lease receivables; and
- the increased credit risk resulting from the economic downturn originated since the COVID-19 pandemic on the active lease portfolio.

D - Financial Instruments (continued)

D1 FINANCIAL ASSETS - LEASE RECEIVABLES

Key judgement - Expected credit loss provision

Key inputs to the ECL provision calculation for 30 June 2023 that reflect some level of variation on the criteria adopted in the previous year include:

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

As at 30 June 2023 the ECL provision represents 6.5% (2022: 7.2%) of gross finance lease receivables.

Finance lease receivables are comprised as follows:

	2023 $'000	2022 $'000
Current	10,324	20,323
Non-current	15,951	27,175
	26,275	**47,498**
Gross investment in finance lease receivables:		
Less than one year	11,006	18,606
Between one and five years	17,005	28,747
Unguaranteed secondary income	3,940	10,514
Gross investment	**31,951**	**57,867**
Unearned finance income	(3,851)	(6,688)
Net investment in finance leases	**28,100**	**51,179**
Less: expected credit loss provision	(1,825)	(3,681)
	26,275	**47,498**
The present value of minimum lease payment is as follows:		
Less than one year	9,961	16,954
Between one and five years	15,389	26,194
	25,350	**43,148**

Allowance for expected credit losses

The following table provides additional information on the ageing of impaired leases (including non-accrual leases) together with the respective allowance for ECL:

	Carrying amount 2023 $'000	Carrying amount 2022 $'000	Allowance for ECL 2023 $'000	Allowance for ECL 2022 $'000
Impaired leases (including non-accrual leases)				
Not in arrears (but impaired)	9	181	(9)	(92)
More than 30 days in arrears	395	1,387	(48)	(205)
More than 60 days in arrears	159	849	(17)	(163)
More than 90 days in arrears	694	920	(448)	(757)
	1,257	**3,337**	**(522)**	**(1,217)**

D - Financial Instruments (continued)

D1 FINANCIAL ASSETS - LEASE RECEIVABLES

An analysis of the lease portfolio by security type and geographic location of the borrower is set out below:

Lease portfolio by security type	2023 $'000	2022 $'000
Plant, equipment & chattels	24,734	42,334
Registered second mortgages	1,510	5,109
Unsecured	31	55
Total	**26,275**	**47,498**

Lease portfolio by geographic region	2023 $'000	2022 $'000
NSW	7,033	19,032
Queensland	13,818	16,633
Victoria	4,075	8,301
Western Australia	609	1,793
South Australia	508	1,097
Northern Territory	51	262
ACT	55	162
Tasmania	126	218
Total	**26,275**	**47,498**

Financial exposures - Credit risk

The Group's exposure to credit risk relating to finance lease receivables arises from the potential failure by a lessee to meet their contractual obligations and is primarily due to individual characteristics of each lessee. Management also considers the factors that may influence the credit risk of its customer base, including the default risk associated with the lessee's industry, location, and movements in macroeconomic factors.

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

- the full balance of finance lease assets disclosed above,
- trade receivable amounts for lease payments in arrears as disclosed in Note C1, and
- terminated lease receivables amounts as disclosed in Note C1.

To address the credit risks exposures noted above the Group recognises the following provisions for non-recoverability:

- the ECL provision as outlined above for leases that are currently trading as expected,
- a specific provision based on arrears ageing for lease payments in arrears included in Note C1, and
- a specific provision based on lease-by-lease assessment of non-recoverability for terminated lease receivable amounts included in Note C1.

Accounting policy

The Group's contractual arrangements within the Lending segment are classified as finance leases for accounting purposes. Under a finance lease, substantially all the risks and rewards incidental to the ownership of the leased asset are transferred by the Group to the lessee. The Group recognises at the beginning of the lease term as an asset an amount equal to the present value of the contractual lease payments plus any expected secondary income; these amounts are discounted at the interest rate under the terms of the lease arrangement. Any over or under in recovery of this secondary income is recognised directly in the profit or loss.

D2 FINANCIAL ASSETS - LOANS

Key judgement - Expected loss provision

The Group applies the General approach under AASB 9 for its financial assets - loans portfolio, which follows the three stages based on the change in credit risk since initial recognition:

- **Stage 1: 12 months ECL - No significant increase in default risk**
  For financial assets - loans, where there has been no significant increase in default risk since origination a provision equivalent to 12 months ECL is recognised. These include contracts which are not in arrears or in arrears up to 59 days and not in hardship at reporting date.

- **Stage 2: Lifetime ECL - Significant increase in default risk**
  For financial assets - loans, where there has been a significant increase in default risk since origination but where the asset is still performing a provision equivalent to lifetime ECL is recognised. These include contracts which are in arrears exceeding 60 days or in hardship at reporting date.

- **Stage 3: Lifetime ECL - Defaulted**
  For financial assets - loans, that are non-performing a provision equivalent to lifetime ECL is recognised. Indicators include a default or breach on interest or principal payments, eg. where a borrower is experiencing significant financial difficulties or observable economic conditions that correlate to default. These include contracts which have been terminated and/or in arrears exceeding 180 days at reporting date (for those contracts, provision is individually assessed).

Determining the stage for impairment

At each reporting date, the Group assesses whether there has been a significant increase in credit risk for exposures since initial recognition by comparing the risk of default occurring over the remaining expected life from the reporting date and the date of initial recognition. The Group considers reasonable and supportable information that is relevant and available without undue cost or effort for this purpose.

This includes quantitative and qualitative information and also, where appropriate, forward-looking analysis. An exposure will migrate through the ECL stages as asset quality deteriorates. If, in a subsequent period, asset quality improves and also reverses any previously assessed significant increase in credit risk since origination, then the provision for doubtful debts reverts from lifetime ECL to 12-months ECL. Exposures that have not deteriorated significantly since origination are considered to have a low credit risk. The provision for doubtful debts for these financial assets is based on a 12-months ECL.

Credit quality of financial assets

The Group has an internally developed credit rating scale derived from historical default data to assess the potential default risk in lending. The Group has pre-defined counterparty probabilities of default across consumer and business loans and advances.

Inputs, assumptions, and techniques used for estimating impairment

In assessing the impairment of financial assets under the expected credit loss model, the Group defines default in accordance with its Lending Policy and Procedures Manual, which includes defaulted assets and impaired assets as described below. Default generally occurs when a loan obligation is 30 days or more past due, or when it is considered unlikely that the credit obligation to the Group will be paid in full without recourse to actions, such as realisation of security.

Assessment of significant increase in credit risk

When determining whether the risk of default has increased significantly since initial recognition, the Group considers both quantitative and qualitative information and analysis based on the Group's historical experience and expert credit risk assessment, including forward-looking information. Credit risk is deemed to have increased significantly when an asset is more than 30 days past due (DPD).

As at 30 June 2023 the ECL provision represents 0.9% (2022: 0.9%) of gross finance loans receivable.

D - Financial Instruments (continued)

D2 FINANCIAL ASSETS - LOANS

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

Finance loans receivable are as follows:

	2023 $'000	2022 $'000
Current	64,929	52,968
Non-current	133,007	114,766
Total	**197,936**	**167,734**
Loans	199,767	169,203
Less: expected credit loss provision	(1,831)	(1,469)
Total	**197,936**	**167,734**

Allowance for expected credit losses

The following table provides additional information on the ageing of impaired loans (including non-accrual loans) together with the respective allowance for ECL:

	Carrying amount 2023 $'000	Carrying amount 2022 $'000	Allowance for ECL 2023 $'000	Allowance for ECL 2022 $'000
Impaired loans (including non-accrual loans)				
Not in arrears (but impaired)	-	386	-	(84)
More than 30 days in arrears	798	28	(97)	(7)
More than 60 days in arrears	241	276	(57)	(59)
More than 90 days in arrears	457	600	(293)	(296)
	1,496	**1,290**	**(447)**	**(446)**

Movements in allowance for expected credit losses on loans are as follows:

	Stage 1 12-mth ECL Collective provision $'000	Stage 2 Lifetime ECL Collective provision $'000	Stage 3 Lifetime ECL Specific provision $'000	Total $'000
Balance at 1 July 2021	**727**	**12**	**196**	**935**
New and increased provisions (net of releases)	(137)	(41)	712	534
Balance at 30 June 2022	**590**	**(29)**	**908**	**1,469**
New and increased provisions (net of releases)	771	50	(459)	362
Balance at 30 June 2023	**1,361**	**21**	**449**	**1,831**

Loan funds are lent to a wide variety of business and consumer customers through a network of offices in northern New South Wales.

