Pepper Australia Pty Limited

ACN: 094 317 665

Financial statements for the financial year ended
31 December 2013

The directors of Pepper Australia Pty Limited submit herewith the annual report of the company and its controlled subsidiaries for the financial year ended 31 December 2013. In order to comply with the provisions of the Corporations Act 2001, the directors report as follows:

The names of the directors of the company during or since the end of the financial year are:

Matthew Burlage	
Michael Culhane	
Seumas Dawes	
David Holmes	Alternate director to Patrick Tuttle
Cameron Small	
Patrick Tuttle	
Jonathan Laredo	Resigned 31 December 2013
Steven Simpson	Resigned 23 December 2013
Todd Lawler	Resigned 26 August 2013
Des O'Shea	Appointed 11 March 2014

During and since the end of the financial year no share options were granted (2012: 5,795) to directors and senior executives of the company and its controlled entities as part of their remuneration (note 28).

Principal activities

The consolidated entity's principal activities in the course of the financial year were the origination of residential mortgage loans and equipment lease receivables and the provision of management and loan portfolio administration services to various mortgage, lease receivable, personal loans and special purpose securitisation entities, including third party servicing activities, as well as acting as a commercial property advisor.

During the financial year, the consolidated entity acquired a mutual savings bank in The Republic of Korea (otherwise known as South Korea), and businesses providing loan portfolio management services in The United Kingdom and Spain.

Review of operations

The consolidated entity had total comprehensive income for the year of $33,568,434 (2012: $24,551,819). The results of its operations are disclosed in the statement of comprehensive income.

Changes in state of affairs

During the year, the Group completed the acquisitions of Evergreen Savings Bank Co., Ltd and the business of Han-ul Savings Bank in South Korea, Oakwood Cayman Holdings 2 Limited (together with Oakwood Cayman Holdings Limited and Oakwood Cayman Holdings 3 Ltd) in the United Kingdom, and the business of Celeris Servicios Financieros EFC, S.A. in Spain as disclosed in note 30.

Additionally, during the year, the Group completed a corporate restructure so that Pepper Group (Singapore) Pte Limited, which was previously the ultimate parent company of the Group, became a wholly owned subsidiary of Pepper Australia Pty Limited.

Furthermore, Pepper Europe Holdings Pty Limited also became a wholly owned subsidiary of Pepper Australia Pty Limited, whereas previously it was an associated sister company of Pepper Australia Pty Limited with common ownership.

Subsequent events

There has not been any matter or circumstance, other than that referred to in the financial statements or notes thereto, that has arisen since the end of the financial year, that has significantly affected, or may significantly affect, the operations of the consolidated entity, the results of those operations, or the state of affairs of the consolidated entity in future financial years.

Future developments

Disclosure of information regarding likely developments in the operations of the consolidated entity in future financial years and the expected results of those operations is likely to result in unreasonable prejudice to the consolidated entity. Accordingly, this information has not been disclosed in this report.

Dividends

The company paid a fully franked dividend of $1,395,728 (2012: $Nil) to the 'A' class shareholders during the financial year.

Indemnification of officers and auditors

During the financial year, the company paid a premium in respect of a contract insuring the directors of the company as named above, the company secretary, and all executive officers of the company against a liability incurred as such a director, secretary or executive officer to the extent permitted by the Corporations Act 2001. The contract of insurance prohibits disclosure of the nature of the liability and the amount of the premium.

The company has not otherwise, during or since the financial year, indemnified or agreed to indemnify an officer or auditor of the company against a liability incurred as such an officer or auditor.

Auditor's independence declaration

The auditor's independence declaration is included on page 3 of the financial statements.

This directors' report is signed in accordance with a resolution of the directors made pursuant to s.298 (2) of the Corporations Act 2001.

On behalf of the Directors

Patrick Tuttle
Director

Cameron Small
Director
Sydney, 30 April, 2014

Deloitte.

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The Board of Directors
Pepper Australia Pty Limited
Level 9, 146 Arthur Street
NORTH SYDNEY
NSW 2060

30 April 2014

Dear Board Members

Pepper Australia Pty Limited

In accordance with section 307C of the Corporations Act 2001, I am pleased to provide the following declaration of independence to the directors of Pepper Australia Pty Limited.

As lead audit partner for the audit of the financial statements of Pepper Australia Pty Limited for the financial year ended 31 December 2013, I declare that to the best of my knowledge and belief, there have been no contraventions of:

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

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

Yours sincerely

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

Graham Mott
Partner
Chartered Accountants

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Tom Hambrett
Apr 29, 2015 01:13
PAPL Group Financial Statements 2013 - signed
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Deloitte.

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Independent Auditor's Report
to the members of Pepper Australia Pty Limited

We have audited the accompanying financial report of Pepper Australia Pty Limited, which comprises the statement of financial position as at 31 December 2013, the statement of comprehensive income, the statement of cash flows and the statement of changes in equity for the year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity, comprising the company and the entities it controlled at the year's end or from time to time during the financial year as set out on pages 6 to 58.

Directors' Responsibility 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 – Reduced Disclosure Requirements 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.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control, relevant to the entity's preparation of the financial report that gives a true and fair view, in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

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

Auditor's Independence Declaration

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of Pepper Australia Pty Limited, would be in the same terms if given to the directors as at the time of this auditor's report.

Opinion

In our opinion, the financial report of Pepper Australia Pty Limited is in accordance with the *Corporations Act 2001*, including:

(a) giving a true and fair view of the company's and consolidated entity's financial position as at 31 December 2013 and of their performance for the year ended on that date; and

(b) complying with Australian Accounting Standards – Reduced Disclosure Requirements and the *Corporations Regulations 2001*.

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

Graham Mott
Partner
Chartered Accountants
Sydney, 30 April 2014

The directors declare that:

(a) in the directors' opinion, there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable; and

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

Signed in accordance with a resolution of the directors made pursuant to s.295(5) of the Corporations Act 2001.

On behalf of the Directors

Patrick Tuttle
Director

Cameron Small
Director

Sydney, 30 April 2014

Pepper Australia Pty Limited
Statement of profit or loss and other comprehensive income
For the financial year ended 31 December 2013

	Notes	Consolidated Year ended 31 December 2013 $	Consolidated Year ended 31 December 2012 $	Company Year ended 31 December 2013 $	Company Year ended 31 December 2012 $
Revenue	4(a)	329,881,568	329,119,531	90,474,532	75,746,297
Gain on business combination	30(a)	88,702	-	-	-
Employee benefits expenses		(58,359,301)	(26,532,565)	(32,510,151)	(24,171,045)
Depreciation and amortisation expenses	4(b)	(2,568,688)	(1,158,460)	(1,795,565)	(1,125,992)
Borrowing costs	4(b)	(181,653,097)	(236,813,709)	(4,944,991)	(2,112,144)
Other expenses from operations	4(b)	(44,256,068)	(28,867,179)	(13,924,576)	(12,687,930)
Profit before tax		43,133,116	35,747,618	37,299,249	35,649,186
Income tax expenses	5(a)	(14,582,855)	(11,195,799)	(12,791,854)	(11,131,750)
Profit for the year		28,550,261	24,551,819	24,507,395	24,517,436
Other comprehensive income, net of income tax					
Items that may be reclassified subsequently to profit or loss:					
Exchange differences on translating foreign operations		4,973,143	-	-	-
Net fair value gain on available-for-sale financial assets during the year		45,030	-	-	-
Total comprehensive income for the year		33,568,434	24,551,819	24,507,395	24,517,436
Profit attributable to:					
Owners of the company		28,786,622	24,598,294	24,507,395	24,517,436
Non-controlling interests	23	(236,361)	(46,475)	-	-
		28,550,261	24,551,819	24,507,395	24,517,436
Total comprehensive income attributable to:					
Owners of the company		33,804,795	24,598,294	24,507,395	24,517,436
Non-controlling interests	23	(236,361)	(46,475)	-	-
		33,568,434	24,551,819	24,507,395	24,517,436

Pepper Australia Pty Limited
Statement of financial position as at 31 December 2013

	Notes	Consolidated Year ended 31 December 2013 $	Consolidated Year ended 31 December 2012 $	Company Year ended 31 December 2013 $	Company Year ended 31 December 2012 $
Assets					
Cash and cash equivalents	27(a)	396,824,956	176,567,460	22,333,264	18,121,364
Investment securities	7	136,293,207	-	-	-
Receivables	8	37,007,170	12,344,744	97,695,192	48,160,115
Other assets	9	15,547,877	1,036,103	924,998	864,004
Loans and advances	10	3,384,371,310	3,198,646,617	-	-
Deferred tax asset	5(e)	5,236,804	2,766,850	4,296,241	2,542,527
Investments	11	53,183,964	9,631,352	167,401,890	72,561,524
Property, plant and equipment	12	8,627,424	1,840,868	1,321,820	1,710,995
Goodwill	13	26,986,950	7,703,041	-	-
Intangible assets	14	32,735,448	1,807,625	2,395,236	1,782,610
Total assets		4,096,815,110	3,412,344,660	296,368,641	145,743,139
Liabilities					
Deposits	15	384,916,036	-	-	-
Trade and other payables	16	24,633,453	3,567,200	4,305,259	2,062,680
Current tax liabilities		3,581,287	956,530	2,247,157	878,248
Borrowings	17	3,428,655,280	3,273,491,662	55,075,273	14,683,470
Other liabilities	18	61,964,667	41,583,076	41,651,726	37,281,255
Provisions	19	11,523,400	4,686,750	6,337,540	3,917,638
Deferred tax liabilities	5(e)	9,971,758	4,692,002	6,730,112	4,692,002
Total liabilities		3,925,245,881	3,328,977,220	116,347,067	63,515,293
Net assets		171,569,229	83,367,440	180,021,574	82,227,846
Equity					
Issued capital	21	102,107,101	27,672,479	102,107,101	27,672,479
Reserves	22	(12,391,608)	995,758	1,243,197	995,758
Retained earnings		82,455,917	55,065,023	76,671,276	53,559,609
		172,171,410	83,733,260	180,021,574	82,227,846
Non-controlling interests	23	(602,181)	(365,820)	-	-
Total equity		171,569,229	83,367,440	180,021,574	82,227,846

Pepper Australia Pty Limited
Statement of changes in equity
for the financial year ended 31 December 2013

	Consolidated								
	Issued capital	Equity settled employee benefits reserve	Retained earnings	Foreign currency translation reserve	Other reserves	Business combinations under common control	Attributable to owners of the parent	Non-controlling interests	Total
	$	$	$	$	$	$	$	$	$
Balance at 31 December 2011	27,672,479	309,273	30,466,729	-	-	-	58,448,481	(319,345)	58,129,136
Profit for the year	-	-	24,598,294	-	-	-	24,598,294	(46,475)	24,551,819
Other comprehensive income for the year, net of income tax	-	-	-	-	-	-	-	-	-
Total comprehensive income for the year	-	-	24,598,294	-	-	-	24,598,294	(46,475)	24,551,819
Recognition of share based payments	-	686,485	-	-	-	-	686,485	-	686,485
Balance at 31 December 2012	27,672,479	995,758	55,065,023	-	-	-	83,733,260	(365,820)	83,367,440
Dividend paid	-	-	**(1,395,728)**	-	-	-	**(1,395,728)**	-	**(1,395,728)**
Profit for the year	-	-	**28,786,622**	-	-	-	**28,786,622**	**(236,361)**	**28,550,261**
Other comprehensive income for the year, net of income tax	-	-	-	**4.973,143**	-	-	**4,973,143**	-	**4,973,143**
Total comprehensive income for the year	-	-	**28,786,622**	**4,973,143**	-	-	**33,759,765**	**(236,361)**	**33,523,404**
Contributions of equity, net of transaction costs	**19,091,646**	-	-	-	-	-	**19,091,646**	-	**19,091,646**
Other contributed equity / transaction with owners	**55,342,976**	**(535,193)**	-	-	**45,030**	**(18,652,978)**	**36,199,835**	-	**36,199,835**
Recognition of share based payments	-	**782,632**	-	-		-	**782,632**	-	**782,632**
Balance at 31 December 2013	**102,107,101**	**1,243,197**	**82,455,917**	**4,973,143**	**45,030**	**(18,652,978)**	**172,171,410**	**(602,181)**	**171,569,229**

Notes to the financial statements are included on pages 12 to 58

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Pepper Australia Pty Limited
Statement of changes in equity
for the financial year ended 31 December 2013

	Company								
	Issued capital $	Equity settled employee benefits reserve $	Retained earnings $	Foreign currency translation reserve $	Other reserves $	Business combinations under common control $	Attributable to owners of the parent $	Non-controlling interests $	Total $
Balance at 31 December 2011	27,672,479	309,273	29,042,173	-	-	-	57,023,925	-	57,023,925
Profit for the year	-	-	24,517,436	-	-	-	24,517,436	-	24,517,436
Other comprehensive income for the year, net of income tax	-	-	-	-	-	-	-	-	-
Total comprehensive income for the year	-	-	24,517,436	-	-	-	24,517,436	-	24,517,436
Recognition of share based payments	-	686,485	-	-	-	-	686,485	-	686,485
Balance at 31 December 2012	27,672,479	995,758	53,559,609	-	-	-	82,227,846	-	82,227,846
Dividend paid	-	-	**(1,395,728)**	-	-	-	**(1,395,728)**	-	**(1,395,728)**
Profit for the year	-	-	**24,507,395**	-	-	-	**24,507,395**	-	**24,507,395**
Other comprehensive income for the year, net of income tax	-	-	-	-	-	-	-	-	-
Total comprehensive income for the year	-	-	**24,507,395**	-	-	-	**24,507,395**	-	**24,507,395**
Contributions of equity, net of transaction costs	**19,091,646**	-	-	-	-	-	**19,091,646**	-	**19,091,646**
Other contributed equity / transaction with owners	**55,342,976**	**(535,193)**	-	-	-	-	**54,807,783**	-	**54,807,783**
Recognition of share based payments	-	**782,632**	-	-	-	-	**782,632**	-	**782,632**
Balance at 31 December 2013	**102,107,101**	**1,243,197**	**76,671,276**	-	-	-	**180,021,574**	-	**180,021,574**

