RESIMAC GROUP LTD

Appendix 4D

Financial report
for the half-year ended 31 December 2019

ABN: 55 095 034 003

ASX : RMC

RESIMAC GROUP LTD AND ITS CONTROLLED ENTITIES

APPENDIX 4D (rule 4.2A)

FINAL REPORT FOR THE HALF-YEAR ENDED 31 DECEMBER 2019

RESULTS FOR ANNOUNCEMENT TO THE MARKET

(All comparisons to half-year ended 31 December 2018 "HY19")	$'000	Up/ down	Movement from HY19 %
Revenue from ordinary activities	**235,904**	Up	2%
Profit from ordinary activities after tax attributable to members	**27,159**	Up	44%
Net comprehensive income for the period attributable to members	**26,366**	Up	98%

DIVIDENDS	Amount per share (cents)	Franked amount per security (cents)
Interim FY20 dividend declared	**1.20**	**1.20**
Final FY19 dividend paid (30 September 2019)	**1.50**	**1.50**
	2.70	**2.70**
Previous corresponding period:		
Interim FY19 dividend paid (25 March 2019)	1.00	1.00
Final FY18 dividend paid (12 October 2018)	0.90	0.90
	1.90	1.90

Record date for determining entitlements to the dividend	28 February 2020
Date the interim dividend is payable	27 March 2020

Dividend Reinvestment Plan

The Company's Dividend Reinvestment Plan (DRP) will apply to the interim dividend payment. The allocation price for shares under the DRP will be calculated at the average of the daily volume weighted average price of Resimac Group Ltd ordinary shares traded on the ASX over the 5 day trading period commencing on the second business day after the record date. The shares will be issued at a discount of 2.5%. Dividend election notices will be posted out to shareholders on 28 February 2020.

1) Previous corresponding period

The previous corresponding period is the half-year ended 31 December 2018.

2) Net tangible assets per security

Net tangible assets per security is $0.39 (HY19: $0.30*).

* The NTA calculation in the prior year has been restated as a result of implementation of AASB 15 and the recognition of the contract asset.

3) Explanation of results

This information should be read in conjunction with the Resimac Group Ltd 2019 Annual Report and with any public announcements made in the period by the Group in accordance with the continuous disclosure requirements of the *Corporations Act 2001* and the ASX Listing Rules.

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

Normalised earnings

To reflect the Group's normalised earnings the net profit after tax (NPAT) has been adjusted to separate the following items:

	HY 20 $'000	HY 19 $'000
Statutory NPAT	**27,159**	**18,893**
De-recognition of investment in Associate (Finsure)	**-**	**(5,810)**
Non-recurring other income - rebate	**(385)**	**(467)**
Tax effect	**116**	**1,883**
Normalised NPAT	**26,890**	**14,499**

4) Details of associates and joint venture entities

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

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

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

6) Audit

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

7) Commentary on results for the period

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

Cholmondeley Darvall
Chairman and Non-executive Director

Sydney
25 February 2020

Financial statements

Notes to the condensed consolidated financial statements

Key numbers

Capital

Risk

Other

Signed reports

DIRECTORS' REPORT
RESIMAC GROUP LTD AND ITS CONTROLLED ENTITIES

The Directors of Resimac Group Ltd ("Resimac" or "the Company") submit their report together with the financial statements of Resimac and its controlled entities ("the Group") for the half-year ended 31 December 2019.

Directors

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

- **Mr Cholmondeley (Chum) Darvall**
  Chairman and Independent Non-Executive Director
- **Ms Susan Hansen**
  Independent Non-Executive Director
- **Mr Warren McLeland**
  Non-Executive Director
- **Mr Duncan Saville**
  Non-Executive Director
- **Mr Michael Jefferies**
  Independent Non-Executive Director (resigned 26th November 2019)

Key management personnel

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

- **Mr Scott McWilliam**
  Chief Executive Officer
- **Mr Jason Azzopardi**
  Chief Financial Officer

Review of operations

The Group generated a net profit after tax (NPAT) of $27,159,000 for the half-year ended 31 December 2019. To reflect the Group's normalised earnings the NPAT has been adjusted to separate one-off items. Management believe the disclosure of the normalised NPAT provides additional insight into the underlying performance for the period, by excluding one off, non recurring revenue items.

The following table reconciles the unaudited normalised earnings to the statutory NPAT for the period in accordance with International Financial Reporting Standards (IFRS).

Unaudited non-IFRS information	**HY20 $'000**
Statutory NPAT	**27,159**
Non-recurring other income - rebate	**(385)**
Tax effect	**116**
Normalised NPAT	**26,890**

DIRECTORS' REPORT
RESIMAC GROUP LTD AND ITS CONTROLLED ENTITIES

Review of operations (continuation)

Total revenues and other income of $235,904,000 increased 2% on the previous corresponding period (PCP).

Net interest income increased 53% to $84,271,000 on the PCP.

Operating expenses decreased 0.2% to $30,555,000 on the PCP.

Loan impairment expense increased to $3,835,000, reflecting the Group's conservative approach to potential credit losses.

On balance sheet home loan settlements across the Group's direct and third party distribution channels were $2.4 billion, up 22% on the PCP.

White label settlements were $70 million, down 76% on the PCP reflecting the Group's strategic decision to cease originating white label loans during the period.