The Group takes security for loans in accordance with its Lending Policy & Procedures Manual. The Group lends to a large number of customers in varying industries thereby reducing its exposure to the credit risk associated with particular customers and industries.

D - Financial Instruments (continued)

D2 FINANCIAL ASSETS - LOANS

An analysis of the loan portfolio by security type and geographic location of the borrower is set out below:

Loan portfolio by security type	2023 $'000	2022 $'000
Plant, equipment & chattels	160,343	128,150
Registered first mortgages - non development loans	17,444	23,153
Registered first mortgages - development loans	14,284	1,400
Insurance policies (premium funding)	248	5,367
Security interests over shares and assets	585	4,803
Registered second mortgages	2,899	4,617
Unsecured	260	242
Other	1,873	2
Total	**197,936**	**167,734**

Loan portfolio by geographic region	2023 $'000	2022 $'000
NSW	92,731	78,480
Queensland	53,566	40,890
Victoria	30,088	25,871
Western Australia	10,602	11,736
South Australia	7,285	7,620
Northern Territory	821	838
Tasmania	1,693	1,374
ACT	1,150	925
Total	**197,936**	**167,734**

The Group has implemented a structured framework of systems and controls to monitor and manage credit risk comprising:

- a documented set of credit risk management principles that are adhered to by all staff involved in the lending process;
- a process for approving risk based on tiered delegated lending approvals, with the largest exposures assessed and approved by the relevant subsidiary company Board; and
- a financial capacity approval assessment for retail lending in the form of personal loans.

Financial exposures - Credit risk

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

Accounting policy

See Accounting policy in Note D4.

D - Financial Instruments (continued)

D3 INTEREST BEARING LIABILITIES

	2023 $'000	2022 $'000
Current		
Corporate facility - CommBank Limited [1]	5,213	1,500
Funding liabilities - Finance leases and loans	-	107
Secured notes	172	-
Unsecured notes - variable [2]	24,216	21,235
Unsecured notes - fixed [2]	165,270	171,908
Other interest bearing liabilities	9,192	967
	204,063	**195,717**
Non-current		
Corporate facility - CommBank Limited [1]	17,067	6,000
Unsecured notes - fixed [2]	27,297	31,305
Other interest bearing liabilities	29,200	3,874
	73,564	**41,179**

(1) In the last financial year, the Group secured a bank facility with Commonwealth Bank of Australia (CommBank), which includes the following key terms:
- Limit: $31m (utilised amount as at 30 June 2023 is $22.3m),
- Term: 5 years
- Revolving with draw-downs amortising across the Term,
- Other covenants: Standard for a facility of this kind including a first ranking general security interest over the assets and undertaking of COG.

(2) Unsecured notes are issued subject to the conditions of the Westlawn Trust Deed. Unsecured notes issued to wholesale investors are not governed by the Trust Deed.

Financial exposures - Liquidity risk

The following are the remaining contractual maturities for the Group's financial liabilities and their related principal and interest cashflows:

	Carrying amount $'000	Contractual cash flows $'000	Less than 1 year $'000	1 to 2 years $'000	2 to 5 years $'000	More than 5 years $'000
30 June 2023						
Trade and other payables	47,161	(47,161)	(34,932)	(12,229)	-	-
Corporate facility	22,280	(25,464)	(5,485)	(6,599)	(13,380)	-
Unsecured notes - variable	24,216	(24,216)	(24,216)	-	-	-
Unsecured notes - fixed	192,567	(201,354)	(174,057)	(27,297)	-	-
Other	38,564	(39,863)	(9,870)	(23,105)	(5,225)	(1,663)
	324,788	**(338,058)**	**(248,560)**	**(69,230)**	**(18,605)**	**(1,663)**
30 June 2022						
Trade and other payables	34,083	(34,281)	(32,353)	(1,928)	-	-
Corporate facility	7,500	(7,809)	(1,561)	(3,124)	(3,124)	-
Finance lease funding	107	(119)	(99)	(20)	-	-
Unsecured notes - variable	21,235	(21,235)	(21,235)	-	-	-
Unsecured notes - fixed	203,213	(221,695)	(188,306)	(33,386)	-	(3)
Other	4,841	(5,317)	(1,009)	(1,009)	(2,972)	(327)
	270,979	**(290,456)**	**(244,563)**	**(39,467)**	**(6,096)**	**(330)**

D3 INTEREST BEARING LIABILITIES

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

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

Covenants
The Group has a corporate facility that contains a loan covenant; a future breach of covenant may require the Group to repay the facility earlier than indicated in the above table. Under the agreement, the covenant is monitored on a regular basis by management to ensure compliance with the agreement. All covenants have been complied with as at 30 June 2023.

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

Accounting policy
See Accounting policy in Note D4.

D4 FINANCIAL INSTRUMENTS

Accounting policy
Recognition and Measurement
Under AASB 9, a financial asset shall be measured at amortised cost; Fair Value through Profit & Loss (FVTPL); or Fair Value through Other Comprehensive Income (FVOCI) as classification of financial assets is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. Financial liabilities are also based on the business model and are classified and measured either at amortised cost or FVTPL.

Subsequent measurement

Financial assets at FVTPL	These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognised in profit or loss.
Financial assets at FVOCI	These assets are subsequently measured at fair value. Net gains and losses are recognised in other comprehensive income, except for interest or dividend income, which are recognised in profit or loss.
Financial assets at amortised cost	These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.
Lease assets	Lease assets are recognised, measured and presented in accordance with AASB 16 *Leases*, there has been no material changes that have resulted since the 30 June 2019 financial report, other than the change in accounting estimate included in Note D1. Lease asset derecognition and impairment requirements are addressed under the requirements of AASB 9.
Financial liabilities at amortised cost	These liabilities are subsequently measured at amortised cost using the effective interest method. Interest expense is recognised in profit or loss with any gain or loss on derecognition is recognised in profit or loss.

D - Financial Instruments (continued)

D4 FINANCIAL INSTRUMENTS

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

Loss allowances are measured on either of the following bases:

- 12-month ECLs: these are ECLs that result from possible default events within the 12 months after the reporting date, and
- lifetime ECLs: these are ECLs that result from all possible default events over the expected life of a financial instrument.

Recognition and Measurement
The Group applies the Simplified approach under AASB 9 for its financial assets - lease receivables, which follows the lifetime ECLs result from all possible default events over the expected life of a financial instrument.

The Group applies the General approach under AASB 9 for its financial assets - loans portfolio, which follows the three stages based on the change in credit risk since initial recognition.

The Group considers amortised cost financial assets with the counterparty being ‘investment grade’ to have low credit risk when its credit risk rating is equivalent to be BBB or higher per Standard & Poor’s.

<u>Measurement of ECLs</u>
ECLs are a probability-weighted estimate of credit losses with the key exposure being in relation to lease assets and loans. ECLs for lease assets and loans are determined on a modified static loss pool basis, taking historical static loss pool data and modifying it for lease/loan duration, changes in credit criteria the leases/loan were assessed at the commencement of each lease/loan and macro-economic factors that may impact future collectability. Credit losses are measured as the present value of all cash shortfalls i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Group expects to receive.

<u>Presentation of impairment</u>
Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets.

Derecognition
AASB 9 requires derecognition of a financial asset or lease asset where the Group is acting as a lessor when one of the following criteria has been met:

- the asset has been modified to the extent that it does not meet modification criteria and as such needs to be derecognised and recognised as a new financial asset,
- the rights to the cashflows associated with the asset have expired, or
- the Group has transferred its rights to receive the cashflows from the asset and has transferred substantially all risks and rewards.

Financial liabilities are derecognised when the liability is extinguished, which can include:

- the liability has been modified to the extent that it does not meet modification criteria and as such needs to be derecognised and recognised as a new financial liability,
- repurchase of existing financial liability, or
- the cashflows associated with the liability have been repaid or expired.

Any gain or loss on derecognition (being the difference between the carrying value and the consideration received, if any) is recognised in profit or loss.