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Pepper Australia Pty Limited
Statement of cash flows
for the financial year ended 31 December 2013

	Notes	Consolidated Year ended 31 December 2013 $	Consolidated Year ended 31 December 2012 $	Company Year ended 31 December 2013 $	Company Year ended 31 December 2012 $
Cash flows from operating activities					
Fee revenue / receipts from trusts		**88,369,560**	26,813,901	**70,487,771**	64,046,431
Payment to suppliers and employees		**(88,261,008)**	(52,955,567)	**(45,862,306)**	(36,790,496)
Interest received		**304,989,689**	309,175,298	**26,930,520**	10,153,558
Interest and other costs of finance paid		**(180,471,056)**	(235,790,374)	**(4,675,719)**	(2,496,903)
Income taxes paid		**(10,831,736)**	(11,483,526)	**(11,138,548)**	(11,273,436)
Net cash provided by operating activities	27(b)	**113,795,449**	35,759,732	**35,741,718**	23,639,154
Cash flows from investing activities					
Payments for property, plant and equipment		**(2,416,699)**	(972,219)	**(341,061)**	(793,604)
Payments for intangibles		**(2,781,583)**	(1,737,018)	**(1,677,954)**	(1,728,277)
Investment in equity		**(2,071,602)**	(1,932,057)	**(10,636,870)**	(10,043,774)
Amounts advanced to related parties		**(339,418)**	(536,915)	**(47,786,789)**	(4,067,307)
Payments for arrangement fees		**(7,705,155)**	(7,755,651)	**(6,945,625)**	(2,506,811)
(Payment) / Repayment of notes		**491,557**	3,117,998	**(19,818,649)**	5,630,116
Payments for investment securities		**(75,065,599)**	-	**-**	-
Loan collections		**1,107,852,953**	1,301,194,087	**-**	-
Broker assumption fee paid		**(2,032,715)**	(2,891,032)	**(2,032,715)**	(2,891,032)
Loans advanced		**(971,845,908)**	(526,406,935)	**(104,128)**	(89,370)
Net cash inflow from acquisition of subsidiaries	30(b)	**158,573,319**	(3,219,082)	**-**	(3,219,082)
Net cash inflow from business combinations under common control	31(b)	**9,349,654**			
Purchase of loan portfolios		**(252,320,204)**	(111,398,816)	**-**	-
Net cash provided by / (used in) investing activities		**(40,311,400)**	647,462,360	**(89,343,791)**	(19,709,141)
Cash flows from financing activities					
Proceeds from issue of capital		**19,091,646**	-	**19,091,646**	-
Proceeds from borrowings		**2,112,942,379**	1,356,206,176	**55,000,000**	15,467,713
Repayment of borrowings		**(1,983,591,102)**	(2,065,898,142)	**(14,608,197)**	(18,107,202)
Borrowing costs		**(273,748)**	(327,637)	**(273,748)**	(327,637)
Dividend paid		**(1,395,728)**	-	**(1,395,728)**	-
Net cash (used in) / provided by Financing activities		**146,773,447**	(710,019,603)	**57,813,973**	(2,967,126)
Net increase / (decrease) in cash and cash equivalents		**220,257,496**	(26,797,511)	**4,211,900**	962,887
Cash and cash equivalents at the beginning of the financial year		**176,567,460**	203,364,971	**18,121,364**	17,158,477
Cash and cash equivalents at the end of the financial year	27(a)	**396,824,956**	176,567,460	**22,333,264**	18,121,364

1. Application of new and revised accounting standards

New and revised AASBs affecting amounts reported and/or disclosures in the financial statements

During the financial year, the company has adopted all the new and revised standards and interpretations issued by the Australian Accounting and Standards Board ("AASB") that are relevant to its operations and issued for the current accounting year. These include:

AASB 10 'Consolidated Financial Statements'

AASB 10 identifies the principles of control, determines how to identify whether an investor controls an investee and therefore must consolidate the investee, and sets out the principles for the preparation of consolidated financial statements. The Standard introduces a single consolidation model for all entities based on control, irrespective of the nature of the investee. Control is based on whether an investor has power over the investee; exposure, or rights, to variable returns from its involvement with the investee; and the ability to use its power over the investee to affect the amount of the returns.

The application of the revised definition of control set out in AASB 10 in the current year has not resulted in the identification of controlled entities that were not identified as controlled entities under the previous standard. The disclosures of controlled entities in note 24 to the consolidated financial statements reflect the application of the revised standard.

AASB 12 'Disclosure of Interests in Other Entities'

AASB 12 requires the extensive disclosure of information in order to evaluate the nature of, and risks associated with, interests in other entities and the effects of those interests on the financial position, financial performance and cash flows of the Group. The extensive disclosure of information required by AASB 12 includes the significant judgments and assumptions made in determining control and details of the structure of the Group including interests in subsidiaries, interests in joint arrangements and associates and interests in unconsolidated structures entities.

AASB 13 'Fair Value Measurement'

The standard defines fair value, provides guidance on how to determine fair value and requires disclosures about fair value measurements. With some exceptions, the standard requires entities to classify these measurements into a 'fair value hierarchy' based on the nature of the inputs. The Group is required to make various disclosures depending upon the nature of the fair value measurement and the level in which it is classified.

The application of the revised fair value measurement as set out in AASB 13 in the current year has not resulted in the recognition of a fair value that is materially different to any fair value measurement utilised under the previous standards.

AASB 2011-7 'Amendments to Australian Accounting Standards arising from the Consolidation and Joint Arrangements Standards'

The standard makes numerous editorial amendments to a range of Australian Accounting Standards and Interpretations. The application of AASB 2011-7 has not had any material effect on amounts reported in the Group's consolidated financial statements.

AASB 2011-8 'Amendments to Australian Accounting Standards arising from AASB 13'

The standard makes numerous editorial amendments to a range of Australian Accounting Standards and Interpretations. The application of AASB 2011-8 has not had any material effect on amounts reported in the Group's consolidated financial statements.

1. Application of new and revised accounting standards (continued)

New and revised AASBs affecting amounts reported and/or disclosures in the financial statements (continued)

AASB 2012-7 'Amendments to Australian Accounting Standards arising from Reduced Disclosure Requirements'

The standard amends reduced disclosure requirements for the Group which has prepared its general purpose financial statements under Australian Accounting Standards – Reduced Disclosure Requirements. These amendments relate to amended disclosures in AASB 7 - Financial Instruments: Disclosures, AASB 12 - Disclosure of Interests in Other Entities, AASB 101 - Presentation of Financial Statements, and AASB 127 Separate Financial Statements.

Early adoption of accounting standards

The directors have elected under s334(5) of the Corporation Act 2001 to apply AASB 1053 'Application of Tiers of Australian Accounting Standards', AASB 2010-2 'Amendments to Australian Accounting Standards arising from Reduced Disclosure Requirements' in advance of their effective dates. These standards are not required to be applied until annual reporting periods beginning on or after 1 July 2013.

2. Significant accounting policies

Statement of compliance

These financial statements are general purpose financial statements which have been prepared in accordance with the Corporations Act 2001 and Australian Accounting Standards – Reduced Disclosure Requirements, and comply with other requirements of the law.

The financial statements include the separate financial statements of the Company and the consolidated financial statements of Pepper Australia Pty Limited and its controlled entities (the Group). For the purposes of preparing the financial statements, the Company is a for-profit entity.

They were authorised for issue by the directors on 30 April 2014.

Basis of Preparation

The financial statements have been prepared on the basis of historical cost, except for revaluation of certain assets and financial instruments that are measured at re-valued amounts or fair values, as explained in the accounting policies below. Historical cost is based on the fair values of the consideration given in exchange for assets. All amounts are presented in Australian dollars, unless otherwise noted.

Going concern

The financial statements have been prepared on the basis that the company and Group are going concerns.

The Pepper Australia Pty Limited Group incorporates four settlement warehouse facilities which are due to be rolled over from time to time. The rollover period is between one to two years. The legal maturity of loans funded can be up to 40 years. It is expected that the current warehouse facilities will be rolled over for a further period.

2. Significant accounting policies (continued)

Going concern (continued)

The Group also incorporates one prime mortgage, one specialist mortgage, and one lease receivable warehouse facility pursuant to the relevant portfolios acquired from GE and Suncorp. The maturity dates of these facilities are between one to two years. It is expected that the GE related warehouse facility will be refinanced within 12 months via securitisation transactions or will be rolled over for a further period of time. It is also expected that the lease receivable warehouse facility will be rolled over for a further period of time.

If a warehouse facility is not renewed or otherwise defaults and the related assets are liquidated, the primary impact on the Group would be the loss of future income streams from excess spread, being the difference between the mortgage rate and the cost of funds, fee income and write-off of any unamortised balance of deferred transaction costs on the loans. In addition, the Group has cash trapped in certain warehouses as collateral for the warehouse funders.

The following significant accounting policies have been adopted in the preparation and presentation of the financial statements:

(a) Basis of consolidation

The consolidated financial statements incorporate the assets and liabilities of all controlled entities of Pepper Australia Pty Limited (the Company and parent entity) as at 31 December 2013 and the results of all controlled entities for the year then ended. Pepper Australia Pty Limited and its controlled entities together are referred to in these financial statements as the Group or the consolidated entity.

The consolidated financial statements incorporate the financial statements of the Company and entities (including structured entities) controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above. When the Company has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Company considers all relevant facts and circumstances in assessing whether or not the Company's voting rights in an investee are sufficient to give it power, including:

- the size of the Company's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Company, other vote holders or other parties;
- rights arising from other contractual arrangements; and

any additional facts and circumstances that indicate that the Company has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Company gains control until the date when the Company ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

2. Significant accounting policies (continued)

(a) Basis of consolidation (continued)

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

(b) Revenue recognition

Revenue arises in the course of ordinary activities of the consolidated entity and is measured at the fair value of the consideration received or receivable. It is recognised when it is probable that future economic benefits will flow to the entity and these benefits can be measured reliably.

Loans are originated without the intent to sell them immediately or in the near term. These loans are recognised on an amortised cost basis in the statement of financial position. This requires that, for all loan assets, revenue is recognised over the estimated actual (not contractual) life of the mortgage loan, taking into account all income and expenditure directly attributable to the loan, in the same way that all these factors would be taken into account in determining an investment return for a product. The rate at which revenue is recognised is referred to as the effective interest rate and is equivalent to the rate that effectively discounts estimated future cash flows throughout the estimated life to the net carrying value of the loan. The revenue stream includes interest income, mortgage risk fees received at loan settlement, loan premium income and early termination interest adjustments (ETIAs) payable upon early redemption of a loan. Acquisition costs such as upfront broker commissions paid are also spread across the expected life of the loan. Similarly, introductory interest rate discounts are spread over the expected life of the loan rather than the discount period.

Trust manager and servicer fee revenue arises in the course of ordinary activities of the group and is measured at the fair value of the consideration received or receivable.

The accounting policies adopted for the major components of revenue are as follows:

Interest income
Interest income is recognised as it accrues using an effective interest rate, taking into account the effective yield of the financial asset as calculated by discounting the estimated future cash payments and receipts through the expected life of the financial asset or liability to the carrying amount of the financial asset or liability.

Application fees
These fees cover the cost of assessing and processing mortgage loan applications. To the extent that these fees represent a recovery of cost or a charge for services they are taken to income when charged.

Mortgage risk fees
These fees cover risk associated with the origination of specialty mortgage loans and are charged on settlement of a loan. Fees are brought to income over the estimated life of the loan on an effective yield basis as part of interest income.

Trust manager and servicer fee income
Revenue in the group is recognised as the services are provided and in line with amounts due and payable as set out in the relevant Trust Manager and Servicer fee letters pertaining to each trust.

Advisory fee income
Fee income is recognised and invoiced in the period in which it is earned.

2. Significant accounting policies (continued)

(c) Income tax

Income tax expense represents the sum of the tax currently payable and deferred tax based on the applicable income tax rate for each jurisdiction.

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the consolidated statement of comprehensive income because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period in each applicable jurisdiction.

Deferred tax

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit. In addition, deferred tax liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax liabilities and assets are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Current and deferred tax for the year

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case the current and deferred tax are also recognised in other comprehensive income or directly in equity, respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

2. Significant accounting policies (continued)

(c) Income tax (continued)

Current and deferred tax for the year (continued)

The company and its wholly-owned Australian controlled entities have implemented the tax consolidation legislation as of 1 July 2003. The head entity, Pepper Australia Pty Limited, and the controlled entities in the tax consolidated group continue to account for their own current and deferred tax amounts. These tax amounts are measured as if each entity in the tax consolidated group continues to be a standalone taxpayer in its own right.