The Group's assets under management at 31 December 2019 comprise:

- On balance sheet home loans and advances to customers of $11.3[1] billion, up 11% compared to 30 June 2019; and
- White label portfolio of $2.9 billion, down 11% compared to 30 June 2019. This portfolio is now in run off.
- Combined these make up the total assets under management of $14.2 billion.

Funding programmes

The RESIMAC Premier Series 2019-2 transaction was settled on 29 August 2019 and is a multi-currency Prime issue with a total issuance size of $1 billion equivalent.

The RESIMAC Bastille Series 2019-1 NC transaction was settled on 24 October 2019 and is a multi-currency non-conforming issue with a total issuance size of $1 billion equivalent.

The Avoca Series 2019-1 transaction was settled on 15 November 2019 and is a domestic prime issue with a total issuance size of $472.5 million.

Auditor's independence declaration

The auditor's independence declaration is included on page 39 of this financial report.

Subsequent events

Resimac has taken a controlling stake in IA Group who specialise in both secured commercial and consumer lending, effective 6 January 2020. Consideration for the 60% acquisition was $6m and Resimac holds an option to acquire the remaining 40%.

Rounding off of amounts

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

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

[1] On balance sheet home loans AUM excludes $98 million of Athena loans held at 31 December 2019, which are included in the consolidated financial statements. Management does not consider the Athena loans as part of the Group's home loan portfolio.

DIRECTORS' REPORT
RESIMAC GROUP LTD AND ITS CONTROLLED ENTITIES

On behalf of the Directors of Resimac Group Ltd.

Cholmondeley Darvall
Chairman and Independent Non-Executive Director

Sydney,
25 February 2020

FINANCIAL STATEMENTS

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE HALF-YEAR ENDED 31 DECEMBER 2019

	Note	**HY20 $'000**	HY19 $'000
Interest income	1	**229,098**	**216,952**
Interest expense	2	**(144,827)**	**(161,884)**
Net interest income		**84,271**	**55,068**
Fee and commission income (Revenue from customers under AASB 15)	1	**6,156**	**11,814**
Fee and commission expense	2	**(18,038)**	**(15,668)**
De-recognition of investment in Associate (Finsure)		**-**	**5,810**
Other income	1	**650**	**2,209**
Employee benefits expense	2	**(17,350)**	**(19,738)**
Other expenses	2	**(13,205)**	**(10,878)**
Loan impairment expense	2	**(3,835)**	**(1,576)**
Profit before tax		**38,649**	**27,041**
Income tax expense		**(11,490)**	**(8,148)**
PROFIT AFTER TAX		**27,159**	**18,893**
Attributable to:			
Owners of the parent		**27,159**	**18,893**
		27,159	**18,893**

		HY20 cents per share	HY19 cents per share
Earnings per share			
Basic	12	**6.69**	4.73
Diluted	12	**6.67**	4.71

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE HALF-YEAR ENDED 31 DECEMBER 2019

	Note	**HY20 $'000**	HY19 $'000
PROFIT AFTER TAX		**27,159**	18,893
Other comprehensive income, net of income tax			
Items that will not be reclassified subsequently to profit or loss:			
Reversal of prior year reserve on trust wind up		**-**	(7)
Fair value movement on investments in BNK Banking Corporation Limited ("BNK") through OCI, net of tax		**(125)**	(1,908)
Items that may be reclassified subsequently to profit or loss:			
Changes in fair value of cash flow hedges		**(1,187)**	(6,813)
Tax effect		**356**	2,044
Currency translation differences		**163**	1,082
Other comprehensive income for the period, net of tax		**(793)**	(5,602)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		**26,366**	13,291
Attributable to:			
Owners of the parent		**26,366**	13,291
		26,366	13,291

FINANCIAL STATEMENTS

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2019

	Note	HY20 $'000	FY19 $'000
ASSETS			
Cash and cash equivalents	3	**412,443**	224,790
Trade and other receivables		**6,461**	10,699
Loans and advances	4	**11,439,174**	10,341,913
Contract assets	1	**45,824**	48,648
Other financial assets	5	**7,941**	5,120
Derivative financial assets	15	**29,182**	56,575
Other assets		**3,448**	3,145
Plant and equipment		**1,941**	2,110
Right-of-use assets	6	**12,829**	-
Goodwill and intangible assets	7	**23,265**	23,457
		11,982,508	10,716,457
LIABILITIES			
Trade and other payables		**19,182**	25,294
Current tax payable		**5,891**	6,690
Provisions		**4,165**	4,050
Interest-bearing liabilities	8	**11,690,329**	10,450,621
Lease liabilities	9	**13,726**	-
Other financial liabilities	10	**21,816**	22,901
Derivative financial liabilities	15	**1,527**	1,565
Other liabilities		**3,191**	2,907
Deferred tax liabilities		**5,801**	6,305
		11,765,628	10,520,333
NET ASSETS		**216,880**	196,124
EQUITY			
Share capital		**181,241**	180,548
Reverse acquisition reserve		**(61,541)**	(61,541)
Total issued capital		**119,700**	119,007
Reserves		**(7,644)**	(7,197)
Retained earnings		**104,824**	84,314
Equity attributable to owners of the parent		**216,880**	196,124
Non-controlling interest		**-**	-
		216,880	196,124

FINANCIAL STATEMENTS

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE HALF-YEAR ENDED 31 DECEMBER 2019