D - Financial Instruments (continued)

D4 FINANCIAL INSTRUMENTS

Classification of financial instruments

The Group classifies its financial instruments as follows:

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

D5 LEASE LIABILITIES

	2023 $'000	2022 $'000
Lease liabilities	**6,098**	**6,377**
Maturity analysis		
Current	1,774	1,787
Non-current	4,324	4,590
	6,098	**6,377**

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

	2023 $'000
Balance at 1 July 2021	6,764
Additions	1,504
Disposals	(162)
Interest on lease liabilities	408
Repayment of lease liabilities	(2,137)
Balance at 30 June 2022	**6,377**
Balance at 1 July 2022	6,377
Additions	1,980
Disposals	(377)
Interest on lease liabilities	393
Repayment of lease liabilities	(2,275)
Balance at 30 June 2023	**6,098**

Accounting policy

Recognition and measurement

Group as lessee

On commencement date, the Group recognises lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of AASB 16 *Leases*. These liabilities are initially measured at the present value of the future lease payments, discounted using the Group's incremental borrowing rate.

D5 LEASE LIABILITIES

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

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

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

The Group has elected to apply the practical expedient not to recognise ROU lease assets and lease liabilities for short term leases that have a lease term of 12 months or less and leases of low-value assets. The lease payments associated with these leases are recognised as an expense on a straight-line basis over the lease term with an aggregate expense of $1,751k being recognised during the year.

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

Non-lease components of property leases
Under AASB 16, payments for non-lease components (such as property outgoings and taxes), are excluded from the lease liability unless an election is made to combine lease and non-lease components. A small portion of the Group’s leased property portfolio has non-lease components embedded within their respective contract.

The Group has not elected to combine lease and non-lease components for its property leases. The expense related to the non-lease component continues to be recognised as an occupancy expense in the Consolidated Statement of Comprehensive Income.

E - Group Structure

E1 BUSINESS COMBINATIONS

Key judgement - fair value of assets acquired
When the Group obtains control over a new acquisition (acquiree) it is required to determine the value of assets and liabilities it has acquired. This value is based upon assessment of the fair value of the rights and obligations transferred to the Group and involves estimates and judgements in relation to the:

- date control was obtained over the acquiree by the Group (acquisition date),
- the acquisition price paid, including any non-cash or deferred consideration,
- assets and liabilities already recognised by the acquiree,
- amounts recognised by the acquiree and whether they are representative of the fair value of the assets and liabilities, and
- fair value of assets and liabilities not previously recognised including internally generated intangible assets.

These factors are complex and the determination of key assumptions requires a high degree of judgement. In the case of large or complex business combinations, external specialists are used to assist in determining the fair value of assets and liabilities resulting from the business combination.

If new information obtained within one year from the acquisition date about facts and circumstances that existed at the acquisition date, identified adjustments to the fair value, then the amounts recognised as at the acquisition date are retrospectively revised.

During the year ended 30 June 2023 the Group executed the following acquisitions:

- effective 1 July 2022, QPF Holdings Pty Limited (QPF) (a 57% owned subsidiary of COG) acquired a 70% controlling interest in the asset finance broker Club Transport Finance Pty Limited (trading as Chevron Equipment Finance) (Chevron) for a total consideration of $7,130k,

- effective 1 September 2022, Fleet Network Pty Limited (Fleet Network) (a 95.2% owned subsidiary of Platform) acquired the novated lease business known as Australian Car Packaging for a total cash consideration of $215k ($5k, net of cash acquired),

- effective 23 January 2023, QPF Insurance Pty Ltd (a 80% owned subsidiary of QPF) and Chevron (a 70% owned subsidiary of QPF) acquired each a 50% interest in the insurance broker Chevron Insurance Consultants Pty Ltd (Chevron Insurance) for a total cash consideration of $398k (50% each) ($240k, net of cash acquired), and

- effective 5 April 2023, Fleet Network Pty Limited (Fleet Network) (an entity that was a 95.2% owned subsidiary of Platform) acquired 100% of the shares in Howjack Holdings Pty Limited ('Howjack') for a total consideration of $25,658k. Howjack is the sole shareholder of the novated lease and salary package company Paywise Pty Limited (collectively, 'Paywise'). The transaction was funded through the capitalisation of Fleet Network by contributions of $14,997k from EML Group, $15,098k from Platform (facilitated by the drawdown of the COG CBA facility of $15,000k) and $405k from a Fleet Network minority shareholder. EML Group is a partnership between Employers Mutual Limited (an Australian owned mutual) and ASWIG Management Pty Limited. Since 1910, the EML Group has provided a range of products encompassing workers' compensation, general insurance, and life insurance claims management. The rationale for the simultaneous acquisition and partial divestment transaction is to allow COG to expand its novated lease offering to also include salary packaging while simultaneously partnering with an established organisation to leverage their relationships in the provision of services to employers and their staff across the country. Platform now owns 78.1% of Fleet Network.

E - Group Structure (continued)

E1 BUSINESS COMBINATIONS

The values identified for the material acquisitions as at each respective acquisition date are as follows:

	Chevron Equipment Finance[1] $'000	Paywise[2] $'000
Purchase consideration		
Cash consideration	6,900	25,597
Deferred consideration	100	61
Working capital adjustment	130	-
Less: Cash and cash equivalents acquired	(106)	(17,906)
	7,024	**7,752**
Fair value of net assets (liabilities) acquired		
Property, plant and equipment	40	155
Intangible assets	2,170	13,794
Trade and other receivables	762	178
Right-of-use lease assets	732	156
Trade and other payables	(757)	(18,398)
Interest bearing liabilities	-	(4,403)
Lease liabilities	(754)	(192)
Current tax liabilities	-	(49)
Deferred tax liabilities	(651)	(3,725)
Non-controlling interests[3]	(3,056)	-
Provisions	(129)	(800)
	(1,643)	**(13,284)**
Recognised as goodwill	**8,667**	**21,036**

[1] Recognised as at 1 July 2022.

[2] Recognised as at 5 April 2023.

[3] Non-controlling interests are measured at fair value, calculated with reference to the transaction price.

The acquisition of Chevron Equipment Finance by QPF Holdings Pty Limited resulted in the recognition of $8,667k in goodwill and the acquisition of Paywise Pty Limited by Fleet Network Pty Limited resulted in the recognition of $21,036k in goodwill.

Chevron Equipment Finance contributed revenues of $7,984k and net profit after tax of $2,002k to the Group for the financial year. Paywise contributed revenues of $5,726k and net profit after tax of $942k to the Group for the period from 5 April 2023 to 30 June 2023. Had Paywise been held for the entire financial year it would have contributed revenue and net profit after tax of $20,350k and $3,010k respectively.

The acquisition of Australian Car Packaging by Fleet Network resulted in the recognition of $215k in goodwill and the acquisition of Chevron Insurance by QPF Insurance and Chevron resulted in the recognition of $359k in goodwill.

Acquisition values

For the acquisition outlined above:

- goodwill associated with the acquisition 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,
- non-controlling interests are measured at their proportion of ownership of the fair value of net assets at acquisition date, and
- acquisition accounting for Australian Car Packaging, Chevron Insurance and Paywise remains provisional.

E1 BUSINESS COMBINATIONS

Transactions between owners

During the year ended 30 June 2023, the Group acquired (or disposed of) additional interests from minority shareholders in the following entities, which were already controlled by the Group:

- On July 2022, Westlawn Finance Limited sold 20% interest in Westlawn Insurance Brokers to a minority shareholder, for a total consideration of $1,959k. Westlawn now holds a 70% interest in Westlawn Insurance Brokers,
- On 30 September 2022, Platform Consolidated Group Pty Ltd (Platform) (a wholly owned subsidiary of COG) acquired an additional 50% interest in Fleet Avenue Pty Ltd (Fleet Avenue) for a total cash consideration of $644k, taking COG's controlling interest in Fleet Avenue from 50% to 100%,
- On 1 October 2022, QPF Finance Holdings Pty Ltd issued 250,000 new shares to a minority shareholder for a total consideration of $277k. As a result of this transaction, COG Group interest in QPF changed from 57.1% to 56.8%,
- On 18 October 2022, Beinformed Group Pty Ltd (Be Car Wise) (a wholly owned subsidiary of Platform) was transferred from Platform to Fleet Network as part of plans to consolidate the novated lease business across the COG Group. As a result, Fleet Network issued 478 ordinary shares to Platform for a deemed subscription price of $4,888k. Platform now owns 78.1% of Fleet Network, and
- On 1 January 2023, Linx Group Holdings Pty Ltd (Linx) (a 59.8% owned subsidiary of COG) acquired an additional 4.2% interest in Sovereign Tasmania Pty Ltd (Sovereign) for a total cash consideration of $96.7k, taking Linx's controlling interest in Sovereign from 54.1% to 58.3%.