In addition to its own current and deferred tax amounts, the company also recognises the current tax liabilities (or assets) and the deferred tax assets arising from unused tax losses and unused tax credits assumed from controlled entities in the tax consolidated group. Assets or liabilities arising under tax funding agreements with the tax consolidated entities are recognised as amounts receivable from or payable to other entities in the group. Details about the tax funding agreement are disclosed in note 5. Any difference between the amounts assumed and the amounts receivable or payable under the tax funding agreement are recognised as a contribution to (or distribution from) wholly-owned tax consolidated entities.

(d) Foreign Currencies

The individual financial statements of each group entity are presented in the currency of the primary economic environment in which the entity operates (its functional currency). For the purpose of the consolidated financial statements, the results and financial position of each group entity are expressed in Australian dollars ('$'), which is the functional currency of the Company and the presentation currency for the consolidated financial statements.

In preparing the financial statements of each individual group entity, transactions in currencies other than the entity's functional currency (foreign currencies) are recognised at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences on monetary items are recognised in profit or loss in the period in which they arise except for exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur (therefore forming part of the net investment in the foreign operation), or exchange differences on transactions entered into in order to hedge certain foreign currency risks. These are recognised initially in other comprehensive income and reclassified from equity to profit or loss on repayment of the monetary items.

For the purpose of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into Australian dollars using exchange rates prevailing at the end of the reporting period. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuated significantly during that period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity (attributed to non-controlling interests as appropriate).

Goodwill and fair value adjustments on identifiable assets and liabilities acquired arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the rate of exchange prevailing at the end of each reporting period. Exchange differences arising are recognised in other comprehensive income and accumulated in equity.

2. Significant accounting policies (continued)

(e) Property, plant and equipment

Properties acquired as a result of foreclosure or held for use in the provision of banking services, or for purposes not yet determined, are carried at cost, less any recognised impairment loss. Cost includes professional fees and, for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy. Depreciation of these assets commences when the assets are ready for their intended use.

Freehold land is not depreciated.

Fixtures and equipment are stated at cost less accumulated depreciation and accumulated impairment losses.

Depreciation is recognised so as to write off the cost or valuation of assets (other than freehold land and properties under construction) less their residual values over their useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

The following estimated useful lives are used in the calculation of depreciation:

- Buildings 20 years
- Leasehold improvements 5 years
- Computer equipment 2.5 - 7 years
- Office furniture 3 years

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets. However, when there is no reasonable certainty that ownership will be obtained by the end of the lease term, assets are depreciated over the shorter of the lease term and their useful lives.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

(f) Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessor

Amounts due from lessees under finance leases are recognised as receivables at the amount of the Group's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Group's net investment outstanding in respect of the leases.

The Group as lessee

Assets held under finance leases are initially recognised as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

Lease payments are apportioned between finance expenses and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance expenses are recognised immediately in profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the Group's general policy on borrowing costs (see (n) below).

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Tom Hambrett
Apr 29, 2015 01:13
PAPL Group Financial Statements 2013 - signed
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2. Significant accounting policies (continued)

(f) Leases (continued)

The Group as lessee (continued)
Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred. In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

(g) Financial assets

Financial assets are classified into the following specified categories: financial assets 'at fair value through profit or loss' (FVTPL), 'held-to-maturity' investments, 'available-for-sale' (AFS) financial assets and 'loans and receivables'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees on points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or (where appropriate) a shorter period, to the net carrying amount on initial recognition.

Income is recognised on an effective interest basis for debt instruments other than those financial assets classified as at FVTPL.

Loans and Receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are carried at amortised cost using the effective interest rate method. They arise when the Group provides money directly to a debtor with no intention of selling the receivable.

Debt securities acquired which are categorised as loans and receivable are initially recognised at fair value plus transaction costs. Subsequently, they are carried at amortised cost and interest income is recognised in the income statement using the effective interest rate method.

Financial assets at FVTPL

Financial assets are classified as at FVTPL when the financial asset is either held for trading or it is designated as at FVTPL.

2. Significant accounting policies (continued)

(g) Financial assets (continued)

Financial assets at FVTPL (continued)

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling it in the near term; or
- on initial recognition it is part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

A financial asset other than a financial asset held for trading may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and AASB 139 'Financial Instruments: Recognition and Measurement' permits the entire combined contract to be designated as at FVTPL.

Financial assets at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any dividend or interest earned on the financial asset and is included in the 'other gains and losses' line item.

AFS financial assets

The Group has investments in unlisted securities that are not traded in an active market but that are also classified as AFS financial assets and stated at fair value (because the directors consider that fair value can be reliably measured). Gains and losses arising from changes in fair value are recognised in other comprehensive income and accumulated in the investments revaluation reserve, with the exception of impairment losses, interest calculated using the effective interest method, and foreign exchange gains and losses on monetary assets, which are recognised in profit or loss. Where the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously accumulated in the investments revaluation reserve is reclassified to profit or loss.

The fair value of AFS monetary assets denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the end of the reporting period. The foreign exchange gains and losses that are recognised in profit or loss are determined based on the amortised cost of the monetary asset. Other foreign exchange gains and losses are recognised in other comprehensive income.

Held-to-maturity investments

Bills of exchange and debentures with fixed or determinable payments and fixed maturity dates that the Group has the positive intent and ability to hold to maturity are classified as held-to-maturity investments. Held-to-maturity investments are measured at amortised cost using the effective interest method less any impairment.

2. Significant accounting policies (continued)

(g) Financial assets (continued)

Deferred transaction costs

Transaction costs representing set up costs specific to the trusts are capitalised on the balance sheet of the relevant trust as part of loans and receivables. These costs are amortised to the income statement in line with the reduction in the underlying mortgage portfolio as part of the effective interest rate on the mortgage receivables. On a consolidated basis these costs are included as part of the amortised cost of the loans.

Transaction costs incurred by the parent entity, as manager of the mortgage program, in facilitating the trust structure programme are capitalised on the balance sheet of the parent entity as part of investments. These costs are amortised to the income statement in line with the anticipated life of the trusts using the effective interest method. The average expected life of the trusts is estimated to be 24-60 months. On a consolidated basis, these costs are included as part of the amortised cost of the loans and receivables.

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss.

On derecognition of a financial asset other than in its entirety (e.g. when the Group retains an option to repurchase part of a transferred asset), the Group allocates the previous carrying amount of the financial asset between the part it continues to recognise under continuing involvement, and the part it no longer recognises on the basis of the relative fair values of those parts on the date of the transfer. The difference between the carrying amount allocated to the part that is no longer recognised and the sum of the consideration received for the part no longer recognised and any cumulative gain or loss allocated to it that had been recognised in other comprehensive income is recognised in profit or loss. A cumulative gain or loss that had been recognised in other comprehensive income is allocated between the part that continues to be recognised and the part that is no longer recognised on the basis of the relative fair values of those parts.

(h) Derivative financial instruments

The Group enters into a variety of derivative financial instruments to manage its exposure to interest rate and foreign exchange rate risk. Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured to their fair value at each reporting date.

The Group chooses not to adopt hedge accounting. Changes in the fair value of any derivative instrument are recognised immediately in the statement of comprehensive income as interest revenue or expense.

2. Significant accounting policies (continued)

(i) Impairment of assets

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually, and whenever there is an indication that the asset may be impaired.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

When an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

(j) Cash and cash equivalents

Cash comprises cash on hand and demand deposits. Cash equivalents are short-term, highly liquid investments that are readily convertible to a known amount of cash, which are subject to an insignificant risk of changes in value and have a maturity of three months or less at the date of acquisition.

Cash in bank at the consolidated level includes the cash balances held in trusts that are controlled entities. The cash balance that is held in trusts can only be used in accordance with the provisions of their respective transaction documents.

(k) Receivables

Trade and other receivables are stated at their amortised cost less impairment losses. Trade and other receivables are reviewed at the end of each reporting period to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated.

(l) Intangible assets

Intangible assets acquired separately
Licence fees relating to the purchase of a licence for software from an external party and costs relating to the purchase of computer related software have been capitalised as intangible assets and are carried at cost less accumulated amortisation.

2. Significant accounting policies (continued)

(l) Intangible assets (continued)

Intangible assets acquired separately (continued)
amortisation is recognised on a straight-line basis over their estimated useful lives of two to three years. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. Intangible assets with indefinite useful lives that are acquired separately are carried at cost less accumulated impairment losses.

Intangible assets acquired in a business combination
Intangible assets acquired in a business combination and recognised separately from goodwill are initially recognised at their fair value at the acquisition date (which is regarded as their cost).

Subsequent to initial recognition, intangible assets acquired in a business combination are reported at cost less accumulated amortisation and accumulated impairment losses, on the same basis as intangible assets that are acquired separately. Intangible assets with indefinite lives are acquired at cost less accumulated impairment losses.

Derecognition of intangible assets
An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset are recognised in profit or loss when the asset is derecognised.

(m) Interest-bearing liabilities

All loans and borrowings are initially recognised at fair value of the consideration received less directly attributable transaction costs. Interest is accrued over the period it becomes due and is recorded as part of payables. After initial recognition, interest bearing loans and borrowings are measured at amortised cost using the effective interest method. Amortised cost is calculated by taking into account any issue costs, and any discount or premium on settlement.

(n) Borrowing cost

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognised in the profit and loss in the period in which they are incurred.

(o) Trade and other payables

These amounts represent unsecured liabilities for goods and services provided to the Group prior to the end of the financial year which are unpaid.

(p) Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

2. Significant accounting policies (continued)

(p) Provisions (continued)

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material).

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

Contingent liabilities acquired in a business combination

Contingent liabilities acquired in a business combination are initially measured at fair value at the date of acquisition. At the end of subsequent reporting periods, such contingent liabilities are measured at the higher of the amount that would be recognised in accordance with AASB 137 'Provisions, Contingent Liabilities and Contingent Assets' and the amount initially recognised less cumulative amortisation recognised in accordance with AASB 118 'Revenue'.

(q) Employee benefits

A liability is recognised for benefits accruing to employees in respect of wages and salaries, annual leave and long service leave when it is probable that settlement will be required and they are capable of being measured reliably.

Liabilities recognised in respect of short-term employee benefits, are measured at their nominal values using the remuneration rate expected to apply at the time of settlement.

Liabilities recognised in respect of long term employee benefits are measured as the present value of the estimated future cash outflows to be made by the Group in respect of services provided by employees up to reporting date.

Payments to defined contribution retirement benefit plans are recognised as an expense when employees have rendered service entitling them to the contributions.

(r) Share based payments

Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date. Details regarding the determination of the fair value of equity-settled share-based transactions are set out in Note 28.

The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of equity instruments that will eventually vest, with a corresponding increase in equity. At the end of each reporting period, the Group revises its estimate of the number of equity instruments expected to vest. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to the equity-settled employee benefits reserve.

The policy described above is applied to all equity-settled share-based payments that were granted after 7 November 2003 and vested after 1 January 2006. No amounts have been recognised in the financial statements in respect of other equity-settled shared-based payments.

2. Significant accounting policies (continued)

(r) Share based payments (continued)

For cash-settled share-based payments, a liability is recognised for the goods or services acquired, measured initially at the fair value of the liability. At the end of each reporting period until the liability is settled, and at the date of settlement, the fair value of the liability is remeasured, with any changes in fair value recognised in profit or loss for the year.

(s) Business Combinations

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value which is calculated as the sum of the acquisition-date fair values of assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity instruments issued by the Group in exchange for control of the acquiree. Acquisition-related costs are recognised in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value, except for:

- deferred tax assets or liabilities and assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with AASB 112 'Income Taxes' and AASB 119 'Employee Benefits' respectively;
- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquire are measured in accordance with AASB 2 'Share-based Payment' at the acquisition date; and
- assets (or disposal groups) that are classified as held for sale in accordance with AASB 5 'Noncurrent Assets Held for Sale and Discontinued Operations' are measured in accordance with that Standard.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after reassessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at fair value or, when applicable, on the basis specified in another Standard.

Where the consideration transferred by the Group in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with corresponding adjustments against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the 'measurement period' (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

The subsequent accounting for changes in the fair value of contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or liability is remeasured at subsequent reporting dates in accordance with AASB 139, or AASB 137 'Provisions, Contingent Liabilities and Contingent Assets', as appropriate, with the corresponding gain or loss being recognised in profit or loss.**2. Significant accounting policies (continued)**

(s) Business Combinations (continued)

Where a business combination is achieved in stages, the Group's previously held equity interest in the acquire is remeasured to fair value at the acquisition date (i.e. the date when the Group attains control) and the resulting gain or loss, if any, is recognised in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss where such treatment would be appropriate if that interest were disposed of.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see above), or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected the amounts recognised as of that date.

(t) Business combinations under common control

Business combinations under common control are accounted for in the consolidated financial statements utilising the 'predecessor values method' prospectively from the date that control is obtained. Assets and liabilities are recognised upon consolidation at their carrying amount in the consolidated financial statements of the ultimate parent entity, Pepper Australia Pty Limited. Any difference between the fair value of the consideration paid and the amounts at which the assets and liabilities are recorded is recognised directly in equity in the "business combinations under common control" reserve.

(u) Goodwill

Goodwill arising on an acquisition of a business is carried at cost as established at the date of the acquisition of the business less accumulated impairment losses, if any.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units (or groups of cash-generating units) that is expected to benefit from the synergies of the combination.

A cash-generating unit to which goodwill has been allocated is tested for impairment annually, or more frequently when there is indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro rata based on the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in profit or loss in the consolidated statement of comprehensive income. An impairment loss recognised for goodwill is not reversed in subsequent periods.