	Share capital $'000	Reverse acquisition reserve [1] $'000	Total issued capital	Reserves[2] $'000	Retained earnings $'000	Attributable to owners of the parent $'000	Total $'000
Balance as at 1 July 2018	177,340	(61,541)	115,799	(3,011)	49,937	162,725	162,725
Adoption of AASB 9, net of income tax	-	-	-	-	(5,213)	(5,213)	(5,213)
Adjusted balance as at 1 July 2018	177,340	(61,541)	115,799	(3,011)	44,724	157,512	157,512
Profit for the period	-	-	-	-	18,893	18,893	18,893
Other comprehensive income, net of income tax	-	-	-	(5,602)	-	(5,602)	(5,602)
Total comprehensive income for the period	-	-	-	(5,602)	18,893	13,291	13,291
Issue of shares under the Dividend Reinvestment Plan	461	-	461	-	-	461	461
Equity dividends	-	-	-	-	(3,594)	(3,594)	(3,594)
Share-based payments	-	-	-	24	-	24	24
Balance at 31 December 2018	177,801	(61,541)	116,260	(8,589)	60,023	167,694	167,694
Balance as at 1 July 2019	**180,548**	**(61,541)**	**119,007**	**(7,197)**	**84,314**	**196,124**	**196,124**
Adoption of AASB 16, net of income tax	**-**	**-**	**-**	**-**	**(339)**	**(339)**	**(339)**
Adjusted Balance as at 1 July 2019	**180,548**	**(61,541)**	**119,007**	**(7,197)**	**83,975**	**195,785**	**195,785**
Profit for the period	**-**	**-**	**-**	**-**	**27,159**	**27,159**	**27,159**
Other comprehensive income, net of income tax	**-**	**-**	**-**	**(793)**	**-**	**(793)**	**(793)**
Total comprehensive income for the period	**-**	**-**	**-**	**(793)**	**27,159**	**26,366**	**26,366**
Issue of shares under the Dividend Reinvestment Plan	**693**	**-**	**693**	**-**	**-**	**693**	**693**
Equity dividends	**-**	**-**	**-**	**-**	**(6,087)**	**(6,087)**	**(6,087)**
Share-based payments	**-**	**-**	**-**	**123**	**-**	**123**	**123**
Reallocation	**-**	**-**	**-**	**223**	**(223)**	**-**	**-**
Balance at 31 December 2019	**181,241**	**(61,541)**	**119,700**	**(7,644)**	**104,824**	**216,880**	**216,880**

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

2 Comprises cash flow hedge reserve, foreign currency translation reserve, fair value reserve and share-based payment reserve.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2019

	Note	**HY20 $'000**	HY19 $'000
Cash flows from operating activities			
Interest received		**234,366**	215,204
Interest paid		**(137,524)**	(155,308)
Receipts from loan fees and other income		**25,423**	18,071
Payments to suppliers and employees		**(80,959)**	(76,770)
Payments of net loans to borrowers		**(1,891,931)**	(809,179)
Income tax paid		**(12,233)**	(5,802)
Net cash used in operating activities		**(1,862,858)**	(813,784)
Cash flows from investing activities			
Payment for plant and equipment		**(69)**	(2,040)
Repayment of loans to related parties		**(2,400)**	-
Payment for new investments		**(3,000)**	(2,000)
Net cash used in investing activities		**(5,469)**	(4,040)
Cash flows from financing activities			
Proceeds from borrowings		**5,572,284**	5,645,588
Repayment of borrowings		**(4,304,445)**	(4,723,585)
Proceeds of loans sold to external party (Athena)		**794,894**	-
Payment of lease liabilities		**(824)**	-
Swap payments		**(832)**	448
Payment of dividends	11	**(5,394)**	(3,133)
Net cash provided by financing activities		**2,055,683**	919,318
Net increase in cash and cash equivalents		**187,356**	101,494
Cash and cash equivalents at the beginning of the period (1 July)		**224,790**	198,905
Effects of exchange rate changes on cash balances held in foreign currencies		**297**	(85)
Cash and cash equivalents at the end of the period	3	**412,443**	300,314

Statement of compliance

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

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

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

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

Basis of preparation

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

The Company is an entity of the kind referred to in *ASIC Corporations* (Rounding in Financial/Directors' Reports) Instrument 2016/191, dated 24 March 2016, and in accordance with that Corporations Instrument amounts in the Directors' Report and the financial statements are rounded off to the nearest thousand dollars, unless otherwise indicated.

The accounting policies and methods of computation adopted in the preparation of the half-year financial report are consistent with those adopted and disclosed in the company's 2019 annual financial report for the financial year ended 30 June 2019, except for the impact of the Standards and Interpretations described below. The changes in accounting policies will also be reflected in the Group's consolidated financial statements as at and for the year ending 30 June 2020. These accounting policies are consistent with Australian Accounting Standards (AAS) and with International Financial Reporting Standards (IFRS).

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

New and revised Standards and amendments thereof and interpretations effective for the current half-year that are relevant to the Group include:

- AASB 16 *Leases*
- AASB 2017-6 *Amendments to Australian Accounting Standards – Prepayment Features with Negative Compensation*
- AASB 2018-1 *Amendments to Australian Accounting Standards – Annual Improvements 2015-2017 Cycle*
- AASB 2018-3 *Amendments to Australian Accounting Standards – Reduced Disclosure Requirements*
- Interpretation 23 *Uncertainty over Income Tax Treatments*

Impact of the application of AASB 16 Leases

General impact of application of AASB 16

AASB 16 Leases introduces new or amended requirements with respect to lease accounting. It introduces significant changes to the lessee accounting by removing the distinction between operating and finance leases and requiring the recognition of a right-of-use asset and lease liability at the lease commencement for all leases, except for short-term leases and leases of low value assets. In contrast to lessee accounting, the requirement for lessor accounting have remained largely unchanged. Details of these new requirements and the impact of the adoption of AASB 16 on the Group's consolidated financial statements are described below.