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.

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

E1 BUSINESS COMBINATIONS

Accounting policy

Principles of consolidation

Business combinations

The Group accounts for business combinations using the acquisition method when control is transferred to the Group. The consideration transferred for the acquisition is measured at fair value, as are the identifiable net assets acquired. The excess of the consideration transferred over the fair value of identifiable net assets acquired and non-controlling interests is recorded as goodwill. Acquisition-related expenses are expensed as incurred, except if they are related to the issue of equity securities, in which case they are recognised in equity.

Subsidiaries

Subsidiaries are all entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

Non-controlling interests

Non-controlling interests (NCI) are measured at their proportionate share of the acquired subsidiaries' identifiable net assets at the date of acquisition. The term 'NCI' is used to describe that portion not owned by the parent entity, the NCI share of the consolidated profit and net assets is disclosed separately in the Consolidated Statement of Other Comprehensive Income, the Consolidated Statement of Financial Position and the Consolidated Statement of Changes in Equity.

The Group treats transactions with non-controlling interests that do not result in a loss of control as transactions with equity owners of the Group. For purchases from non-controlling interests, the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is deducted from equity.

Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated in full.

E2 EQUITY ACCOUNTED ASSOCIATES

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

Year ended 30 June	2023 $'000	2022 $'000
Earlypay	(2,092)	2,894
Other equity accounted associates	182	391
Group's share of total comprehensive income	**(1,910)**	**3,285**

As at 30 June	2023 $'000	2022 $'000
Earlypay	13,150	24,784
Other equity accounted associates	769	804
Carrying amount of interests in associates	**13,919**	**25,588**

Earlypay Limited

EPY is an ASX-listed company and is a provider of secured finance to small and medium-sized enterprises (SME) 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 SMEs with capital expenditure on items required to operate their businesses.

COG's investment in EPY represents a 20.14% interest in that company as at 30 June 2023. The carrying amount of equity-accounted investment in EPY has changed as follows in the year ended 30 June 2023:

	30 June 2023 $'000
Balance at the beginning of the year	**24,784**
Additional investment in EPY [1]	851
Share of results from associates [2]	(2,092)
Dividend received	(1,016)
Impairment	(9,377)
Balance at the end of the year [3]	**13,150**

(1) During the financial year ended 30 June 2023, the Company acquired an additional 1,923,406 shares in EPY through the Dividend Reinvestment Plan ('DRP').

(2) Share of results from associates in the Consolidated Income Statement includes results from other non-material associates of $182k.

(3) Equity accounted associates in the Consolidated Statement of Financial Position includes investment in other non-material associates of $769k.

E2 EQUITY ACCOUNTED ASSOCIATES

The table below provides summarised financial information for Earlypay, material associate of the Group.

	2023 $'000	2022 $'000
Current assets	252,932	256,701
Non-current assets	107,367	127,829
Current liabilities	(143,885)	(148,509)
Non-current liabilities	(142,930)	(150,926)
Net assets (100%)	73,484	85,095
Group's share of net assets 20.14% (2022: 19.66%)	14,800	16,730
Fair value adjustment on initial recognition	7,920	7,920
Impairment	(9,377)	-
Other adjustments	(193)	134
Carrying amount of investment in associate	**13,150**	**24,784**
Revenue	61,096	53,801
Profit from continuing operations (100%)	(10,443)	15,290
Other comprehensive income/(loss) (100%)	-	-
Total comprehensive income (100%)	(10,443)	15,290
Total comprehensive income 20.14% (2022: 19.66%)	(2,217)	2,974
Adjustment on finalisation of associate's results	125	(80)
Group's share of total comprehensive (loss) / income	**(2,092)**	**2,894**

Impairment

Impairment indicators were identified as a result of the loss recognised by EPY for the financial year and therefore, an impairment testing was conducted at 30 June 2023. This exercise resulted in an impairment loss of $9,377k.

The recoverable amount for the investment in EPY was determined based on a 'Value-in-use' model comprising a ten-year discounted cashflow and terminal value prepared with reference to information publicly available.

The 'Value-in-use' model is consistent with a level 3 instrument in the fair value hierarchy.

Other equity accounted associates

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

E2 EQUITY ACCOUNTED ASSOCIATES

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

Amounts owing by / (to) associates	**2023 $'000**	**2022 $'000**
Receivables at 30 June	-	-
Payables at 30 June	-	(30)
Transactions with associates		
Dividend income	1,233	815
Payments for goods and administrative services	(406)	(1,973)
Interest income on intercompany loan	-	10

Accounting policy
Interests in equity-accounted associates
Associates are those entities in which the Group has significant influence, but not control or joint control. Interests in associates are accounted for using the equity method and are initially recognised at cost and adjusted thereafter to recognise the Group's share of the post-acquisition profit or loss of associates in the Group's profit or loss.

E3 SHARE CAPITAL AND RESERVES

E3.1 ORDINARY SHARES

	2023 $'000	2022 $'000	2023 No. of shares '000	2022 No. of shares '000
Shares issued and fully paid				
Balance at the beginning of the financial year	275,512	247,315	187,911	166,346
Shares issued via placement	-	20,000	-	14,815
Shares issued in business combinations	-	-	-	-
Shares issued under DRP [1]	3,728	9,025	2,545	6,750
Shares issued under LTI Plan [2]	338	-	206	-
Costs of raising capital, net of tax	(108)	(828)	-	-
Balance at the end of the financial year	**279,470**	**275,512**	**190,662**	**187,911**

(1) On 18 April 2023 the Company issued 1,205,196 fully paid ordinary shares totalling $1,660k as part of the COG's Dividend Reinvestment Plan (DRP). On 21 October 2022 the Company issued 1,340,099 fully paid ordinary shares totalling $2,068k as part of the COG's Dividend Reinvestment Plan (DRP). On 28 April 2022 the Company issued 1,425,378 fully paid ordinary shares totalling $2,063k as part of the COG's Dividend Reinvestment Plan (DRP). On 22 October 2021 the Company issued 5,324,885 fully paid ordinary shares totalling $6,962k as part of COG's Dividend Reinvestment Plan (DRP).

(2) On 3 March 2023 the Company issued 102,814 fully paid ordinary shares totalling to $150k as part of the Group's FY21 Long-term incentive (LTI) plan for the CEO and on 11 August 2022 the Company issued 102,814 fully paid ordinary shares totalling to $187k as part of the Group's FY21 Long-term incentive (LTI) plan for the CEO (refer Note A3.1).

Ordinary shares participate in the dividends and the proceeds on winding up of the Company in proportion to the number of shares held and are entitled to one vote per share at general meetings of the Company. In the event of winding up of the Company, ordinary shareholders rank after unsecured creditors. As at 30 June 2022 and 2023:

- all shares issued are fully paid,
- the Company does not have a maximum value of shares authorised,
- Company shares do not have a par value,
- there are no treasury shares held, and
- no shares are reserved for issue under options or other contracts.

Refer Note A3.1 for potential ordinary shares relating to performance rights granted to KMP.

E3.2 DIVIDENDS

The Company's dividend policy permits a payout ratio of up to 70% of NPATA to members.

The Company has a Dividend Reinvestment Plan (DRP). The DRP rules are disclosed on the Company's website www.cogfs.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 2.5% of the market price, or a higher percentage determined by the Board.

Dividends recognised during the reporting period
Since the year ended 30 June 2022, the Board declared a final dividend of 4.8 cents per share (cps) (2021: 6.0 cps). The aggregate amount of the dividend was paid on 21 October 2022 out of the Company's profit reserve at 30 June 2022, and was 100% franked. COG issued 1,340,099 fully paid shares on 21 October 2022 under its DRP in respect of the FY22 final dividend (Note E3.1).