On disposal of the relevant cash-generating unit, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

(v) Indirect taxes

Revenues, expenses and assets are recognised net of the amount of associated goods and services tax ('GST'), or its equivalent in other countries, unless the GST incurred is not recoverable from the taxation authority. In this case it is recognised as part of the cost of acquisition of the asset or as part of the expense. Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the taxation authority is included with other receivables or payables in the statement of financial position.

2. Significant accounting policies (continued)

(v) Indirect taxes (continued)

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the taxation authority, are presented as operating cash flow.

(w) Reclassification of comparatives

In order to more appropriately disclose certain movements in cash, the following amounts have been reclassified in the prior year's Statement of Cash Flows.

	Consolidated	Company
from Investment in equity to Purchase of loan portfolios	**$ 3,219,082**	-

3. Critical accounting judgements and key sources of estimation uncertainty

In the application of the Group's accounting policies, which are described in Note 2, management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

(i) Critical judgements in applying the company's accounting policies

The management is of the opinion that any instances of application of judgements, apart from those involving estimates (see (ii) below) are not expected to have a significant effect on the amounts recognised in the financial statements.

(ii) Key sources of estimation uncertainty

The management believes that, except as disclosed below, there are no key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Fair value measurements and valuation processes

Some of the Group's assets and liabilities are measured at fair value for financial reporting purposes. Fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

In estimating the fair value of an asset or a liability, the Group uses market-observable data to the extent it is available.

3. Critical accounting judgements and key sources of estimation uncertainty (continued)

Fair value of assets

As part of the process of accounting for a business combination assets and liabilities are measured at fair value at the date of acquisition by taking the expected future cash flows generated by each asset and discounted. Inherent in that process management used a discount rate to reflect the inherent risk of the underlying assets.

Business valuation technique

Management has approved the development of in-house models which allow the group to value various trust structures and establish overall business value. The variables used are based on historical performances of similar group structures, publically available comparative structures, data published by various rating agencies, advice provided on a case by case basis by the warehouse providers and management expectation of future performance of the business. Management is confident that the assumptions used in the models are appropriate for the purpose for which they were created.

Determination of impairment losses on investment in consolidated entities

Determining whether the company's investment in a subsidiary is impaired requires an estimation of the fair value less cost to sell or the value in use of the investment in subsidiary. The fair value less cost to sell requires the company to estimate the fair value of the subsidiary or its underlying assets. Where there are no active markets for the assets, management has to exercise judgment in estimating the fair value of these assets. In addition, the value in use calculation requires the company to estimate the future cash flow expected from the investment in subsidiary or its cash-generating units as well as to estimate an appropriate discount rate in order to calculate the present value of the future cash flow. The Management is of the view that there is no impairment to be recognised in respect of the company's investments in subsidiary. The carrying amounts of the investment in subsidiary are disclosed on the face of the statement of financial position.

Determination of impairment losses on loans and advances

The group reviews its loans and advances to assess impairment at least on an annual basis. In determining whether an impairment loss should be recorded in profit or loss, the group makes judgment as to whether there is any observable data indicating that there is a measurable decrease in the estimated future cash flows from a loan before the decrease can be identified within an individual loan. Such evidence may include payment defaults, increased historic loss rates and trends in the Australian specialist mortgage market and the Korean mortgage market. The carrying value of loans and advances is set out in Note 10.

Impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the cash generating units to which goodwill has been allocated. The value in use calculation requires the directors to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate present value. Where the actual future cash flows are less than expected, a material impairment loss may arise.

The carrying amount of goodwill at 31 December 2013 was $26,986,950 (31 December 2012: $7,703,041). No impairment loss was recognised during 2013 (2012: nil). Refer to note 13.

	Consolidated		Company	
	Year ended 31 December 2013 $	Year ended 31 December 2012 $	**Year ended 31 December 2013 $**	Year ended 31 December 2012 $
4. Revenue and expenses				
The profit from operations before income tax includes the following items of revenue and expense:				
(a) Revenue				
Interest Revenue:				
- Mortgage interest	**245,647,587**	297,256,615	**-**	-
- Interest from related parties	**-**	-	**387,542**	-
- Interest from customers	**1,858,010**	-	**-**	-
- Interest from securities	**6,095,602**	29,706	**27,355,883**	32,862,181
- Bank interest	**2,936,657**	5,486,689	**229,358**	355,088
	256,537,856	302,773,010	**27,972,783**	33,217,269
Fee revenue:				
- Servicing fees	**24,406,255**	4,479,896	**16,941,698**	18,956,335
- Advisory fees	**12,019,430**	3,215,478	**-**	-
- Other fee revenue	**32,730,649**	18,543,649	**1,591,008**	8,644,898
	69,156,334	26,239,023	**18,532,706**	27,601,233
	325,694,190	329,012,033	**46,505,488**	60,818,502
Distributions from trusts	**-**	-	**40,161,805**	14,820,297
Securities income	**217,584**	-	**-**	-
Net foreign exchange gains / (losses)	**3,963,141**	107,498	**3,807,239**	107,498
Other income	**6,653**	-	**-**	-
	329,881,568	329,119,531	**90,474,532**	75,746,297
(b) Expenses				
Depreciation and amortisation expenses:				
Amortisation of intangibles	**1,294,457**	566,398	**1,065,329**	561,357
Property, plant and equipment	**1,274,231**	592,062	**730,236**	564,635
	2,568,688	1,158,460	**1,795,565**	1,125,992
Borrowing costs:				
Interest – deposits	**1,098,965**	-	**-**	-
Coupon payments	**33,525,255**	22,409,965	**-**	-
Interest – mortgage facility	**142,207,422**	212,565,348	**-**	-
Other interest expenses	**4,821,455**	1,838,396	**4,944,991**	2,112,144
	181,653,097	236,813,709	**4,944,991**	2,112,144

	Consolidated		Company	
	Year ended 31 December 2013 $	Year ended 31 December 2012 $	**Year ended 31 December 2013 $**	Year ended 31 December 2012 $

4. Revenue and expenses (continued)

(b) Expenses (continued)

Other expenses from operations:

	Consolidated 2013 $	Consolidated 2012 $	Company 2013 $	Company 2012 $
Publications and advertising	**2,004,654**	1,355,081	**1,604,575**	1,313,511
Travel	**2,227,991**	783,699	**1,202,953**	702,396
Rent	**4,178,327**	1,573,773	**1,717,758**	1,437,901
Telephone	**1,067,584**	730,417	**818,434**	718,562
Consulting	**4,725,768**	1,429,731	**1,109,431**	256,597
Legal fees	**4,515,714**	1,528,539	**2,053,447**	1,427,852
License fees	**1,051,675**	467,868	**772,713**	467,868
Computer	**1,379,473**	917,714	**988,643**	916,414
Internet and information services	**1,679,534**	225,095	**264,627**	224,695
Loan losses	**3,807,784**	6,080,475	**-**	-
Remuneration of auditors	**1,176,863**	848,102	**843,617**	776,446
Other professional services	**906,073**	243,143	**699,003**	237,891
Transitional service arrangement fee	**231,295**	501,960	**144,231**	501,960
Loan enforcement expenses	**5,288,975**	6,348,165	**-**	-
External trustee expenses	**1,218,447**	1,236,582	**-**	-
Management fee	**-**	1,350,000	**-**	1,350,000
Impairment losses	**138,770**	-	**-**	-
Other	**8,657,141**	3,246,835	**1,705,144**	2,355,837
	44,256,068	28,867,179	**13,924,576**	12,687,930

5. Income tax

(a) Income tax recognised in profit or loss:

	Consolidated 2013 $	Consolidated 2012 $	Company 2013 $	Company 2012 $
Current tax				
Current tax expense in respect of the current year	**13,519,248**	9,362,527	**12,466,558**	9,250,608
Adjustments recognised in the current year in relation to the current tax of prior years	**51,991**	116,868	**40,900**	116,868
	13,571,240	9,479,395	**12,507,458**	9,367,476
Deferred tax				
Deferred tax expense recognised in the current year	**1,057,683**	1,716,404	**330,464**	1,764,274
Adjustments recognised in the current year in relation to the current tax of prior years	**(46,068)**	-	**(46,068)**	-
	1,011,615	1,716,404	**284,396**	1,764,274
Total income tax expense recognised in the current year relating to continuing operations	**14,582,855**	11,195,799	**12,791,854**	11,131,750

	Consolidated		Company	
	Year ended 31 December 2013 $	Year ended 31 December 2012 $	**Year ended 31 December 2013 $**	Year ended 31 December 2012 $
5. Income tax (continued)				
(b) The income tax expense for the year can be reconciled to the accounting profit as follows:				
Profit before tax from continuing operations	**43,133,116**	35,747,618	**37,299,249**	35,649,186
Income tax expense calculated at 30% (2012: 30%)	**12,939,934**	10,724,285	**11,189,775**	10,694,755
Effect of income that is exempt from taxation	**(257,186)**	(109,679)	**(389,448)**	(103,448)
Effect of expenses that are not deductible in determining taxable profit	**2,231,403**	464,325	**1,996,695**	423,575
Effect of different tax rates of subsidiaries operating in other jurisdictions	**(337,219)**	-	-	-
	14,576,932	11,078,931	**12,797,022**	11,014,882
Adjustments recognised in the current year in relation to the current tax of prior years	**5,923**	116,868	**(5,168)**	116,868
Income tax expense recognised in profit or loss (relating to continuing operations)	**14,582,855**	11,195,799	**12,791,854**	11,131,750

The tax rate used for the 2013 and 2012 reconciliations above is the corporate tax rate of 30% payable by Australian corporate entities on taxable profits under Australian tax law.

(c) Income tax recognised in other comprehensive income				
Current tax	**1,868,788**	-	-	-
Deferred tax	-	-	-	-
Total income tax recognised in other comprehensive income	**1,868,788**	-	-	-
(d) Deferred tax balances				
Opening balance	**(1,925,152)**	(385,201)	**(2,149,475)**	(385,201)
Recognised in profit or loss	**(1,011,615)**	(1,716,404)	**(284,396)**	(1,764,274)
Net deferred tax debited directly to equity	**(1,888,087)**	-	-	-
Acquisitions	**89,900**	176,453	-	-
Closing Balance	**(4,734,954)**	(1,925,152)	**(2,433,871)**	(2,149,475)

	Consolidated		Company	
	Year ended 31 December 2013 $	Year ended 31 December 2012 $	**Year ended 31 December 2013 $**	Year ended 31 December 2012 $
5. Income tax (continued)				
(d) Deferred tax balances (continued)				
Breakdown of closing balance as follows:				
Employee expenses	**868,777**	852,731	**868,777**	649,708
Provisions	**633,808**	581,870	**484,757**	560,570
Deal costs	**(4,140,954)**	(3,123,289)	**(4,179,354)**	(3,123,289)
Doubtful debts	**1,735,223**	1,206,500	**1,735,223**	1,206,500
Deferred revenue	**(528,819)**	(946,919)	**(528,819)**	(946,919)
Other financial assets	**(328,612)**	(496,045)	**(1,022,006)**	(496,045)
Intangible assets	**(1,370,622)**	-	**-**	-
Other	**(1,603,755)**	-	**207,551**	-
	(4,734,954)	(1,925,152)	**(2,433,871)**	(2,149,475)
(e) Deferred tax balances are presented in the statement of financial position as follows:				
Deferred tax assets	**5,236,804**	2,766,850	**4,296,241**	2,542,527
Deferred tax liabilities	**(9,971,758)**	(4,692,002)	**(6,730,112)**	(4,692,002)
	(4,734,954)	(1,925,152)	**(2,433,871)**	(2,149,475)

The company and its wholly-owned Australian resident entities are eligible to consolidate for tax purposes under this legislation and have elected to be taxed as a single entity from 1 July 2003. The head entity within the tax-consolidated group for the purposes of the tax consolidation system is Pepper Australia Pty Limited.

Entities within the tax-consolidated group have entered into a tax-sharing agreement with the head entity. Under the terms of this agreement, Pepper Australia Pty Limited and each of the entities in the tax consolidated group have agreed to pay a tax equivalent payment to or from the head entity, based on the net accounting profit or loss of the entity and the current tax rate. Such amounts are reflected in amounts receivable from or payable to other entities in the tax consolidated group.

(f) Unrecognised deferred tax assets:

There are unused tax losses in the consolidated group, for which no deferred tax asset has been recognised as the measurement of any recognisable deferred tax asset is still highly uncertain and not reliably measureable.