Impact of the new definition of a lease

The Group made use of the practical expedient available on transition to AASB 16 not to reassess whether a contract is or contains a lease. Accordingly, the definition of a lease in accordance with AASB 117 and IFRIC 4 will continue to be applied to leases entered into or modified before 1 July 2019.

The change in definition of a lease mainly relates to the concept of control. AASB 16 determines whether a contract contains a lease on the basis of whether the customer has the right to control the use of an identified asset for a period of time in exchange for consideration.

Impact of the application of AASB 16 Leases (cont.)

The Group applies the definition of a lease and related guidance set out in AASB 16 to all lease contracts entered into or modified on or after 1 July 2019. The Group notes that the new definition in AASB 16 will not change significantly the scope of contracts that meet the definition of a lease for the Group.

On 1 July 2019 (the date of initial application of AASB 16), the Group has applied AASB 16 using the modified retrospective approach, under which the cumulative effect of initial application is recognised in retained earnings at 1 July 2019. Accordingly, the comparative information presented for 2019 has not been restated – i.e. it is presented, as previously reported, under AASB 117 and related interpretations. The details of the changes in accounting policies are discloses as follows:

Significant accounting policies relating to leases

The Group recognises a right-of-use asset and a lease liability at the lease commencement date in the consolidated statement of financial position. The right-of-use asset is initially measured at cost, and subsequently at cost less accumulated depreciation and impairment losses, and adjusted for certain remeasurements of the lease liability. Depreciation of right-of-use assets is recognised on the consolidated statement of profit and loss.

The lease liability is initially measured at the present value of the lease payments not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate. Interest on lease liabilities is recognised in the consolidated statement of profit or loss.

The lease liability is subsequently increased by the interest on the lease liability and decreased by lease payments made. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, a change in the estimate of the amount expected to be payable under a residual value guarantee, a change in the assessment of whether a purchase or extension option is reasonably certain to be exercised or a termination option is reasonably certain not to be exercised, or as appropriate.

The Group has applied judgement to determine the lease term for some lease contracts in which it is a lessee that include renewal options. The assessment of whether the Group is reasonably certain to exercise such options impacts the lease term, which significantly affects the amount of lease liabilities and right-of-use assets recognised.

Under AASB 16, right-of-use assets are tested for impairment in accordance with AASB 136 *Impairment of Assets*. This replaces the previous requirement to recognise a provision for onerous lease contracts.

Transition

The Group leases offices previously classified as operating leases under AASB 117. The lease term is between 3 to 8 years with, in some cases, options to extend. This has been accounted for in determining the minimum lease payments. The Group's obligations are secured by the lessor's title to the leased assets for such leases.

At transition, for leases classified as operating leases under AASB 117, lease liabilities were measured at present value of the remaining lease payments, discounted at the Group's incremental borrowing rate as at 1 July 2019. The weighted average borrowing rate applied is 4%. The Group has applied the approach of measuring right-of-use assets at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments.

The Group used the following practical expedients when applying AASB 16 to leases previously classified as operating leases under AASB 117.

- Excluded initial direct costs from measuring the right-of-use asset at the date of initial application
- Used hindsight when determining the lease term if the contract contains options to extend or terminate the lease
- Not to separate non-lease components from lease components and instead account for each component and any associated non-lease components as a single lease component.

Impact of the application of AASB 16 Leases (cont.)

Below is the financial impact on transition to AASB 16 as at 1 July 2019:

Financial Disclosure	Under AASB 117 $'000	Under AASB 16 $'000	Financial impact $'000
Right-of-use assets	-	13,230	13,230
Lease liabilities*	(276)	(13,990)	(13,714)
Tax effect of the above	-	145	145
Adjustment to opening retained earnings			(339)

*The 30 June 2019 lease liability is within trade and other payables.

Standards and Interpretations in issue not yet adopted

Certain new accounting standards and interpretations have been published that are not effective for the 31 December 2019 reporting period and have not been early adopted by the Group.

Standard/amendment	Effective for annual reporting periods beginning on or after
AASB 2018-6 *Amendments to Australian Accounting Standards – Definition of a Business*	1 January 2020
AASB 2018-7 *Amendments to Australian Accounting Standards – Definition of Material*	1 January 2020
AASB 2019-1 *Amendments to Australian Accounting Standards – References to the Conceptual Framework*	1 January 2020

The condensed notes to the financial statements

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

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

The notes are organised into the following sections:

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

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

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

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

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

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

Critical accounting judgements and key sources of estimation uncertainty

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

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

The following are the critical judgements that the Directors have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the financial statements:

- Recognition of revenue from contracts with customers
- Recognition of deferred tax assets and liabilities
- Valuation of unlisted shares;
- Net present value (NPV) of future trail commission: recognition of future commission receivable and payable;
- Provisions – long service leave
- Impairment of financial assets; and
- Goodwill impairment

b) Key sources of estimation uncertainty

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

NPV of future trail commission

The recognition of the future trailing commission receivable in the statement of financial position is an area of judgment due to the different recognition criteria existing within the accounting standards.