For the period ended 31 December 2022, the Board declared an interim dividend of 3.7 cents per fully paid ordinary share (2021: 3.5 cents per share). The aggregate amount of the proposed dividend of $7,009k was paid on 18 April 2023 out of the Company's profits reserve at 31 December 2022, and was 100% franked. The $97k increase from the total proposed dividend amount of $6,912k disclosed in the 1H23 COG Financial Report is due to rounding and the fact that an additional 102,814 new shares were issued on 3 March 2023 as part of the CEO Long-term incentive plan, before the dividend record date of 16 March 2023. COG issued 1,205,196 fully paid shares on 18 April 2023 under COG's DRP in respect of the FY23 interim dividend (Note E3.1).

Dividends not recognised at the end of the reporting period
For the year ended 30 June 2023, the Board declared a final dividend of 4.7 cps (2022: 4.8 cps). The aggregate amount of the proposed dividend expected to be paid on 20 October 2023 out of the Company's profit reserve at 30 June 2023, but not recognised as a liability at year end, is $8,961k.

The final dividend declared after 30 June 2023 will be fully franked out of existing franking credits, or out of franking credits arising from the payment of income tax in the year ending 30 June 2024.

Franking credits
As at the end of the financial year, the franking credits available for subsequent financial periods based on a tax rate of 30% was $15,746k (2022: $11,207k).

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

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

The ability to utilise the franking credits is dependent upon there being sufficient available net assets to declare dividends, and the payment of dividends not prejudicing COG's ability to pay its creditors.

E - Group Structure (continued)

E3.3 RESERVES

The movement in reserves is as follows:

	Profits reserve $'000	General reserve $'000	Foreign currency translation reserve $'000	Equity securities at FVOCI reserve $'000	Revaluation reserve $'000	Share based payments reserve $'000	Transactions between owners' reserve $'000	Non-controlling interests reserve $'000	Total $'000
Balance at 1 July 2021	**39,531**	**-**	**(16)**	**(8,536)**	**-**	**280**	**579**	**(9,021)**	**22,817**
Non-controlling interest acquired	-	-	-	-	-	-	-	(13,858)	(13,858)
Share-based payments expense	-	-	-	-	-	26	-	-	26
Transactions between owners	793	(9,323)	-	8,620	(90)	-	-	-	-
Gain on the revaluation of land and buildings, net of tax	-	-	-	-	320	-	-	-	320
Gain on the revaluation of equity instruments at FVOCI, net of tax	-	-	-	11	-	-	-	-	11
Disposal of part interest in subsidiary	734	-	-	-	-	-	-	-	734
Transfer to reserves (profit for the year)	19,685	-	-	-	-	-	-	-	19,685
Dividends paid	(16,508)	-	-	-	-	-	-	-	(16,508)
Balance at 30 June 2022	**44,235**	**(9,323)**	**(16)**	**95**	**230**	**306**	**579**	**(22,879)**	**13,227**
Balance at 1 July 2022	**44,235**	**(9,323)**	**(16)**	**95**	**230**	**306**	**579**	**(22,879)**	**13,227**
Non-controlling interest acquired	-	-	-	-	-	-	(280)	-	(280)
Non-controlling interest acquisition contribution	-	-	-	-	-	-	-	7,642	7,642
Revaluation of equity instruments	-	-	-	18	-	-	-	-	18
Share-based payments expense, net of cancelled/exercised	-	-	-	-	-	27	-	-	27
Options to acquire further interest in subsidiaries	-	-	-	-	-	-	(11,809)	-	(11,809)
Disposal of part interest in subsidiary	-	-	-	-	-	-	1,394	-	1,394
Transfer to reserves (profit for the year)	8,055	-	-	-	-	-	-	-	8,055
Dividends paid	(16,035)	-	-	-	-	-	-	-	(16,035)
Balance at 30 June 2023	**36,255**	**(9,323)**	**(16)**	**113**	**230**	**333**	**(10,116)**	**(15,237)**	**2,239**

E3.3 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 land and buildings.

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 financial liability arising from the put option to acquire further interests in Equity One and Chevron. The financial liability 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 financial liability takes the form of a transaction between owners.

Capital management policy

Management utilises the existing share capital of the Company to ensure there is sufficient funding to manage day-to-day working capital, service debt arrangements and fund minor business acquisitions while ensuring the Group continues as a going concern.

Alterations to the Group's capital are undertaken primarily to provide funding for additional acquisitions in the Finance Broking & Aggregation and Lending segments consistent with the Group's communicated strategy.

Careful consideration of the existing capital structure and additional capital requirements are undertaken when examining proposed acquisitions; with the cost of capital and utilisation of debt funding weighed up to ensure an appropriate mix of funding to support on-going capital management requirements.

At all times during the financial year, the Group was in compliance with externally imposed capital requirements on its secured loan facility. Consistent with the capital structure requirements, all proposed capital structure changes are discussed with the counterparty to the secured loan facility prior to enactment.

Accounting policy

Share capital

Share capital represents the fair value of shares that have been issued. Any transaction costs directly associated with the issuing of shares are deducted from share capital, net of any related income tax benefits. All transactions with owners of the parent are recorded separately within equity.

E4 RELATED PARTY TRANSACTIONS

Transactions with Key Management Personnel and related parties

Key Management Personnel compensation

Key Management Personnel compensation is comprised as follows:

	2023 $	2022 $
Short-term employee benefits	1,906,122	1,749,932
Post-employment benefits	149,874	118,107
Termination benefits	75,000	-
Other long-term benefits	14,854	16,519
Share-based payments	362,641	497,620
	2,508,491	**2,382,178**

Indemnification for vendor program losses

During the 2019 and 2018 financial years TL Commercial Finance undertook a number of transactions with an equipment finance vendor program partner. During the 2019 financial year the vendor partner entered into voluntary liquidation. While the Group considered the underlying lease arrangements with lessees introduced as part of the program were enforceable the Group took the action to settle these lessee obligations for a lower value than its contractual rights. Cameron McCullagh, one of the Group's Executive Directors, chose to indemnify the Group for the majority of this loss. As part of this indemnification Cameron McCullagh paid an amount of $1,023,160 to the Group to offset the net cash loss incurred by the Group. During the 2023 financial year $64,600 was recovered and is due to be subsequently repaid to Cameron McCullagh. In FY22 an amount of $68,233 was recovered and repaid to Cameron McCullagh.

Key Management Personnel share and option transactions

The movement during the year in the number of ordinary shares held, directly or indirectly, by each of the KMP, including their related parties, is as follows:

KMP shareholdings	30 June 2022 No. of shares	On market purchase [1] No. of shares	On market sale No. of shares	Granted as compensation No. of shares	30 June 2023 No. of shares
Executive Directors					
Cameron McCullagh	37,592,800	3,008,857	-	-	40,601,657
Mark Crain	1,315,635	-	(515,635)	-	800,000
Non-executive Directors					
Patrick Tuttle	265,005	-	-	-	265,005
Steve White	369,875	-	-	-	369,875
Peter Rollason	-	-	-	-	-
Senior Management					
Andrew Bennett	74,982	33,076	-	205,628	313,686
Richard Balzer	-	-	-	-	-
Former KMP					
John McRae	-	-	-	-	-
	39,618,297	**3,041,933**	**(515,635)**	**205,628**	**42,350,223**

(1) Includes shares issued under the Dividend Reinvestment Plan.

E4 RELATED PARTY TRANSACTIONS

KMP shareholdings	30 June 2021 No. of shares	On market purchase [1] No. of shares	On market sale No. of shares	30 June 2022 No. of shares
Executive Directors				
Cameron McCullagh	33,009,395	5,471,204	(887,799)	37,592,800
Mark Crain	1,315,635	-	-	1,315,635
Non-executive Directors				
Patrick Tuttle	265,005	-	-	265,005
Steve White	375,708	-	(5,833)	369,875
Peter Rollason	-	-	-	-
Senior Management				
Andrew Bennett	70,000	4,982	-	74,982
John McRae	-	-	-	-
	35,035,743	**5,476,186**	**(893,632)**	**39,618,297**

(1) Includes shares issued under the Dividend Reinvestment Plan.

Key Management Personnel option and performance rights transactions

Andrew Bennett

Details of share options and performance rights granted to Andrew Bennett as part of his remuneration package are disclosed in Note A3.1.

E5 PARENT ENTITY DISCLOSURES

E5.1 SUMMARY FINANCIAL INFORMATION

As at, and throughout, the financial year ended 30 June 2023 the ultimate parent company of the Group was COG Financial Services Limited.