	Consolidated		Company	
	Year ended 31 December 2013 $	Year ended 31 December 2012 $	**Year ended 31 December 2013 $**	Year ended 31 December 2012 $

6. Key management personnel compensation

The aggregate compensation made to directors of the company and the Group is set out below:

	Consolidated 2013 $	Consolidated 2012 $	Company 2013 $	Company 2012 $
Compensation to directors of the company and the Group	**3,083,748**	3,666,938	**3,083,748**	3,666,938

7. Investment Securities

	Consolidated 2013 $	Consolidated 2012 $	Company 2013 $	Company 2012 $
Trading securities:				
- **Corporate bonds**	**51,006**	-	-	-
Available for sale securities:				
- **Government bonds**	**57,916,019**	-	-	-
- **Corporate bonds**	**2,499,107**	-	-	-
Held to maturity securities:				
- **Government bonds**	**75,827,075**	-	-	-
	136,293,207	-	-	-

8. Receivables

	Consolidated 2013 $	Consolidated 2012 $	Company 2013 $	Company 2012 $
Goods and services tax receivable	**951,332**	223,079	**361,638**	21,053
Amounts receivable from related parties	**495,781**	951,677	**83,355,394**	39,146,435
Trail commissions deed receivables	**8,641,438**	8,004,542	**8,641,438**	8,004,542
Trade receivables	**13,276,641**	2,060,708	**259,229**	-
Loans to directors	**904,542**	-	**904,542**	-
Other debtors	**12,737,436**	1,104,738	**4,172,951**	988,085
	37,007,170	12,344,744	**97,695,192**	48,160,115

9. Other Assets

	Consolidated 2013 $	Consolidated 2012 $	Company 2013 $	Company 2012 $
Prepayments	**2,328,708**	1,032,879	**920,827**	860,780
Derivatives carried at fair value through profit or loss (FVTPL)	**12,206,206**	-	-	-
Other	**1,012,963**	3,224	**4,171**	3,224
	15,547,877	1,036,103	**924,998**	864,004

	Consolidated		Company	
	Year ended 31 December 2013 $	Year ended 31 December 2012 $	**Year ended 31 December 2013 $**	Year ended 31 December 2012 $

10. Loans and advances

	Consolidated 2013 $	Consolidated 2012 $	Company 2013 $	Company 2012 $
Loans and advances carried at amortised cost – customers	**139,926,493**	-	-	-
Loans and advances carried at amortised cost – securitised	**1,650,238,641**	858,343,751	-	-
Loans and advances carried at amortised cost - warehouses	**1,594,206,176**	2,340,302,866	-	-
	3,384,371,310	3,198,646,617	-	-

Provision analysis (included in the balance above)

	Consolidated 2013 $	Consolidated 2012 $	Company 2013 $	Company 2012 $
Movement of specific impairment provision				
Opening balance	**2,646,622**	1,402,000	-	-
Impairment losses provided for during the year	**5,858,756**	6,559,273	-	-
Loan assets written-off	**(4,277,006)**	(4,875,331)	-	-
Losses reversed	**(317,000)**	(439,320)	-	-
Exchange difference	**68,534**	-	-	-
Amounts recovered during the year	**143,500**	-	-	-
Closing balance	**4,123,406**	2,646,622	-	-
Movement of collective provision				
Opening balance	**1,375,046**	1,409,039	-	-
Impairment losses provided / released during the year	**120,791**	(33,993)	-	-
Closing balance	**1,495,837**	1,375,046	-	-

11. Investments

	Consolidated 2013 $	Consolidated 2012 $	Company 2013 $	Company 2012 $
At cost				
Shares in controlled entities	-	-	**72,474,805**	7,828,543
Shares in related parties	**1,062,737**	935,350	**935,350**	935,350
Units in trusts – controlled entities	**1,838,323**	-	-	-
Units in trusts – external entities	**32,156,736**	1,327,793	**8,171,777**	9,508,811
Notes in warehouse trusts	**645,867**	3,675,521	**48,616,746**	39,496,132
Notes in securitised trusts	-	-	**23,125,677**	11,100,000
Other	**17,480,301**	3,692,688	**14,077,535**	3,692,688
	53,183,964	9,631,352	**167,401,890**	72,561,524

12. Property, plant and equipment

	Consolidated				
	Land and Buildings $	Leasehold Improvements $	Computer Equipment $	Office Furniture $	Total $
Gross carrying amount					
Balance at 31 December 2011	-	1,473,916	1,804,821	20,213	3,298,950
Additions	-	319,903	602,902	16,927	939,732
Acquisitions through business combinations	-	1,478	5,765	3,930	11,173
Disposals	-	(777,749)	(836,259)	(2,619)	(1,616,627)
Balance at 31 December 2012	**-**	**1,017,548**	**1,577,229**	**38,451**	**2,633,228**
Additions	**-**	**109,601**	**767,874**	**543,809**	**1,421,284**
Acquisitions through business combinations	**3,167,184**	**1,361,357**	**1,331,164**	**836,328**	**6,696,033**
Disposals	**-**	**-**	**-**	**-**	**-**
Balance at 31 December 2013	**3,167,184**	**2,488,506**	**3,676,267**	**1,418,588**	**10,750,545**
Accumulated depreciation					
Balance at 31 December 2011	-	822,650	989,274	5,000	1,816,924
Depreciation expense	-	158,040	422,348	11,674	592,062
Disposals	-	(777,749)	(836,258)	(2,619)	(1,616,626)
Balance at 31 December 2012	**-**	**202,941**	**575,364**	**14,055**	**792,360**
Depreciation expense	**-**	**331,027**	**824,999**	**118,205**	**1,274,231**
Disposals	**-**	**-**	**-**	**-**	**-**
Effect of foreign currency exchange differences	**-**	**14,198**	**29,892**	**12,440**	**56,530**
Balance at 31 December 2013	**-**	**548,166**	**1,430,255**	**144,700**	**2,123,121**
Net Book Value					
As at 31 December 2012	-	814,607	1,001,865	24,396	1,840,868
As at 31 December 2013	**3,167,184**	**1,940,340**	**2,246,012**	**1,273,888**	**8,627,424**

	Company				
	Land and Buildings $	Leasehold Improvements $	Computer Equipment $	Office Furniture $	Total $
Gross carrying amount					
Balance at 31 December 2011	-	1,473,916	1,804,821	20,213	3,298,950
Additions	-	236,395	553,348	3,862	793,605
Disposals	-	(777,749)	(836,259)	(2,619)	(1,616,627)
Balance at 31 December 2012	**-**	**932,562**	**1,521,910**	**21,456**	**2,475,928**
Additions	**-**	**58,696**	**248,390**	**33,975**	**341,061**
Disposals	**-**	**-**	**-**	**-**	**-**
Balance at 31 December 2013	**-**	**991,258**	**1,770,300**	**55,431**	**2,816,989**
Accumulated depreciation					
Balance at 31 December 2011	-	822,650	989,274	5,000	1,816,924
Depreciation expense	-	145,428	413,137	6,070	564,635
Disposals	-	(777,749)	(836,258)	(2,619)	(1,616,626)
Balance at 31 December 2012	**-**	**190,329**	**566,153**	**8,451**	**764,933**
Depreciation expense	**-**	**192,621**	**525,593**	**12,022**	**730,236**
Disposals	**-**	**-**	**-**	**-**	**-**
Balance at 31 December 2013	**-**	**382,950**	**1,091,746**	**20,473**	**1,495,169**
Net Book Value					
As at 31 December 2012	-	742,233	955,757	13,005	1,710,995
As at 31 December 2013	**-**	**608,308**	**678,554**	**34,958**	**1,321,820**

	Consolidated		Company	
	Year ended 31 December 2013 $	Year ended 31 December 2012 $	**Year ended 31 December 2013 $**	Year ended 31 December 2012 $
13. Goodwill				
Cost				
Balance at beginning of the year	**7,703,041**	-	-	-
Additional amounts recognised from business combinations occurring during the year (note 30)	**17,659,415**	7,703,041	-	-
Effect of foreign currency exchange differences	**1,624,494**	-	-	-
Balance at end of the year	**26,986,950**	7,703,041	-	-
14. Intangible assets				
Licence fee	**1,886,866**	1,657,691	**1,856,810**	1,627,635
Accumulated amortisation	**(1,114,638)**	(625,722)	**(1,099,579)**	(620,681)
	772,228	1,031,969	**757,231**	1,006,954
Software costs	**3,423,672**	1,377,684	**2,826,462**	1,377,684
Accumulated amortisation	**(1,267,582)**	(602,028)	**(1,188,457)**	(602,028)
	2,156,090	775,656	**1,638,005**	775,656
Mortgage servicing rights	**6,486,389**	-	-	-
Accumulated amortisation	**(199,996)**	-	-	-
	6,286,393	-	-	-
Korean Mutual Banking Registration	**23,520,737**	-	-	-
Accumulated amortisation	**-**	-	-	-
	23,520,737	-	-	-
	32,735,448	1,807,625	**2,395,236**	1,782,610
Movement in licence fee				
Opening balance	**1,031,969**	270,940	**1,006,954**	270,940
Costs incurred during year	**229,177**	1,046,697	**229,177**	1,016,642
Amounts amortised during the year	**(488,918)**	(285,668)	**(478,900)**	(280,628)
Closing balance	**772,228**	1,031,969	**757,231**	1,006,954
Movement in software costs				
Opening balance	**775,656**	344,749	**775,656**	344,749
Costs incurred during year	**1,991,109**	711,637	**1,448,778**	711,636
Exchange difference	**(5,132)**	-	-	-
Amounts amortised during the year	**(605,543)**	(280,730)	**(586,429)**	(280,729)
Closing balance	**2,156,090**	775,656	**1,638,005**	775,656

	Consolidated		Company	
	Year ended 31 December 2013 $	Year ended 31 December 2012 $	**Year ended 31 December 2013 $**	Year ended 31 December 2012 $
14. Intangible assets (continued)				
Movement in mortgage servicing rights				
Opening balance	-	-	-	-
Acquisition through business combinations	**5,939,969**	-	-	-
Effect of foreign currency exchange differences	**546,420**			
Amounts amortised during the year	**(199,996)**	-	-	-
Closing balance	**6,286,393**	-	-	-
Movement in Korean Mutual Banking Registration				
Opening balance	-	-	-	-
Acquisition through business combinations	**22,062,278**	-	-	-
Effect of foreign currency exchange differences	**1,458,459**			
Closing balance	**23,520,737**	-	-	-

The following useful lives are used in the calculation of amortisation.

- Licence fee - 3 years
- Software costs - 2½ years
- Mortgage servicing rights - 10 years
- Korean Mutual Banking Registration – indefinite life

Mortgage servicing rights relate to servicing contracts held by the acquiree at the date of business combination. The rights are amortised over 10 years, being the expected life of a portfolio of UK mortgages

The Korean Mutual Banking Registration is considered to have an indefinite useful life as it is expected to contribute future economic benefits to the group indefinitely through the right to operate as a Savings Bank established under the Mutual Savings Bank Act of the Republic of Korea (South Korea).

15. Deposits

	Consolidated 2013	Consolidated 2012	Company 2013	Company 2012
Customer Deposits	**384,916,036**	-	-	-
	384,916,036	-	-	-

16. Trade and other payables

	Consolidated 2013	Consolidated 2012	Company 2013	Company 2012
Trade payables	**3,093,588**	831,493	**112,332**	20,918
Audit and other services	**883,553**	772,481	**726,098**	701,481
Accrued expenses	**20,656,312**	1,963,226	**3,466,829**	1,340,281
	24,633,453	3,567,200	**4,305,259**	2,062,680

	Consolidated		Company	
	Year ended 31 December 2013 $	Year ended 31 December 2012 $	**Year ended 31 December 2013 $**	Year ended 31 December 2012 $

17. Borrowings

At amortised cost:				
Warehouse facility – secured (i)	**1,627,104,512**	2,367,839,264	**-**	-
Notes payable – secured (ii)	**1,716,562,501**	878,967,232	**-**	-
Loan facility – secured (iii)	**-**	14,683,470	**-**	14,683,470
Subordinated debt (iv)	**55,075,273**	-	**55,075,273**	-
Units in investment funds (v)	**2,770,144**	4,314,127	**-**	-
Liability in respect of Korean regulatory securities held (vi)	**21,209,376**	-	**-**	-
Accrued interest payable	**5,933,474**	7,687,569	**-**	-
	3,428,655,280	3,273,491,662	**55,075,273**	14,683,470

(i) Fully secured by the loans and advances and other cash collateral residing in the warehouse trusts (note 10), the current value of which is less than the value of the mortgage assets.
(ii) Notes payable are secured only on the assets of each of the individual securitisation trusts.
(iii) Working capital loan secured over the assets of the Group.
(iv) Subordinated note facility secured over certain assets of the Group.
(v) Units in investment funds are secured over certain assets of the Group.
(vi) Liabilities of $21,209,376 (2012: nil) relates to loans transferred to the Korean regulator which do not meet the derecognition criteria under AASB 139 and as such are presented as secured liabilities.

18. Other liabilities

Intercompany with related parties	**-**	434,888	**4,795,421**	12,320,308
Unearned income	**14,012,238**	-	**15,144,498**	2,065,286
M Note interest payable	**7,795,777**	14,657,548	**-**	-
Future trail commission	**16,905,371**	18,938,086	**16,905,371**	18,938,086
Contingent consideration payable	**3,847,474**	3,914,696	**3,847,474**	3,914,696
Derivatives carried at fair value through profit or loss (FVTPL)	**147,182**	-	**-**	-
Other liabilities	**19,256,625**	3,637,858	**958,962**	42,879
	61,964,667	41,583,076	**41,651,726**	37,281,255

19. Provisions

	Consolidated			
	Employee Entitlements (i) $	Borrower incentive (ii) $	Other (iii) $	Total $
Balance at 31 December 2011	846,164	197,183	1,064,827	2,108,174
Increase in provisions	3,408,267	-	3,619,106	7,027,373
Acquisitions through business combinations	409,746	-	-	409,746
Provisions utilised	(2,120,700)	(13,995)	(2,723,848)	(4,858,543)
Balance at 31 December 2012	**2,543,477**	**183,188**	**1,960,085**	**4,686,750**
Increase in provisions	**3,379,948**	**-**	**12,006,255**	**15,386,203**
Acquisitions through business combinations	**233,749**	**-**	**-**	**233,749**
Provisions utilised	**(2,748,734)**	**(37,399)**	**(5,997,169)**	**(8,783,302)**
Balance at 31 December 2013	**3,408,440**	**145,789**	**7,969,171**	**11,523,400**
Expected timing for utilisation of the provisions				
Less than 12 months	1,818,999	183,188	1,960,085	3,962,272
Greater than 12 months	724,478	-	-	724,478
Balance at 31 December 2012	2,543,477	183,188	1,960,085	4,686,750
Less than 12 months	**2,533,887**	**145,789**	**7,969,171**	**10,648,847**
Greater than 12 months	**874,553**	**-**	**-**	**874,553**
Balance at 31 December 2013	**3,408,440**	**145,789**	**7,969,171**	**11,523,400**

(i) The provision for employee benefits represents annual leave and vested long service leave entitlements accrued. The increase in the carrying amount of the provision for the current year is a result of the increase in the number of employees, partly attributed to the businesses acquired during the year.