The estimation of present value of future cash flows

The key assumptions underlying this estimate include:

- run-off rates; and
- discount rate.

This position will continue to be monitored in future accounting periods having regard to developments in the relevant accounting standards. In this respect, the Directors believe the accounting treatment adopted by the Group in recognising a contract asset is in accordance with the accounting standards and is consistent with the treatment adopted by similar industry participants.

b) Key sources of estimation uncertainty (cont.)

Recognition of deferred tax assets and liabilities

The Group's accounting for taxation requires management's judgment in assessing whether deferred tax assets and certain deferred tax liabilities are recognised on the statement of financial position. Deferred tax assets, including those arising from unrecouped tax losses, capital losses and temporary differences, are recognised only where it is considered more likely than not that they will be recovered, which is dependent on the generation of sufficient future taxable profits.

Assumptions about the generation of future taxable profits depend on management's estimates of future cash flows. These depend on estimates of future income, operating costs, capital expenditure, dividends and other capital management transactions.

Judgments and assumptions are also required about the application of income tax legislation. These judgments and assumptions are subject to risk uncertainty, hence there is a possibility that changes in circumstances will alter expectations, which may impact the amount of deferred tax assets and deferred tax liabilities recognised on the statement of financial position and the amount of other tax losses and temporary differences not yet recognised. In such circumstances, some or all of the carrying amounts of recognised deferred tax assets and liabilities may require adjustment, resulting in a corresponding credit or charge to the consolidated statement of profit or loss and other comprehensive income.

Provisions – long service leave

The liability for long service leave is measured as the present value of expected future payments for the services provided by employees up to the reporting date. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the end of the reporting period of high quality corporate bonds with terms and currencies that match, as closely as possible, the estimated future cash outflows. Remeasurements as a result of experience adjustments and changes in actuarial assumptions are recognised in statement of profit or loss.

Loan impairment provision

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

- objective evidence of impairment for a portfolio of receivables using the Group's future expected loss;
- an increase in the number of delayed payments in the portfolio past the average credit period; and
- observable changes in national or local economic conditions that correlate with default on receivables.

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

Goodwill impairment

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

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

Management have assessed that there are no such indicators which would impair the goodwill balance as at 31 December 2019.

AASB 8 *Operating Segments* requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the Board and executive management team (the chief operating decision makers (CODM)) in order to allocate resources to the segment and to assess its performance.

The Group has identified three reportable segments based on the nature of the products and services provided, the type of customers for those products and services, the geographies where the business operates and the existence of discrete and separate reporting and management teams. The following summary describes the operations in each of the Group's reportable segments.

The Group's reportable segments under AASB 8 are therefore as follows:

1. Australian Lending business

Represents the distribution and lending business under the Resimac and State Custodians brands.

The segment contains the bulk of the Australian based income and expense. It incorporates the new business settled through the various distribution channels, the margin net of funding costs of the on balance sheet home loan portfolio, and the upfront and trail commission on the white label loan portfolio.

2. New Zealand Lending business

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

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

3. Paywise business

On 24 May 2019, the Group sold its 100% equity stake in its wholly owned subsidiary Paywise Pty Limited for total cash consideration of $14 million in a management buyout agreement. The economic effective date of this transaction is 30 April 2019. The income and expenses of Paywise up to 30 April 2019 were included in the FY19 consolidated financial statements.

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

	AUSTRALIAN LENDING		**NEW ZEALAND LENDING**		**PAYWISE**[1]		**CONSOLIDATED**	
	HY20	HY19	**HY20**	HY19	**HY20**	HY19	**HY20**	HY19
	$'000	$'000	**$'000**	$'000	**$'000**	$'000	**$'000**	$'000
Revenue from external customers	**222,865**	216,186	**13,039**	10,654	**-**	4,135	**235,904**	230,975
Total segment revenue	**222,865**	216,186	**13,039**	10,654	**-**	4,135	**235,904**	230,975
Segment results before tax, depreciation, amortisation, finance costs and impairment	**44,500**	28,148	**2,791**	2,213	**-**	823	**47,291**	31,184
Depreciation and amortisation	**(1,370)**	(629)	**(4)**	(5)	**-**	(108)	**(1,374)**	(742)
Loan impairment	**(3,810)**	(1,530)	**(25)**	(46)	**-**	-	**(3,835)**	(1,576)
Finance costs	**(3,268)**	(1,694)	**(165)**	(130)	**-**	(1)	**(3,433)**	(1,825)
Segment results before income tax	**36,052**	24,295	**2,597**	2,032	**-**	714	**38,649**	27,041
Income tax expense [2]							**(11,490)**	(8,148)
PROFIT AFTER TAX							**27,159**	18,893

1. HY19 includes Paywise segment result for the period from 1 July 2018 to 31 December 2018.

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

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

	AUSTRALIAN LENDING		NEW ZEALAND LENDING		PAYWISE		CONSOLIDATED	
	HY20	FY19	**HY20**	FY19	**HY20**	FY19	**HY20**	FY19
	$'000	$'000	**$'000**	$'000	**$'000**	$'000	**$'000**	$'000
Segment assets	**11,452,279**	10,210,822	**530,229**	505,635	**-**	-	**11,982,508**	10,716,457
	11,452,279	10,210,822	**530,229**	505,635	**-**	-	**11,982,508**	10,716,457
Segment liabilities	**(11,245,323)**	(10,019,239)	**(508,613)**	(488,099)	**-**	-	**(11,753,936)**	(10,507,338)
Tax liabilities [3]	**-**	-	**-**		**-**	-	**(11,692)**	(12,995)
	(11,245,323)	(10,019,239)	**(508,613)**	(488,099)	**-**	-	**(11,765,628)**	(10,520,333)
NET ASSETS	**206,956**	191,583	**21,616**	17,536	**-**	-	**216,880**	196,124

3. Tax liabilities are disclosed on a consolidated basis, not by reportable operating segment.

1. Revenue

1.1 Revenue streams

The Group generates net interest revenue from on balance sheet home loans, and annuity trail income on white label loans.