	2023 $'000	2022 $'000
Results of parent entity		
Profit for the year after tax	7,823	10,798
Other comprehensive income	-	-
Total comprehensive income for the year	**7,823**	**10,798**
Financial position of the ultimate parent company at year end		
Current assets	26,986	17,502
Non-current assets	194,061	196,675
Total assets	**221,047**	**214,177**
Current liabilities	6,403	6,645
Non-current liabilities	18,992	7,653
Total liabilities	**25,395**	**14,298**
Net assets of the ultimate parent company at year end	**195,652**	**199,879**
Total equity of the ultimate parent company comprising of:		
Share capital	279,470	275,512
Accumulated losses	(106,941)	(106,941)
Reserves	23,123	31,308
Total equity	**195,652**	**199,879**

Parent entity contingencies and commitments are outlined in Note F1.

E - Group Structure (continued)

E5.2 INTERESTS IN OTHER ENTITIES

The consolidated financial statements incorporate the assets, liabilities, and results of the following key subsidiaries:

Name of entity [1]	2023 Direct equity interest	2023 Indirect equity interest [2]	2022 Direct equity interest	2022 Indirect equity interest [2]
COG Aggregation Pty Limited (formerly Consolidated Finance Group Pty Limited)	100%		100%	
EF Systems Pty Limited		100%		100%
COG Retail Pty Ltd		93%		-
COG TLC Pty Limited (formerly Hal Group Pty Limited)	100%		100%	
Number Rentals Pty Limited		100%		100%
TL Commercial Finance Pty Limited		100%		100%
Platform Consolidated Group Pty Limited	100%		100%	
Advance Car Loans Pty Limited		100%		100%
Beinformed Group Pty Limited		78%		100%
Beinformed Group (VIC) Pty Limited		62%		80%
Melbourne Finance Broking Pty Limited		100%		100%
Mildura Finance Pty Limited		100%		100%
Platinum Direct Finance Australia Pty Limited		100%		100%
Capital Plus Finance Pty Limited (formerly Platinum Direct Finance (Central Coast) Pty Limited)		50%		50%
Consolidated Platform Aggregation Pty Limited (GPUT)		75%		75%
Consolidated Platform Aggregation Unit Trust (GPUT)		75%		75%
Fleet Avenue Pty Limited		100%		50%
Fleet Network Pty Limited		78%		96%
Vehicle and Equipment Finance Pty Limited		50%		50%
Geelong Financial Group Vehicle and Equipment Finance Pty Limited		25%		25%
Howjack Holdings Pty Ltd		78%		-
Paywise Pty Ltd		78%		-
Paywise Financial Services Pty Ltd		78%		-
Just Drive Pty Ltd		78%		-
QPF Holdings Pty Limited	57%		57%	
Qld Pacific Finance Pty Limited		57%		57%
QPF Insurance Pty Limited		45%		46%
QPF Mortgages Pty Limited		57%		57%
Security Allied Finance Pty Limited		57%		57%
DLV (QLD) Pty Limited		28%		28%
Access Capital Pty Limited		45%		46%
Club Transport Finance Pty Limited ('Chevron')		40%		-
Chevron Insurance Consultants Pty Limited		43%		-

(1) Excludes entities that were dormant during the years ended 30 June 2023 and 30 June 2022.
(2) Indirect equity interests represent the beneficial interest in entities which are non-wholly owned but are controlled entities of direct equity interests.

E - Group Structure (continued)

E5.2 INTERESTS IN OTHER ENTITIES

Name of entity [1]	2023 Direct equity interest	2023 Indirect equity interest [2]	2022 Direct equity interest	2022 Indirect equity interest [2]
Linx Group Holdings Pty Limited	60%		60%	
Linx Finance Australia Pty Limited		60%		60%
Linx Insurance Australia Pty Limited		60%		60%
Linx Mortgage Australia Pty Limited		60%		60%
Linx HF Pty Limited		60%		60%
Linx HC Pty Limited		60%		60%
Heritage Finance Management Pty Limited		38%		38%
Heritage Finance Partnership		38%		38%
Heritage Corporate Management Pty Limited		38%		38%
Heritage Corporate Partnership		38%		38%
Sovereign Tasmania Pty Limited		35%		32%
Westlawn Finance Limited	75%		75%	
Centrepoint Finance Pty Limited		75%		75%
Finance 2 Business Pty Limited		75%		75%
North State Finance Pty Ltd		75%		75%
Westlawn Insurance Brokers Pty Ltd		53%		68%
Grafton Investments Pty Ltd		75%		75%
Westlawn Financial Services Limited		53%		75%
Westlawn Insurance Brokers (Coffs) Pty Ltd		42%		60%
Westlawn Insurance Brokers (Vic) Pty Ltd		27%		75%
Westlawn Insurance Brokers Corporate		33%		-
Westlawn Insurance Brokers (Cairns) Pty Ltd		16%		-
Equity-One Mortgage Fund Limited		53%		53%
Westlawn Warehouse Trust No. 1		0%		-

(1) Excludes entities that were dormant during the years ended 30 June 2023 and 30 June 2022.
(2) Indirect equity interests represent the beneficial interest in entities which are non-wholly owned but are controlled entities of direct equity interests.

E6 FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	2023 $'000	2022 $'000
Non-current assets		
Listed securities		
Steadfast Limited	203	169
Unlisted securities		
Units in unlisted unit trusts	-	2
	203	**171**
Reconciliation of carrying amount		
Opening fair value	171	908
Disposals	-	(758)
Revaluation increments	32	21
Closing fair value	**203**	**171**

Refer to note F2 for further information on fair value measurement.

F - Other

F1 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:

- Linx Group Holdings Pty Limited (7.7% of contributed equity to be acquired by the Group between 1 July 2021 and 30 June 2024);
- QPF Holdings Pty Limited (10.2% of contributed equity to be acquired by the Group between 1 July 2021 and 30 June 2024);
- Vehicle and Equipment Finance Pty Limited (25% of contributed equity to be acquired by the Group between 1 July 2021 and 30 June 2024);
- Access Capital Pty Limited (20% of contributed equity to be acquired by the Group between 1 July 2022 and 30 June 2025);

Contingencies

Westlawn Finance Limited - Guarantee
COG has provided a guarantee to Westlawn in relation to finance lease and chattel mortgage loan funding arrangements provided to TLC. Amounts owed under this arrangement are included in Finance lease funding and other interest bearing liabilities.

Westlawn Financial Services Pty Limited - Letter of financial support
COG has provided a letter of financial support to Westlawn Financial Services Limited (WFS) whereby it has agreed to provide on a pro rata basis with other Westlawn shareholders, such financial support as may be necessary to enable WFS to meet its financial commitments as the responsible entity for the Westlawn Income Fund (WIF), a registered managed investment scheme administered by WFS. COG's commitment to WFS is currently limited to its 75.0% ownership interest in Westlawn.

COG TLC Pty Ltd (formerly Hal Group Pty Limited)
General security interest
COG holds a registered general security interest (GSA) over the assets and undertakings of its subsidiary, COG TLC Pty Ltd (formerly Hal Group Pty Limited), and its wholly owned subsidiary, TL Commercial Finance Pty Limited (TLC) (formerly TL Rentals Pty Limited). The COG GSA secures repayment of monies loaned to COG TLC Pty Ltd under the COG loan facility.

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

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

F2 FINANCIAL RISK MANAGEMENT

The Group is exposed to various risks in relation to financial instruments. The main types of risks are credit risk and liquidity risk which are outlined in the following sections:

Credit risk:
- Note A7 Reconciliation of cash flows from operating activities
- Note C1 Trade and other receivables
- Note D1 Financial assets - lease receivables
- Note D2 Financial assets - loans

Liquidity risk:
- Note C2 Trade and other payables
- Note D3 Interest bearing liabilities

F2 FINANCIAL RISK MANAGEMENT

The Group's contract and other financial assets held at amortised cost are not exposed to credit risk arising from expected credit losses due to the high quality of counterparty and the lack of history of losses and non-recovery. The Group has an immaterial exposure to market risks.

The Board has overall responsibility for the establishment and oversight of the risk management framework. The Board oversees how management monitors compliance with the Group's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Group.

The following table summarises the Group's financial assets and financial liabilities, measured or disclosed at fair value on a recurring basis, using a three-level hierarchy, based on the lowest level of input that is significant to the fair value measurement, being:

Level 1: The fair value of financial instruments traded in active markets (such as publicly traded equity securities) is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in level 1.