(ii) The provision for borrower incentive relates to the provision of amounts payable on certain loans held. This provision is running down as the number of loans that have the incentive decreases.

(iii) Other provisions include provision for bonuses and payroll tax.

	Consolidated		Company	
	Year ended 31 December 2013 $	Year ended 31 December 2012 $	**Year ended 31 December 2013 $**	Year ended 31 December 2012 $

20. Obligations under finance leases

The Group leased certain of its software under finance leases. The average lease term is 1 year (2012: 1 year). The Group has options to purchase the equipment for a nominal amount at the end of the lease terms. The Group's obligations under finance leases are secured by the lessors' title to the leased assets.

Finance lease liabilities				
Not more than one year	**13,660**	307,300	**13,660**	307,300
Later than one year and not later than five years	**27,320**	-	**27,320**	-
Later than five years	**-**	-	**-**	-
	40,980	307,300	**40,980**	307,300

21. Issued Capital

174,576 fully paid ordinary shares (2012: 103,791)	**99,263,275**	26,171,629	**99,263,275**	26,171,629
27,475 fully paid A class shares (2012: 14,250)	**2,843,826**	1,500,850	**2,843,826**	1,500,850
4,920 fully paid B class share (2012: 1)	**-**	-	**-**	-
	102,107,101	27,672,479	**102,107,101**	27,672,479

	No. of Shares	Share Capital $	No. of Shares	Share Capital $
Fully paid ordinary shares				
Balance at 31 December 2012	**103,791**	**26,171,629**	**103,791**	**26,171,629**
Issue of shares – capital injection	**19,321**	**19,091,646**	**19,321**	**19,091,646**
Issue of shares – group restructure	**51,464**	**54,000,000**	**51,464**	**54,000,000**
Balance at 31 December 2013	**174,576**	**99,263,275**	**174,576**	**99,263,275**
Fully paid A class shares				
Balance at 31 December 2012	**14,250**	**1,500,850**	**14,250**	**1,500,850**
Issue of shares under company's share option plan (note 28)	**13,225**	**1,342,976**	**13,225**	**1,342,976**
Balance at 31 December 2013	**27,475**	**2,843,826**	**27,475**	**2,843,826**

21. Issued Capital (continued)

	No. of Shares	Share Capital $	No. of Shares	Share Capital $
Fully paid B class shares				
Balance at 31 December 2012	1	-	1	-
Share Split	2,459	-	2,459	-
Issue of shares	2,460	-	2,460	-
Balance at 31 December 2013	4,920	-	4,920	-

Ordinary shares and A class shares carry one vote per share and carry the right to dividends. B class shares carry no voting rights but do carry the right to dividends.

Changes to the then Corporations Law abolished the authorised capital and par value concept in relation to share capital from 1 July 1998. Therefore, the company does not have a limited amount of authorised capital and issued shares do not have a par value.

During the year the company paid a fully franked dividend of $1,395,728 (2011: $Nil) to 'A' class shareholders.

	Consolidated		Company	
	Year ended 31 December 2013 $	Year ended 31 December 2012 $	**Year ended 31 December 2013 $**	Year ended 31 December 2012 $
22. Reserves				
Equity settled employee benefits	1,243,197	995,758	1,243,197	995,758
Foreign currency translation	4,973,143	-	-	-
AFS securities revaluation	45,030	-	-	-
Business combinations under common control	(18,652,978)	-	-	-
	(12,391,608)	995,758	1,243,197	995,758
Equity settled employee benefits				
Balance at beginning of year	995,758	309,273	995,758	309,273
Arising on share based payments	782,632	686,485	782,632	686,485
Exercised during the year	(535,193)	-	(535,193)	-
Balance at end of year	1,243,197	995,758	1,243,197	995,758

The equity settled employee benefits reserve relates to share options granted by the Company to its employees under its employee share option plan. Further information about share-based payments to its employees is set out in note 28.

	Consolidated		Company	
	Year ended 31 December 2013 $	Year ended 31 December 2012 $	**Year ended 31 December 2013 $**	Year ended 31 December 2012 $

22. Reserves (continued)

Foreign currency translation

Balance at beginning of year	-	-	-	-
Exchange differences arising on translating the foreign operations	6,841,931	-	-	-
Income tax relating to gains arising on translating the net assets of foreign operations	(1,868,788)	-	-	-
Balance at end of year	4,973,143	-	-	-

Exchange differences relating to the translation of the results and net assets of the Group's foreign operations from their functional currencies to the Group's presentation currency (i.e. Australian dollars) are recognised directly in other comprehensive income and accumulated in the foreign currency translation reserve.

AFS securities revaluation

Balance at beginning of year	-	-	-	-
Net gain arising on revaluation of available-for-sale financial assets	64,329	-	-	-
Income tax relating to gain arising on revaluation of available-for-sale financial assets	(19,299)	-	-	-
Balance at end of year	45,030	-	-	-

The investments revaluation reserve represents the cumulative gains and losses arising on the revaluation of available-for-sale financial assets that have been recognised in other comprehensive income, net of amounts reclassified to profit or loss when those assets have been disposed of or are determined to be impaired.

Business combinations under common control

Balance at beginning of year	-	-	-	-
Acquisition of entities under common control	(18,652,978)	-	-	-
Balance at end of year	(18,652,978)	-	-	-

Any difference between the cost of acquisition (that is, the fair value of the consideration paid), and the amounts at which the acquired assets and liabilities are recorded for business combinations under common control (as detailed in the significant accounting policies note) have been recognised in the business combinations under common control reserve.

23. Non-controlling interests

Balance at beginning of year	(365,820)	(319,345)	-	-
Share of profit (loss) for year	(236,361)	(46,475)	-	-
Balance at end of year	(602,181)	(365,820)	-	-

24. Controlled entities

The following controlled entities have been included in the consolidated financial statements:

Name Of Controlled Entity	Country Of incorporation / creation	Ownership interest 2013 %	Ownership interest 2012 %	Residual interest 2013 %	Residual interest 2012 %
Parent entity					
Pepper Australia Pty Limited	Australia				
Controlled entities					
Pepper Homeloans Pty Limited	Australia	100%	100%	-	-
Pepper Finance Corporation Limited	Australia	100%	100%	-	-
PSB Investment Holdings Pty Limited	Australia	100%	-	-	-
Pepper Capital Corporation Limited	Australia	100%	100%		
Pepper Australia Investments Pty Ltd	Australia	100%	100%	-	-
Pepper Asset Finance Pty Limited	Australia	100%	100%	-	-
Pepper Savings Bank Co. Limited	Korea	100%	-	-	-
Pepper Property Group Pty Ltd	Australia	100%	100%	-	-
Pepper Property (VIC) Pty Ltd	Australia	100%	100%	-	-
Pepper Property (WA) Pty Ltd	Australia	100%	100%	-	-
Pepper Corporate Real Estate Pty Ltd	Australia	100%	100%	-	-
Pepper Property Advisory Pty Ltd	Australia	100%	100%	-	-
Pepper Property Capital Pty Ltd	Australia	100%	100%	-	-
Pepper Property Funds Management WA Pty Ltd	Australia	100%	100%	-	-
Pepper Property Jackaroo Pty Limited	Australia	100%	-	-	-
Pepper Property Group (Asia) Pte Limited	Singapore	100%	-	-	-
Well Nigh Capital No. 1 Pty Limited	Australia	100%	-	-	-
Pepper Auto Finance Pty Limited	Australia	100%	-	-	-
Habenaro Asset Finance Pty Limited	Australia	100%	-	-	-
Pepper ES Holdings Pty Limited	Australia	100%	-	-	-
Morgij Holdings Pty Limited	Australia	50.5%	50.5%	-	-
Pepper Group (Singapore) Pte Limited	Singapore	100%	-	-	-
Pepper Investment Management Limited	Australia	75%	75%	-	-
Pepper High Income Fund	Australia	42.6%	65.4%	-	-
Pepper Europe Holdings Pty Limited	Australia	100%	-	-	-
Pepper SW1 Pty Ltd	Australia	100%	100%	-	-
Pepper Netherlands Holding Corporate U.A.	The Netherlands	100%	-	-	-
Pepper Asset Services S L	Spain	100%	-	-	-
Pepper Finance (H62) Limited	Ireland	100%	-	-	-
Pepper Finance Corporation (Ireland) Limited	Ireland	100%	-	-	-
Pepper Europe (UK) Limited	UK	100%	-	-	-

24. Controlled entities (continued)

Name Of Controlled Entity	Country Of incorporation / creation	Ownership interest 2013 %	Ownership interest 2012 %	Residual interest 2013 %	Residual interest 2012 %
Controlled entities (continued)					
Pepper Europe Investments UK Limited	UK	100%	-	-	-
Oakwood Cayman Holdings Limited	Cayman Islands	100%	-	-	-
Oakwood Spanish Holdings Limited	UK	100%	-	-	-
Vesta Asset Management S L	Spain	100%	-	-	-
Engage Credit Holdings Limited	UK	100%	-	-	-
Engage Credit Limited	UK	100%	-	-	-
Engage Credit Services Limited	UK	100%	-	-	-
Oakwood Cayman Holdings 2 Limited	Cayman Islands	100%	-	-	-
Oakwood Designated Partner Limited	UK	100%	-	-	-
Oakwood Global Servicing Limited	UK	100%	-	-	-
Oakdm1 Limited	UK	100%	-	-	-
Oakwood Global Finance LLP	UK	100%	-	-	-
Oakdm2 Limited	UK	100%	-	-	-
Oakwood Cayman Holdings 3 Limited	Cayman Islands	100%	-	-	-
Oakwood Capital Markets (UK) Limited	UK	100%	-	-	-
Oakwood Capital Markets LLP	UK	100%	-	-	-
Oakwood C M (UK) Limited	UK	100%	-	-	-
Pepper New Zealand Limited	New Zealand	100%	100%	-	-
Pepper New Zealand (Beneficiary) Limited	New Zealand	100%	100%	-	-
Pepper New Zealand (Settlor) Limited	New Zealand	100%	100%	-	-
Pepper Mortgage Warehouse Trust 2009-2	Australia	-	-	100%	100%
Pepper Mortgage Warehouse Trust 2010-1	Australia	-	-	100%	100%
Pepper Mortgage Warehouse Trust 2010-2	Australia	-	-	100%	100%
Pepper Settlement Trust	Australia	-	-	100%	-
The Collection Service Trust 1	Australia	-	-	100%	-
First Permanent RMBS Trust 2006-1	Australia	-	-	100%	100%
Pepper Residential Securities Trust No. 7	Australia	-	-	-	100%
Pepper Residential Securities Trust No. 8	Australia	-	-	100%	100%
Pepper Residential Securities Trust No. 9	Australia	-	-	100%	100%
Pepper Residential Securities Trust No. 10	Australia	-	-	100%	-
Pepper Residential Securities Trust No. 11	Australia	-	-	100%	-
Pepper Prime Mortgage Warehouse Trust 2011-1	Australia	-	-	-	100%
Pepper Prime Mortgage Warehouse Trust 2011-2	Australia	-	-	-	100%
Pepper Prime Mortgage Warehouse Trust 2011-3	Australia	-	-	-	100%
Pepper NAB Prime Mortgage Warehouse Trust	Australia	-	-	100%	-
Pepper NC Mortgage Warehouse Trust 2011-1	Australia	-	-	100%	100%
Pepper Prime 2012-1 Trust	Australia	-	-	100%	100%
Pepper Commercial Loans Trust 2013-1	Australia	-	-	100%	-
Pepper Prime 2013-1 Trust	Australia	-	-	100%	-
Pepper Prime Origination 2013-1	Australia	-	-	100%	-
Pepper Auto and Equipment Finance Trust 2012-1	Australia	-	-	100%	100%

25. Contingent liabilities and contingent assets

(a) The company has a guarantee in place covering all the tenant's obligations under its office lease and car parking agreements for Levels 9 and 10, 146 Arthur Street North Sydney. The amount of this guarantee at 31 December 2013 is $437,476 (2012:$437,476).

(b) The company has a guarantee in place covering all the tenant's obligations under its office lease and car parking agreements for Level 5, 18 Smith Street Parramatta. The amount of this guarantee at 31 December 2013 is $310,783 (2012:$310,783).

(c) The company has a guarantee in place covering all the tenant's obligations under its office lease Part Level 4, 56 William Street Perth. The amount of this guarantee at 31 December 2013 is $18,544 (2012:$18,544).