	HY20 $'000	HY19 $'000
Revenue from contract with customers	**6,156**	11,814
Interest income		
Loans and advances	**226,539**	213,887
Bank deposits	**1,142**	1,609
Discount unwind on NPV of trail commission	**1,417**	1,456
	229,098	216,952
Other income	**650**	2,209
Total revenue	**235,904**	230,975

1.2 Disaggregation of revenue from contracts with customers

In the following table, revenue from contracts with customers is disaggregated by primary geographical market, major service lines and timing of revenue recognition. The table also includes a reconciliation of the disaggregated revenue with the Group's reportable segments (See "Segment Information" on page 20).

1. Revenue (continuation)

	AUSTRALIAN LENDING		NEW ZEALAND LENDING		PAYWISE		CONSOLIDATED	
	HY20	HY19	**HY20**	HY19	**HY20**	HY19	**HY20**	HY19
	$'000	$'000	**$'000**	$'000	**$'000**	$'000	**$'000**	$'000
Primary geographical markets								
Australia	**5,976**	8,348	**-**	-	**-**	3,274	**5,976**	11,622
New Zealand	**-**	-	**180**	192	**-**	-	**180**	192
	5,976	8,348	**180**	192	**-**	3,274	**6,156**	11,814
Major service lines								
Mortgage origination	**-**	2,365	**-**	-	**-**	-	**-**	2,365
Loan management	**4,547**	3,830	**-**	-	**-**	-	**4,547**	3,830
Salary packaging	**-**	-	**-**	-	**-**	1,583	**-**	1,583
Vehicle financing commission	**-**	-	**-**	-	**-**	1,691	**-**	1,691
Net loan fees	**1,429**	2,153	**180**	192	**-**	-	**1,609**	2,345
	5,976	8,348	**180**	192	**-**	3,274	**6,156**	11,814
Timing of revenue recognition								
Service transferred at a point in time	**5,976**	8,348	**180**	192	**-**	3,274	**6,156**	11,814
Revenue from contracts with customers	**5,976**	8,348	**180**	192	**-**	3,274	**6,156**	11,814
Interest income	**216,681**	206,048	**12,417**	10,804	**-**	100	**229,098**	216,952
Other income	**208**	1,790	**442**	(342)	**-**	761	**650**	2,209
External revenue as reported in segment information	**222,865**	216,186	**13,039**	10,654	**-**	4,135	**235,904**	230,975

1. **Revenue** (continuation)

1.3 Assets related to contract with customers

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

	HY20 $'000	FY19 $'000
Contract assets – present value of future trail commission receivable		
Current	**13,606**	14,940
Non-current	**32,218**	33,708
	45,824	48,648

Key estimates and assumptions

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

- run-off; and
- discount rate.

	HY20 $'000	FY19 $'000
Weighted average loan life (years)	**3.2**	3.1
Discount rate	**6%**	6%

Key judgements

The recognition of the future trail commission receivable and payable (and resulting revenue/expense) includes an element of management judgment due to the different recognition criteria existing within the accounting standards. Decisions around key inputs potentially have a material impact on the balances.

Management judgment is required with respect to the determination of:

- **Run-off rate**

Of all the key inputs for NPV modelling, run-off rates drive the largest model sensitivity. In observing prior years' actual run-off performance, there can be variations over time of up to 25% on individual seasoning bands and variations of over 10% for year-on-year overall run-off.

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

- **Discount rates**

For the purposes of the valuation technique required by the standard, the discount rate is set each year and remains unchanged for that tranche of loans for the remainder of the loan's life.

The discount rate is currently set at 6%, incorporating risk free rates and estimates of the credit risk associated with the counterparties providing the trail income, and remains unchanged compared with FY19.

Given trail income receivables are due from strongly rated major financial institutions, this credit risk is regarded as appropriate.

2. Expenses

	Note	**HY20 $'000**	HY19 $'000
Interest			
Bond and warehouse facilities		**138,878**	157,075
Amortisation – bond issue costs		**4,459**	3,315
Discount unwind on net present value of trail commission		**671**	671
Corporate facility		**531**	823
Interest on lease liabilities		**288**	-
		144,827	161,884
Fee and commission			
Mortgage origination		**252**	1,439
Loan management		**11,103**	9,678
Borrowing fees		**3,538**	2,726
Other financing costs		**3,145**	1,825
		18,038	15,668
Employee benefits			
Remuneration, bonus, superannuation and on-costs		**17,058**	19,714
Share-based payments		**292**	24
		17,350	19,738
Other			
Marketing		**1,688**	2,076
IT		**3,248**	2,131
Audit and other professional fees		**2,153**	868
Rent and occupancy costs		**770**	1,894
Insurance		**914**	383
Depreciation and amortisation		**431**	742
Depreciation charge of right-of-use assets		**943**	-
Other		**3,058**	2,784
		13,205	10,878
Loan impairment		**3,835**	1,576
		197,255	209,744

3. Cash and cash equivalents

	HY20 $'000	FY19 $'000
Cash at bank and on hand	**11,345**	10,566
Cash collections account [1]	**391,097**	212,723
Restricted cash [2]	**10,001**	1,501
	412,443	224,790

1. Cash collections account includes monies in the Special Purpose Vehicles and Securitisation trusts on behalf of members in those Trusts and various clearing accounts. These funds are not available for operational use.