Level 2: The fair value of financial instruments that are not traded in an active market is determined using valuation techniques which maximise the use of observable market data and rely as little as possible on entity-specific estimates. If all inputs required to fair value an instrument are observable, the instrument is included in level 2.

Level 3: If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3. This is the case for unlisted equity securities.

Recurring fair value measurements 30 June 2023	**Level 1 $'000**	**Level 2 $'000**	**Level 3 $'000**	**Total $'000**
Financial assets / (liabilities)				
Financial liability to acquire further interests in subsidiaries	-	-	(11,809)	(11,809)
Financial assets at FVOCI	203	-	-	203
Land and buildings	-	-	-	-
Total	**203**	**-**	**(11,809)**	**(11,606)**

Recurring fair value measurements 30 June 2022	**Level 1 $'000**	**Level 2 $'000**	**Level 3 $'000**	**Total $'000**
Financial assets / (liabilities)				
Financial assets at FVOCI	169	-	2	171
Land and buildings	-	4,690	-	4,690
Total	**169**	**4,690**	**2**	**4,861**

There were no transfers between level 2 and 3 for recurring fair value measurements during the financial year.

The Group's policy is to recognise transfers into and out of fair value hierarchy levels as at the end of the reporting period.

Valuation techniques used to determine fair values measurements categorised within level 2 and level 3
Specific valuation techniques used to value financial instruments include:

- The use of quoted market prices or dealer quotes for similar instruments
- For other financial instruments - discounted cash flow analysis
- The basis of valuation of land and buildings is fair value. Valuations are based on current prices for similar properties in the same location and condition. Valuations are undertaken periodically, at least every three years, or more frequently if there is a material change in the fair value relative to the carrying amount.

F2 FINANCIAL RISK MANAGEMENT

Level 3 financial assets and financial liabilities

Movements in Level 3 financial assets during the current and previous financial year are set out below:

	Financial liability to acquire further interests in subsidiaries $'000	Financial assets at fair value through OCI $'000	Total $'000
At 1 July 2022	-	2	2
Additional	(11,809)	-	(11,809)
Disposals	-	(2)	(2)
At 30 June 2023	**(11,809)**	**-**	**(11,809)**

Maturity analysis

The following tables detail the Group's mismatch in the maturity of its financial assets and financial liabilities. The tables have been drawn up based on the undiscounted cash flows of both assets and liabilities based on the earliest expected contractual payment date. The tables include only the principal cash flows disclosed and therefore does not include any interest components that may be received or paid.

	At call $'000	0 to 3 months $'000	3 to 12 months $'000	1 to 5 years $'000	Over 5 years $'000	No specified maturity $'000	Total $'000
30 June 2023							
Cash and cash equivalents	33,311	68,485	-	-	-	-	101,796
Trade and other receivables	-	22,390	-	-	-	-	22,390
Other financial assets	-	642	1,866	17,556	-	-	20,064
Financial assets at FVOCI	-	-	-	-	-	203	203
Financial assets - lease receivables	-	3,027	7,297	15,951	-	-	26,275
Financial assets - loans	-	18,841	46,088	132,968	39	-	197,936
Trade and other payables[1]	-	(6,515)	(28,417)	(420)	-	(11,809)	(47,161)
Interest bearing liabilities	(21,048)	(54,194)	(128,821)	(73,564)	-	-	(277,627)
Lease liabilities	-	(64)	(1,710)	(4,324)	-	-	(6,098)
Net position	**12,263**	**52,612**	**(103,697)**	**88,167**	**39**	**(11,606)**	**37,778**
30 June 2022							
Cash and cash equivalents	32,751	43,356	-	-	-	-	76,107
Trade and other receivables	-	18,861	-	-	-	-	18,861
Other financial assets	-	117	1,718	605	-	6,625	9,065
Financial assets at FVOCI	-	-	-	-	-	171	171
Financial assets - lease receivables	-	5,356	14,967	27,175	-	-	47,498
Financial assets - loans	-	19,239	33,729	114,763	3	-	167,734
Trade and other payables	-	(9,378)	(22,817)	(1,888)	-	-	(34,083)
Interest bearing liabilities	(17,762)	(56,168)	(121,787)	(41,176)	(3)	-	(236,896)
Lease liabilities	-	(47)	(1,740)	(4,590)	-	-	(6,377)
Net position	**14,989**	**21,336**	**(95,930)**	**94,889**	**-**	**6,796**	**42,080**

[1] 'No specified maturity' reflects the financial liability to acquire further interests in subsidiaries.

F2 FINANCIAL RISK MANAGEMENT

Financial exposures - Interest rate risk
This is the risk due to any mismatch between the interest rate on borrowings to that of lending.

The Company maintains an interest rate lending margin over and above its cost of funds which provides a buffer for upward movements in interest rates.

As at the reporting date, the Group had the following variable rate assets and liabilities outstanding:

	2023 Weighted average interest rate %	2023 Balance $'000	2022 Weighted average interest rate %	2022 Balance $'000
Cash and cash equivalents	1.6%	101,796	0.1%	76,107
Financial assets - leases	13.9%	26,275	13.0%	47,498
Financial assets - loans	8.1%	197,936	6.5%	167,734
Interest bearing liabilities	(3.1%)	(277,627)	(1.4%)	(236,896)
Net exposure to cash flow interest rate risk		**48,380**		**54,443**

Interest rate sensitivity analysis
The Group has performed a sensitivity analysis relating to its exposure to variable interest rate risk at balance date. This sensitivity analysis demonstrates the effect on the current year results and equity which could result from a change in this risk.

The effect on profit and equity as a result of changes in the interest rate, with all other variables remaining constant would be as follows:

	2023 $'000	2022 $'000
Change in profit after tax		
Increase in interest rate by 100 basis points	484	544
Decrease in interest rate by 100 basis points	(484)	(544)
Change in equity		
Increase in interest rate by 100 basis points	484	544
Decrease in interest rate by 100 basis points	(484)	(544)

No sensitivity analysis has been performed on foreign exchange risk, as the Consolidated Group is not exposed to foreign currency fluctuations.

F3 SUBSEQUENT EVENTS

Effective 31 July 2023, the Group acquired an 100% equity interest in United Financial Services Pty Ltd, United Financial Services Network Pty Ltd, United Financial Services (Qld) Pty Ltd (together 'UFS') and National Finance Choice Pty Ltd ('NFC') from McMillan Shakespeare via its subsidiary COG Aggregation Pty Ltd for a total consideration of $4,742k. NFC and UFS are long-established aggregation groups, operating primarily in the car and lifestyle asset market and representing 182 broker firms nationwide, writing approximately $1 billion in volume per annum.

Apart from the acquisition of NFC and UFS as described above, and the final dividend declared on 25 August 2023, no other matter or circumstance has arisen since 30 June 2023 that would materially affect the Group's reported results or would require disclosure in this report.

F4 AUDITOR'S REMUNERATION

	2023 $	2022 $
Auditors of the Group - BDO and related network firms		
Audit and review of financial statements		
Group	188,300	141,525
Controlled entities	322,200	202,925
Total services provided by BDO	**510,500**	**344,450**
Other auditors and their related network firms		
Audit and review of financial statements		
Controlled entities	310,520	241,995
Total services provided by other auditors (excluding BDO)	**310,520**	**241,995**

F5 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 financial year ended 30 June 2023.

Directors' Declaration

1. In the opinion of the Directors of COG Financial Services Limited (the Company):

   a) the consolidated financial statements and notes of the Company and its controlled entities (the Group), are in accordance with the *Corporations Act 2001*, including:

      i. giving a true and fair view of the Group's financial position as at 30 June 2023 and of its performance for the financial year ended on that date; and

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

   b) in the Directors' opinion, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

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

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

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

Patrick Tuttle
Chairman

Cameron McCullagh
Executive Director

25 August 2023

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Australia

INDEPENDENT AUDITOR'S REPORT

To the members of COG Financial Services Limited

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of COG Financial Services Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 30 June 2023, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial report, including a summary of significant accounting policies and the directors' declaration.