(d) The consolidated group has a guarantee in place covering all the tenant's obligations under its office lease in Madrid, Spain. The amount of this guarantee at 31 December 2013 is $190,040 (2012: Nil).

(e) The company does not have any contingent assets.

26. Related party transactions

(a) Equity interests in controlled entities

Details of the percentage of ordinary shares or units held in controlled entities are disclosed in note 24 to the financial statements.

During the financial year, the consolidated group acquired Pepper Savings Bank Co. Ltd (formerly Evergreen Savings Bank Co. Ltd) in South Korea, Oakwood Cayman Holdings 2 Limited (together with Oakwood Cayman Holdings Limited and Oakwood Cayman Holdings 3 Ltd) in the United Kingdom, and Celeris Servicios Financieros EFC, S.A. in Spain for their fair value as disclosed in Note 30. Furthermore, as a result of restructures within the group, Pepper Capital Corporation Limited, Pepper Group (Singapore) Pte Limited, and Pepper Europe Holdings Pty Limited became wholly owned subsidiaries of Pepper Australia Pty Ltd as disclosed in Note 31.

(b) Equity interests in other related parties

Details of non-controlling interests held in other related parties are as follows –

Pepper NZ Mortgage Warehouse Trust 2011-1	5.94%
Pepper NZ Mortgage Warehouse Trust 2011-2	6.01%

(c) Key management personnel

Details of key management personnel compensation are disclosed in note 6 to the financial statements.

Loans to directors are disclosed in note 8 to the financial statements. These loans are interest free and are made in relation to share options exercised during the financial year.

(d) Transactions within the group

The group is made up of the ultimate Australian parent entity, Pepper Australia Pty Ltd, and its controlled entities.

26. Related party transactions (continued)

(d) Transactions within the group (continued)

Amounts receivable from or payable to entities in the group are disclosed in notes 8 and 18 to the financial statements. Amounts receivable from or payable to related parties are non-interest bearing. No guarantees have been given or received. No expense has been recognised in the current or prior periods for bad or doubtful debts in respect of the amounts owed by related parties.

Pepper Australia Pty Limited received trust manager and servicer fees from related trusts. Pepper Australia Pty Ltd also received residual distributions from the profits generated by related trusts. Additionally, Pepper Australia Pty Limited received interest payments in respect of issued notes held in related trusts. The amounts received during the year for each of the trusts are as follows:

	Trust Manager and Servicer Fees		**Residual Distributions**		**Interest Payments**	
For the year ended 31 December:	**2013**	2012	**2013**	2012	**2013**	2012
	$	$	**$**	$	**$**	$
Pepper Mortgage Warehouse Trust 2009-2	**962,743**	756,741	**10,270,906**	4,593,760	**1,000,454**	976,731
Pepper Mortgage Warehouse Trust 2010-1	**1,110,409**	1,095,324	**9,184,853**	2,154,406	**434,418**	162,382
Pepper Mortgage Warehouse Trust 2010-2	**153,607**	209,716	**93,818**	527,119	**208,281**	298,554
Pepper Settlement Trust	**50,607**	-	**3,128,029**	-	**633,045**	-
The Collection Service Trust 1	**63,040**	-	**(65,864)**	-	**-**	-
Pepper Residential Securities Trust No. 7	**-**	41,943	**-**	400,128	**-**	-
Pepper Residential Securities Trust No. 8	**642,876**	852,485	**2,180,730**	2,989,272	**727,327**	803,308
Pepper Residential Securities Trust No. 9	**1,136,225**	959,278	**4,414,645**	4,497,839	**680,511**	659,538
Pepper Residential Securities Trust No. 10	**1,210,241**	-	**6,936,281**	-	**387,716**	-
Pepper Residential Securities Trust No. 11	**437,059**	-	**2,956,311**	-	**161,963**	-
Pepper Prime Mortgage Warehouse Trust 2011-1	**1,554,267**	4,907,612	**-**	-	**419,225**	1,381,926
Pepper Prime Mortgage Warehouse Trust 2011-2	**2,285,758**	5,885,514	**-**	-	**808,896**	1,455,163
Pepper Prime Mortgage Warehouse Trust 2011-3	**732,023**	1,598,081	**-**	-	**204,298**	540,616
Pepper NAB Prime Mortgage Warehouse Trust	**1,542,786**	-	**-**	-	**524,536**	-
Pepper NC Mortgage Warehouse Trust 2011-1	**855,510**	1,224,728	**-**	-	**2,039,771**	2,103,568
Pepper Prime 2012-1 Trust	**2,028,163**	279,575	**-**	-	**104,085**	12,484
Pepper Commercial Loans Trust 2013-1	**846,680**	-	**-**	-	**187,335**	-
Pepper Prime 2013-1 Trust	**894,049**	-	**-**	-	**43,157**	-
Pepper Prime Origination 2013-3	**-**	-	**-**	-	**-**	-
Pepper Auto and Equipment Finance Trust 2012-1	**122,978**	199,067	**89,210**	2,932,382	**262,664**	241,714
Pepper NZ Mortgage Warehouse Trust 2011-1	**-**	1,528,710	**-**	-	**-**	426,042
Pepper NZ Mortgage Warehouse Trust 2011-2	**-**	1,501,242	**-**	-	**-**	506,779
Pepper High Income Fund	**-**	-	**-**	132,475	**693,393**	-
	16,629,021	21,040,016	**39,188,919**	18,227,381	**9,521,075**	9,568,805

26. Related party transactions (continued)

(d) Transactions within the group (continued)

Pepper High Income Fund received interest payments from related trusts in respect of issued notes held in that trust. The amounts received during the year are as follows:

	Interest Payments 2013 $	Interest Payments 2012 $
Pepper Residential Securities Trust No. 9	**668,002**	32,300
Pepper Residential Securities Trust No. 10	**46,897**	-
Pepper Mortgage Warehouse Trust 2010-1	**765,616**	84,741
Pepper Prime Mortgage Warehouse Trust 2011-1	-	12,999
Pepper Prime 2012-1 Trust	**141,720**	5,784
	1,622,235	135,824

Pepper Finance Corporation Limited, a related party, received trustee fees from related trusts. Additionally, Pepper Capital Corporation Limited received interest payments in respect of issued notes held in related trusts. The amounts received during the year for each of the trusts are as follows:

	Pepper Finance Corporation Limited		Pepper Capital Corporation Limited	
	Trustee Fees		Interest Payments	
For the year ended 31 December:	**2013** $	2012 $	**2013** $	2012 $
Pepper Settlement Trust	**985**	-	-	-
The Collection Service Trust 1	**1,897**	-	-	-
Pepper Mortgage Warehouse Trust 2009-2	**19,255**	15,135	-	-
Pepper Mortgage Warehouse Trust 2010-1	**22,208**	21,907	-	-
Pepper Mortgage Warehouse Trust 2010-2	**3,443**	5,243	-	-
Pepper Prime Mortgage Warehouse Trust 2011-1	-	-	-	206,335
Pepper Prime Mortgage Warehouse Trust 2011-3	-	-	-	116,716
	47,788	42,285	-	323,051

First Permanent RMBS Trust 2006-1 received interest payments of $323,281 (2012: $104,649) from Pepper Mortgage Warehouse Trust 2010-2, a related trust, in respect of issued Notes held in that trust.

Pepper Group (Singapore) Pte Limited, a related party which was not a member of the Group in 2012, received management fees from Pepper Australia Pty Limited of Nil (2012: $1,350,000).

Pepper Australia Pty Limited received management fees of $608,333 (2012: $260,419) from Pepper Property Group Pty Limited, a controlled entity during the year. Pepper Property Group Pty Limited received advisory fees of $290,900 (2012: nil) from Pepper Australia Pty Limited and $67,138 (2012: nil) from other group entities.

Pepper Investment Management Pty Limited received management fees from Pepper High Income Fund, a related trust during the year of $338,625 (2012: $32,705).

Pepper Australia Pty Limited received interest payments from Morgij Holdings Pty Limited and Pepper Finance (H62) Limited, controlled entities, during the year of $43,407 (2012: $37,357) and $670,731 (2012: Nil) respectively.

	Consolidated		Company	
	Year ended 31 December 2013 $	Year ended 31 December 2012 $	**Year ended 31 December 2013 $**	Year ended 31 December 2012 $

27. Notes to the statement of cash flows

(a) Reconciliation of cash and cash equivalents

Cash at the end of the year as shown in the cash flow statement is reconciled to the related items in the statement of financial position as follows:

	Consolidated 2013	Consolidated 2012	Company 2013	Company 2012
Cash at bank – companies	**176,239,354**	18,681,606	**22,333,264**	18,121,364
Cash at bank – trusts	**220,585,602**	157,885,854	**-**	-
Cash and cash equivalents	**396,824,956**	176,567,460	**22,333,264**	18,121,364

Cash retained in the trusts is not available for the operations of the business except where subject to conditions contained in the funding agreements and trust documentation. Cash held by Pepper Savings Bank Co., Ltd in South Korea is required to meet regulatory requirements.

(b) Reconciliation of profit for the year to net cash flows from operating activities

	Consolidated 2013	Consolidated 2012	Company 2013	Company 2012
Total comprehensive income for the year	**33,568,434**	24,551,819	**24,507,395**	24,517,436
Depreciation and amortisation expenses	**2,568,688**	1,158,460	**1,795,565**	1,125,992
Deferred tax asset movement	**(1,052,039)**	(628,518)	**(1,753,714)**	(404,195)
Deferred tax liability movement	**4,066,489**	2,168,470	**2,038,110**	2,168,470
Current tax liability movement	**2,624,757**	(1,827,679)	**1,368,909**	(1,905,961)
Bargain gain	**(88,702)**	-	**-**	-
Borrowing costs	**273,748**	-	**273,748**	-
Exchange differences on translating foreign operations	**(2,243,973)**	-	**-**	-
Share based payments	**782,632**	686,485	**1,590,415**	686,485
Changes in net assets and liabilities, net of effects from acquisition and disposal of businesses:				
(Increase) / decrease in assets:				
Current receivables	**2,609,900**	(2,096,889)	**(15,569,101)**	(12,627,413)
Investment securities	**(19,299)**	-	**-**	-
Loans and advances	**68,503,381**	8,688,998	**13,735,237**	-
Other assets	**(12,991,743)**	(639,358)	**(60,994)**	(467,239)
Investments	**3,227,710**	2,137,715	**2,960,830**	2,137,715
(Increase) / decrease in liabilities:				
Current trade payables	**13,962,741**	(1,749,706)	**2,242,578**	(2,331,610)
Borrowings	**90,925**	(2,800,026)	**-**	43,394
Other creditors and accruals	**(6,907,331)**	3,531,385	**192,838**	8,886,616
Provisions	**4,819,131**	2,578,576	**2,419,902**	1,809,464
	113,795,449	35,759,732	**35,741,718**	23,639,154

28. Share based payments

(a) Employee share option plan

The Group has an ownership-based compensation scheme for executives and senior employees. Each employee share option converts into one A class share of Pepper Australia Pty Limited on exercise. No amounts are paid or payable by the recipient on receipt of the option. The options carry neither rights to dividends nor voting rights. Options may be exercised at any time from the date of vesting to the date of their expiry. The recipient may sell all shares to the Company. The following share-based payment arrangements were in existence during the current reporting periods:

Option Series	Number	Grant date	Expiry date	Exercise price	Fair value at grant date
Tranche 2 – January 2011 (1)	12,500	20/1/2011	20/1/2020	-	$41.90
Tranche 3 – January 2011 (2)	4,025	20/1/2011	20/1/2020	-	$52.66
Tranche 1 – January 2012 (3)	1,363	31/1/2012	20/1/2020	$293.73	$34.79
Tranche 2 –January 2012 (4)	1,362	31/1/2012	20/1/2020	$293.73	$83.83
Tranche 1 – August 2012 (5)	1,363	31/8/2012	20/1/2020	$719.48	$56.31
Tranche 2 – August 2012 (6)	1,362	31/8/2012	20/1/2020	$719.48	$145.20

(1) In accordance with the terms of the share-based arrangement, options issued in Tranche 2 – January 2011 will vest 18 months after the Grant Date should a Return on Investment performance hurdle of 20% be achieved.

(2) In accordance with the terms of the share-based arrangement, options issued in Tranche 3 – January 2011 will vest 36 months after the Grant Date should a Return on Investment performance hurdle of 38% be achieved.

(3) In accordance with the terms of the share-based arrangement, options issued in Tranche 1 – January 2012 will vest 6 months after the Grant Date should a Return on Investment performance hurdle of 20% be achieved.

(4) In accordance with the terms of the share-based arrangement, options issued in Tranche 2 – January 2012 will vest 23 months after the Grant Date should a Return on Investment performance hurdle of 35% be achieved.

(5) In accordance with the terms of the share-based arrangement, options issued in Tranche 1 – August 2012 will vest 12 months after the Grant Date should a Return on Investment performance hurdle of 20% be achieved.

(6) In accordance with the terms of the share-based arrangement, options issued in Tranche 2 – August 2012 will vest 36 months after the Grant Date should a Return on Investment performance hurdle of 35% be achieved.

(b) Movements in shares options during the year

The following reconciles the share options outstanding at the beginning and end of the year.

	2013		2012	
	Number of options	**Weighted average exercise price $**	Number of Options	Weighted average exercise price $
Beginning of the year	**20,320**	**138.22**	14,525	-
Granted during the year	**-**	**-**	5,795	506.61
Exercised during the year	**13,225**	**61.08**	-	-
End of the year	**7,095**	**278.87**	20,320	138.22

Pepper Australia Pty Limited understated the number of share options granted in 2012 in addition to the balance for the number of share options reported as at 31 December 2012 by 345. When reported for comparative purposes in the current year's financial statements, the comparatives have been restated to report the options as they should have been reported last year.