2. Cash held in trust as collateral.

4. Loans and advances

	HY20 $'000	FY19 $'000
Gross loans and advances	**11,458,640**	10,358,358
Less: allowance for impairment	**(19,466)**	(16,445)
	11,439,174	10,341,913
Current	**2,635,487**	2,382,422
Non-current	**8,823,153**	7,975,936
	11,458,640	10,358,358

Impairment allowances		
Collective allowance	**13,152**	10,869
Specific allowance	**6,314**	5,576
	19,466	16,445
Movement in impairment allowances		
Balance at 1 July	**16,445**	6,594
Adoption of AASB 9	**-**	7,422
Provided for during the period		
- Specific	**1,558**	2,511
- Collective	**2,277**	455
Written off	**(814)**	(537)
Balance at end of the period	**19,466**	16,445

5. Other financial assets

	HY20 $'000	FY19 $'000
Listed shares – BNK Banking Corporation Limited (ASX: BBC)	**2,681**	2,860
Unlisted shares - Athena	**2,000**	2,000
Unlisted shares – Positive Group	**3,000**	-
Short-term investment	**260**	260
	7,941	5,120
Current	**260**	260
Non-current	**7,681**	4,860
	7,941	5,120

6. Non-current assets – right-of-use assets

	HY20 $'000	FY19 $'000
Balance at the beginning of the period	**-**	-
Additions	**13,781**	-
Depreciation	**(943)**	-
Foreign exchange	**(9)**	
Balance at the end of the financial period	**12,829**	-
Right-of-use assets at cost	**13,772**	-
Less: accumulated depreciation	**(943)**	-
Total right-of-use assets	**12,829**	-

7. Goodwill and intangible assets

	HY20 $'000	FY19 $'000
Goodwill		
Balance at beginning of the period	**21,766**	21,766
Balance at end of the period	**21,766**	21,766
Other intangible assets		
Balance at beginning of the period	**1,691**	332
Additions	**-**	1,868
Disposals and write offs	**-**	(2)
Disposal of Paywise	**-**	(132)
Amortisation	**(192)**	(375)
Balance at end of the period	**1,499**	1,691
Total goodwill and other intangible assets	**23,265**	23,457

8. Interest-bearing liabilities

	HY20	FY19
	$'000	$'000
Debt securities on issue	**11,423,687**	10,232,170
Corporate debt facility	**10,000**	30,000
Issuance facilities	**256,642**	186,051
Debt securities on issue – related parties	**-**	2,400
	11,690,329	10,450,621
Current	**2,688,776**	2,403,643
Non-current	**9,001,553**	8,046,978
	11,690,329	10,450,621

9. Lease liabilities

	HY20	FY19
Lease liabilities included in the Statement of Financial Position	**$'000**	$'000
Balance as at 1 July 2019	**-**	-
Addition	**14,541**	
Interest incurred	**288**	-
Payment of lease liabilities	**(1,112)**	-
Foreign exchange	**9**	
Balance as at 31 December 2019	**13,726**	-
Current	**1,301**	-
Non-current	**12,425**	
	13,726	-
Amounts recognised in Statement of Comprehensive Income		
Depreciation charge of right-of-use assets	**943**	-
Interest expense on lease liabilities	**288**	-
Amounts recognised in Statement of Cash Flows		
Total cash outflows for leases	**(1,112)**	-
Maturity analysis – contractual undiscounted cashflows		
Less than one year	**1,840**	-
One to five years	**7,634**	-
More than five years	**6,787**	-
Total undiscounted lease liabilities as at 31 December 2019	**16,261**	-

10. Other financial liabilities

	HY20 $'000	FY19 $'000
Present value of future trail commission payable	**21,816**	22,901
	21,816	22,901

Current	**6,729**	7,032
Non-current	**15,087**	15,869
	21,816	22,901

11. Dividends

	HY20 $'000	HY19 $'000
Declared and paid during the period (fully-franked at 30 per cent)		
Final FY19 dividend: $0.010 (FY18: $0.009)	**4,058**	3,594
Special FY19 dividend: $0.005 (FY18: Nil)	**2,029**	-
	6,087	3,594
Proposed and unrecognised as a liability (fully-franked at 30 per cent)		
Interim FY20 dividend: $0.012 (Interim FY19: $0.010)	**4,879**	4,001

The Group operates a DRP which allows eligible shareholders to invest dividends in ordinary shares. All holders of Resimac Group Ltd ordinary shares are eligible to participate in the DRP. The allocation price for shares under the DRP will be calculated at the average of the daily volume weighted average price of Resimac Group Ltd ordinary shares traded on the ASX over the 5 day trading period commencing on the second business day after the record date.

An issue of shares under the DRP results in an increase in issued capital.