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

(i) Giving a true and fair view of the Group's financial position as at 30 June 2023 and of its financial performance for the year ended on that date; and

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

Basis for opinion

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

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

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

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Carrying value of equity accounted associate

Key audit matter	*How the matter was addressed in our audit*
As disclosed in Note E2, impairment was recognised in the current year relating to the equity accounted investment in Earlypay Limited. As required under AASB 128 *Investment in Associates and Joint Ventures*, there is a requirement to test for impairment of an investment in associates if events have occurred that impact the future cash flows from the investment. Such impairment testing requires significant judgement and estimation by management, in determining future cash flows, growth rates and discount rates. The critical assumptions by Management are disclosed in note E2. The audit of the carrying value of the equity accounted associate is a key audit matter due to the judgements and estimates made by management.	In order to evaluate and challenge the key assumptions used by management in their impairment analysis, our procedures included but were not limited to: • Critically evaluating whether the model prepared by Management complies with the requirements of AASB 136 *Impairment of Assets*. • Assessing the mathematical accuracy of the impairment models. • Comparing projected cash flows against historical performance, to evaluate the reasonableness of estimations applied. • In conjunction with our valuation specialists, assessing the discount rate applied to the value in use calculation. • Applying sensitivity analysis to management's key assumptions and estimates. • Reviewing the adequacy of disclosures in relation to equity accounted associates and related impairment.

Accounting for the acquisition of Paywise Pty Limited

Key audit matter	*How the matter was addressed in our audit*
As disclosed in note E1 of the financial report, the company acquired 100% of the shares in Howjack Holdings Pty Ltd, which is the sole shareholder of Paywise Pty Limited. The audit of this acquisition is a key audit matter due to the significant judgment and complexity involved in accounting for the acquisition and determining the fair value of identifiable intangible assets.	Our procedures included but were not limited to: • Review of the purchase and sale agreements to understand the terms and conditions of the acquisition and evaluating management's application of the relevant accounting standards. • Evaluating the assumptions and methodology in management's determination of the fair value of assets and liabilities acquired. • Obtaining a copy of the external valuation report to critically assess the determination of the fair values of the identifiable intangible assets associated with the acquisition.

- Engaging with internal valuation specialists to critically assess the assumptions in the external valuation report.
- Reviewed and assessed the calculations and journal entries to record the acquisition for compliance with AASB 3 *Business Combinations*.
- Assessing the adequacy of the Group's disclosures of the acquisition.

Other information

The directors are responsible for the other information. The other information comprises the information in the Group's annual report for the year ended 30 June 2023, but does not include the financial report and the auditor's report thereon.

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

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

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors for the Financial Report

The directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the ability of the group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website (http://www.auasb.gov.au/Home.aspx) at:

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

This description forms part of our auditor's report.

Report on the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in the directors' report for the year ended 30 June 2023.

In our opinion, the Remuneration Report of COG Financial Services Limited, for the year ended 30 June 2023, complies with section 300A of the *Corporations Act 2001*.

Responsibilities

The directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

BDO Audit Pty Ltd

BDO

Tim Aman
Director

Sydney 25 August 2023

ASX Additional Information

Additional information required by the ASX Limited Listing Rules and not disclosed elsewhere in the report is set out below. The information is effective 7 August 2023.

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

Shareholder	Form Lodged	No. of ordinary shares [1]	% of Total
NAOS ASSET MANAGEMENT LIMITED	3 August 2023	59,565,201	31.24
GEGM INVESTMENTS PTY LIMITED	18 April 2023	40,601,657	21.30
SANDON CAPITAL INV LTD A/C	5 July 2023	17,698,582	9.28
THORNEY OPPORTUNITIES LTD [2]	10 January 2022	13,385,542	7.18
TIGA TRADING PTY LTD [2]	10 January 2022	13,385,542	7.18

Distribution of equity securities
There were 142 holders of less than a marketable parcel of ordinary shares.

Range	No. of ordinary shares	%	No. of holders	%
Above 100,000	180,000,384	94.41	99	9.41
Above 10,000 up to and including 100,000	8,862,542	4.65	257	24.43
Above 5,000 up to and including 10,000	943,562	0.49	120	11.41
Above 1,000 up to and including 5,000	724,152	0.38	272	25.85
Above 0 up to and including 1,000	131,561	0.07	304	28.90
Total	**190,662,201**	**100.00**	**1,052**	**100.00**

All ordinary shares carry one vote per share and carry rights to dividends.

Range	No. of performance rights	%	No. of holders	%
Above 100,000	102,814	100.00	1	100.00
Above 10,000 up to and including 100,000	0	0.00	0	0.00
Above 5,000 up to and including 10,000	0	0.00	0	0.00
Above 1,000 up to and including 5,000	0	0.00	0	0.00
Above 0 up to and including 1,000	0	0.00	0	0.00
Total	**102,814**	**100.00**	1	**100.00**

Performance rights and options do not carry the right to vote or to dividends until exercised.

There are no outstanding options.

(1) All information as provided by shareholder in the Substantial Shareholder lodgement notices.
(2) Relevant interest of each party noted on each other's Substantial Shareholder lodgement notices.

Twenty largest holders of quoted equity securities

Rank	Twenty largest shareholders	A/C designation	No. of shares held	% of total
1	NATIONAL NOMINEES LIMITED		59,565,201	31.24
2	GEGM INVESTMENTS PTY LTD		35,534,766	18.64
3	UBS NOMINEES PTY LTD		13,022,357	6.83
4	PALM BEACH NOMINEES PTY LIMITED		11,527,661	6.05
5	CITICORP NOMINEES PTY LIMITED		9,505,139	4.99
6	ONE FUND SERVICES LTD	<SANDON CAPITAL ACTIVIST A/C>	6,170,921	3.24
7	LINX HOLDINGS TRUST	<LINX HOLDINGS A/C>	5,736,473	3.01
8	C-FLAG PTY LTD		1,971,008	1.03
9	JASMIN LITSTER & IAN LITSTER		1,945,931	1.02
9	KAI LANI MACKEREL PTY LTD	<THE MCCULLAGH SUPER FUND A/C>	1,641,844	0.86
11	FIDUCIO PTY LTD	<LE A/C>	1,628,945	0.85
12	MOAT INVESTMENTS PTY LTD	<MOAT INVESTMENT A/C>	1,480,000	0.78
13	AUSTRALIAN EXECUTOR TRUSTEES LIMITED	<NO 1 ACCOUNT>	1,251,656	0.66
14	LEZAK NOMINEES PTY LTD	<LEZAK NOMINEES S/F A/C>	1,243,342	0.65
15	MATTSALL PTY LTD	<MATTSALL SUPERANNUATION A/C>	1,027,500	0.54
16	WESTLAWN HOLDINGS PTY LTD		1,000,000	0.52
17	ACRES HOLDINGS PTY LTD	<NOEL EDWARD KAGI FAMILY A/C>	813,113	0.43
18	MARKSUE CRAIN PTY LTD	<MARKSUE CRAIN SUPER FUND A/C>	800,000	0.42
19	GEGM INVESTMENTS PTY LTD		798,246	0.42
20	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	<NOEL EDWARD KAGI FAMILY A/C>	792,477	0.42
		Total	**157,456,580**	**82.60**
		Balance of register	**33,205,621**	**17.40**
		Grand total	**190,662,201**	**100.00**

Performance rights holders greater than 20%	No. of performance rights held	% of total
Andrew Bennett	102,814	100%

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

Restricted Securities
There are no current restricted securities.

On-Market Buyback
There is no current on-market buyback.

ASX Additional Information (continued)

Listing Rule 3.13.1 and 14.3

Further to Listing Rule 3.13.1 and Listing Rule 14.3, the Annual General Meeting of COG is scheduled for 27 November 2023. Further to these Listing Rules and Clause 6.3 of the Company's Constitution, nominations for election of directors at the AGM must be received not less than 40 Business Days before the meeting, being no later than 29 September 2023.

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Directors

Patrick Tuttle
Chairman

Peter Rollason
Non-executive Director

Steve White
Non-executive Director

Cameron McCullagh
Executive Director

Mark Crain
Executive Director

Chief Executive Officer

Andrew Bennett

Chief Financial Officer

Richard Balzer

Company Secretary

David Franks

Registered Office

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

Share Registry

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

External Auditors

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

Securities Exchange

COG Financial Services Limited is a public company listed with the Australian Securities Exchange Limited

ASX: COG

KEY DATES

Annual General Meeting Date: 27 November 2023