29. Financial instruments, financial risks and capital risk management

Categories of financial instruments

	Consolidated		Company	
	Year ended 31 December 2013 $	Year ended 31 December 2012 $	**Year ended 31 December 2013 $**	Year ended 31 December 2012 $
Financial Assets				
Cash and bank balances	**396,824,956**	176,567,460	**22,333,264**	18,121,364
Securities	**136,293,207**	-	-	-
Loans and advances	**3,384,371,310**	3,198,646,617	-	-
Receivables	**37,007,170**	12,344,744	**97,695,192**	48,160,115
Investments	**53,183,964**	9,631,352	**167,401,890**	72,561,524
	4,007,680,607	3,397,190,173	**287,430,346**	138,843,003
Financial liabilities				
Deposits	**384,916,036**	-	-	-
Trade and other payables	**24,633,453**	3,567,200	**4,305,259**	2,062,680
Borrowings	**3,428,655,280**	3,273,491,662	**55,075,273**	14,683,470
	3,838,204,769	3,277,058,862	**59,380,532**	16,746,150

Financial risk management policies and objectives

The group's activities expose it to a variety of financial risks, primarily credit risk and liquidity risk. The group's risk management programme focuses on understanding the drivers of financial markets and seeks to minimise the potential adverse effects on the financial performance of the consolidated entity. The consolidated entity does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes. The use of financial derivatives is governed by the consolidated entity's policies approved by the board of directors, which provide written principles on the use of financial derivatives. Compliance with policies and exposure limits is reviewed on a continuous basis.

(a) Capital risk management

The group manages its capital to ensure that entities in the group will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance.

The capital structure of the group consists of debt, which includes borrowings disclosed in note 17, cash and cash equivalents and equity attributable to members of the parent entity, comprising of issued capital disclosed on note 21 and retained earnings.

(b) Market risk

The group activities are not exposed to the market excluding interest rate risk and foreign exchange risk.

29. Financial instruments, financial risks and capital risk management (continued)

(c) Interest rate risk

The company and the group are exposed to interest rate risk as some receivables are contracted at fixed interest rates. The group manages this risk through an interest rate swap. The group has no fixed rate borrowings as at the reporting date.

Interest rate sensitivity analysis

As any changes to the underlying interest rate affect both the group's interest income and borrowing costs equally, any increase or decrease would not result in a material change in the group's profit and loss.

(d) Foreign exchange risk

The group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the Great British Pound, Euro, South Korean Won, and the United States Dollar.

Foreign exchange risk arises from future commercial transactions and recognised assets and liabilities denominated in a currency that is not the entity's functional currency. Group companies are required to manage their foreign exchange risk exposure arising from future commercial transactions using forward contracts transacted with Group Treasury where the foreign exchange risk is assessed as significant.

(e) Credit risk management

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the consolidated entity. The consolidated entity has adopted the policy of only dealing with creditworthy counterparties and obtaining sufficient collateral or other security where appropriate, as a means of mitigating the risk of financial loss from defaults. The consolidated entity measures credit risk on a fair value basis. The consolidated entity's exposure and credit rating of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties.

The consolidated entity does not have any significant credit risk exposure to any single counterparty and/or any group of counterparties having similar characteristics.

The carrying amount of financial assets recorded in the financial statements, net of any provisions for impairment, represents the consolidated entity's maximum exposure to credit risk without taking account of the value of any collateral or other security obtained.

The consolidated entity's exposure to mortgage loans is limited, as they are legally owned by the special purpose entities with no recourse to the group. Losses on mortgage loans are therefore limited to the consolidated entity's investments in notes in these trusts and the cash collateral retained in the trust.

29. Financial instruments, financial risks and capital risk management (continued)

(f) Liquidity risk management

The consolidated entity manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities by continuously monitoring forecasts and actual cash flows.

The Group also incorporates one prime and one specialist mortgage warehouse pursuant to the relevant portfolios acquired from GE in 2011. The Group arranged a second public securitisation issue during 2013 utilising prime loans originated by GE Capital. This securitisation issue was arranged to refinance the acquisition financing utilised for the purchase of the GE portfolio.

The group maintain regular dialogue and reporting to banking facility providers to ensure continuance of funding.

(g) Fair value of financial instruments

The fair value of financial assets and financial liabilities (excluding derivative instruments) are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions.

30. Business combinations

(a) Summary of acquisitions

Businesses acquired	Principal Activity	Date of Acquisition	Proportion of shares acquired	Consideration transferred $
2013				
Oakwood Cayman Holdings 2 Ltd (together with Oakwood Cayman Holdings Ltd and Oakwood Cayman Holdings 3 Ltd)	Loan Servicing	10 September 2013	100%	31,551,372
Evergreen Savings Bank Co., Ltd	Mutual Savings Bank	18 October 2013	100%	13,392,556
Business of Han-ul Savings Bank Co., Ltd	Mutual Savings Bank	27 December 2013	100%	521,088
Business of Celeris Servicios Financieros, EFC, S.A.	Loan Servicing	28 February 2013	100%	554,402
				46,019,418

30. Business combinations (continued)

(a) Summary of acquisitions (continued)

Consideration Transferred	Evergreen Savings Bank Co., Ltd $	Business of Han-ul Savings Bank Co., Ltd $	Oakwood Cayman Holdings 2 Limited $	Business of Celeris Servicios Financieros, EFC, S.A. $	Total $
Cash	13,392,556	521,088	31,551,372	554,402	46,019,418
	13,392,556	521,088	31,551,372	554,402	46,019,418
Assets acquired and liabilities assumed at the date of acquisition					
Assets					
Cash and cash equivalents	49,270,069	152,550,175	2,772,493	-	204,592,737
Investment securities	24,520,965	36,642,314	-	-	61,163,279
Receivables	-	-	4,237,570	-	4,237,570
Other assets	11,825,721	7,087,927	4,733,919	-	23,647,567
Loans and advances	88,685,766	40,547,711	-	-	129,233,477
Property, plant and equipment	2,914,804	-	1,511,550	643,104	5,069,458
Intangible assets	21,541,190	521,088	5,939,969	-	28,002,247
	198,758,515	237,349,215	19,195,501	643,104	455,946,335
Liabilities					
Deposits	156,696,501	232,731,574	-	-	389,428,075
Other liabilities	28,669,458	4,096,553	3,712,616	-	36,478,627
Provisions	-	-	343,535	-	343,535
Deferred tax liabilities	-	-	1,247,393	-	1,247,393
	185,365,959	236,828,127	5,303,544	-	427,497,630
Net identifiable assets acquired	13,392,556	521,088	13,891,957	643,104	28,448,705
Goodwill arising on acquisition					
Consideration transferred	13,392,556	521,088	31,551,372	554,402	46,019,418
Less: net identifiable assets acquired	13,392,556	521,088	13,891,957	643,104	28,448,705
Goodwill / (bargain gain) arising on acquisition	-	-	17,659,415	(88,702)	17,570,713

30. Business combinations (continued)

(a) Summary of acquisitions (continued)

Subsidiaries acquired	Principal Activity	Date of Acquisition	Proportion of shares acquired	Consideration transferred $
2012				
Pepper Property Group Pty Limited	Property Advisory	3 July 2012	100%	7,703,041
				7,703,041

Consideration Transferred	Pepper Property Group Pty Ltd $
Cash	3,750,000
Deferred consideration	2,409,356
Contingent consideration (i)	1,543,685
	7,703,041
Assets acquired and liabilities assumed at the date of acquisition	
Assets	
Cash and cash equivalents	530,908
Trade and other receivables	1,324,400
Investments	111
Property, plant and equipment	11,173
	1,866,592
Liabilities	
Trade and other payables	1,322,477
Deferred tax liability	(20,838)
Employee provisions	564,953
	1,866,592
Net identifiable assets acquired	-
Goodwill arising on acquisition	
Consideration transferred	7,703,041
Less: net identifiable assets acquired	-
Goodwill arising on acquisition	7,703,041

30. Business combinations (continued)

(a) Summary of acquisitions (continued)

(i) Contingent consideration

Under the contingent consideration arrangement, the Group is required to pay the vendors an additional $1,543,685 if the Pepper Property Group Pty Limited's group profit after tax delivers an IRR of 15% when measured over the period from acquisition to 3 July 2016. The directors consider it probable that this payment will be required. $1,543,685 represents the fair value of this obligation at the acquisition date.

(b) Purchase consideration - cash inflow / (outflow)

	Consolidated		Company	
	Year ended 31 December 2013 $	Year ended 31 December 2012 $	**Year ended 31 December 2013 $**	Year ended 31 December 2012 $
Outflow of cash to acquire subsidiary, net of cash acquired				
Cash consideration	**46,019,418**	3,750,000	-	-
Less: Balances acquired				
Cash and cash equivalents	**204,592,737**	530,908	-	-
	204,592,737	530,908	-	-
Inflow / (outflow) of cash – investing activities	**158,573,319**	(3,219,092)	-	-

Acquisition related costs of $1,904,613 are included in other expenses from operations in the statement of profit or loss and other comprehensive income and in the cash flows from operating activities in the statement of cash flows.

31. Business combinations under common control

(a) Summary of acquisitions

Subsidiaries acquired	Principal Activity	Date of Acquisition	Proportion of shares acquired	Consideration transferred $
2013				
Pepper Capital Corporation Limited	Investment Company	31 May 2013	100%	**2**
Pepper Group (Singapore) Pte Limited	Holding Company	10 July 2013	100%	**27,744,128**
Pepper Europe Holdings Pty Limited	Holding Company	10 July 2013	100%	**54,000,000**
				81,744,130

31. Business combinations under common control (continued)

(a) Summary of acquisitions (continued)

The acquisitions are business combinations under common ownership. They have been accounted for by Pepper Australia Pty Limited on consolidation prospectively from the date of obtaining the ownership interest. Assets and liabilities have been recognised upon consolidation at their consolidated carrying amounts in the financial statements of Pepper Australia Pty Limited.

The difference between the cost of the acquisition (that is, the fair value of the consideration paid), and the amounts at which the assets and liabilities have been recorded is recognised in the 'business combinations under common control' reserve.

Consideration Transferred	**Pepper Capital Corporation Limited $**	**Pepper Group (Singapore) Pte Limited $**	**Pepper Europe Holdings Pty Limited $**	**Total $**
Issued capital	2	27,744,128	54,000,000	81,744,130
	2	27,744,128	54,000,000	81,744,130
Assets acquired and liabilities assumed at the date of acquisition (predecessor values)				
Assets				
Cash and cash equivalents	-	-	9,349,654	9,349,654
Receivables	-	-	5,429,705	5,429,705
Other assets	-	-	1,520,031	1,520,031
Investments	188,170	27,744,128	30,948,016	58,880,314
Property, plant and equipment	-	-	1,705,509	1,705,509
Deferred tax asset	-	1,417,915	-	1,417,915
Intangible assets	-	(7,066,168)	(238,057)	(7,304,225)
	188,170	22,095,875	48,714,858	70,998,903
Liabilities				
Trade and other payables	-	-	4,319,102	4,319,102
Deferred licence fees	-	(511,882)	-	(511,882)
Deferred income tax liability	-	(34,126)	-	(34,126)
Other liabilities	-	-	3,296,290	3,296,290
Provisions	-	(878,525)	2,552,509	1,673,984
Unearned income	-	(835,626)	9	(835,617)
	-	(2,260,159)	10,167,910	7,907,751
Net identifiable assets acquired	188,170	24,356,034	38,546,948	63,091,152

31. Business combinations under common control (continued)

	Pepper Capital Corporation Limited $	Pepper Group (Singapore) Pte Limited $	Pepper Europe Holdings Pty Limited $	Total $
(a) Summary of acquisitions (continued)				
Business combination under common control reserve				
Consideration transferred	2	27,744,128	54,000,000	81,744,130
Less: net identifiable assets acquired	188,170	24,356,034	38,546,948	63,091,152
Difference taken to business combination under common control reserve	188,168	(3,388,094)	(15,453,052)	(18,652,978)
(b) Purchase consideration - cash inflow / (outflow)				
Outflow of cash to acquire subsidiary, net of cash acquired				
Cash consideration	-	-	-	-
Less: Balances acquired				
Cash and cash equivalents	9,349,654	-	-	-
Inflow / (outflow) of cash – investing activities	9,349,654	-	-	-

Acquisition related costs of $204,728 are included in other expenses from operations in the statement of profit or loss and other comprehensive income and in the cash flows from operating activities in the statement of cash flows.

32. Significant events

On 21 March, 2013, it was agreed by the respective boards of Pepper Australia Pty Limited and Pepper Europe Holdings Pty Ltd, a related but not consolidated group of companies, to initiate a corporate restructure such that Pepper Australia Pty Limited would acquire Pepper Europe Holdings Pty Limited and its subsidiaries.

33. Subsequent Events

There has not been any matter or circumstance, other than that referred to in the financial statements or notes thereto, that has arisen since the end of the financial year, that has significantly affected, or may significantly affect, the operations of the consolidated entity, the results of those operations, or the state of affairs of the consolidated entity in future financial years.

34. Additional company information

Pepper Australia Pty Limited is a private company, incorporated in Australia and operating in Australia and internationally.

Registered office
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