12. Earnings per share

	HY20	HY19
Profit attributable to ordinary equity holders of the parent ($'000)	**27,159**	18,893
WANOS[1] used in the calculation of basic EPS (shares, thousands)	**406,189**	399,696
Dilutive effect of share options	**1,031**	1,800
WANOS[1] used in the calculation of diluted EPS (shares, thousands) [2]	**407,220**	401,496
Earnings per share		
Basic (cents per share)	**6.69**	4.73
Diluted (cents per share)	**6.67**	4.71

1. Weighted average number of shares
2. The variance in the WANOS used in the calculation of the basic EPS and the diluted EPS is attributable to in-substance options

12. Earnings per share (continuation)

12.1 Calculation of WANOS

Six months to 31 December 2019

The number of Resimac Group shares issued:

- **From 1 July 2019 to 29 September 2019 (200,689,695)**

  The number of Resimac ordinary shares on issue of 405,790,153 multiplied by the ratio of days outstanding (91/184); plus

- **From 30 September 2019 to 31 December 2019 (205,499,013)**

  - The number of Resimac shares on issue (405,790,153) at 29 September 2019 plus
  - additional shares issued on 30 September 2019 under the DRP (788,540);

  multiplied by the ratio of days outstanding (93/184).

Six months to 31 December 2018

The number of Resimac Group shares issued:

- **From 1 July 2018 to 11 October 2018 (223,547,915)**

  The number of Resimac ordinary shares on issue of 399,347,732 multiplied by the ratio of days outstanding (103/184); plus

- **From 12 October 2018 to 31 December 2018 (176,148,216)**

  - The number of Resimac shares on issue (399,347,732) at 11 October 2018 plus
  - additional shares issued on 12 October 2018 under the DRP (791,425);

  multiplied by the ratio of days outstanding (81/184).

13. Issues of equity securities

Issued capital at 31 December 2019 was $181.241 million representing 406,578,693 ordinary shares (FY19: $180.548 million representing 405,790,153 ordinary shares as at 30 June 2019).

During the period, 788,540 shares were issued on 30 September 2019 under the DRP in relation to the FY19 final dividend.

14. Fair value of financial instruments

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

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

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

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

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

	Fair value hierarchy	**Valuation technique(s) and key inputs (s)**	**HY20 $'000**	FY19 $'000
Financial assets				
Listed shares – BNK Banking Corporation Limited (ASX: BBC)	Level 1	Most recent traded price and other available market information	**2,681**	2,860
Unlisted shares - Athena	Level 3	Acquisition value within 12 months of year end and other available information	**2,000**	2,000
Unlisted shares – Positive Group	Level 3	Acquisition value within 12 months of year end and other available information	**3,000**	-
Interest rate swaps	Level 2	Discounted cash flow Forward interest rates, contract interest rates	**2,622**	2,775
Cross currency swaps	Level 2	Discounted cash flow Forward interest rates, contract interest rates	**26,560**	53,800
Financial liabilities				
Interest rate swaps	Level 2	Discounted cash flow Forward interest rates, contract interest rates	**1,527**	1,565

14.2 Fair value of financial assets and liabilities that are not measured at fair value (but fair value disclosures are required)

With the exception of the future trail commission payable that is initially recognised at a fair value and subsequently carried at amortised cost, management consider that the carrying amounts of financial assets and liabilities recognised in the consolidated financial statements approximate their fair values.

15. Derivative financial assets and liabilities

The carrying values are as follows:

	HY20 $'000	FY19 $'000
Derivative financial assets		
Cross currency swaps	**26,560**	53,800
Interest rate swaps	**2,622**	2,775
	29,182	56,575
Derivative financial liabilities		
Interest rate swaps	**1,527**	1,565
	1,527	1,565

16. Share based payments

16.1 Employee share option plan of the Company

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

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

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

Resimac offered the joint CEOs Scott McWilliam and Mary Ploughman (ceased employment on 17 July 2019) the opportunity to purchase 1,800,000 share options vesting in three equal tranches on each anniversary of the grant date. The options were granted on 18 August 2017 and all options vest within 12 months, 24 months and 36 months of respective grant date associated with each tranche. The options expire within 36 months of their vesting, or one month after resignation, whichever is the earlier. The sole vesting condition of the options is the employees remain employed with the Company to the respective vesting date associated with each tranche.

The tranche 3 shares for Mary Ploughman expired due to her cessation of employment on 17 July 2019. The expiry date of her tranche 1 and 2 was revised to 17 July 2020 by the Board.

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

Under the Group's LTI share options and rights plan, the CEO and GMs receive options over ordinary shares and a cash component of $1.58m. The options were granted on 15 August 2019 and the vesting date for all options is 30 June 2022, subject to the Group achieving Net Profit After Tax (NPAT) performance hurdles at each allotment date and employees remain employed with the Group until the vesting date.

16. Share-based payments (continuation)

The table below provides the details of options issued on 18 August 2017 and 15 August 2019:

Acquired by	Number of options	Tranche	Grant date	Fair value at grant date ($)	Exercise price of option ($)	Vesting date	Expiry date	Options forfeited during the period	Options vested	Number of options at 31 December 2019
MCWILLIAM, Scott	300,000	Tranche 1	18 August 2017	0.07	0.55	1 July 2018	30 June 2021	-	(300,000)	-
MCWILLIAM, Scott	300,000	Tranche 2	18 August 2017	0.08	0.55	1 July 2019	30 June 2022	-	(300,000)	-
MCWILLIAM, Scott	300,000	Tranche 3	18 August 2017	0.09	0.55	1 July 2020	30 June 2023	-	-	300,000
PLOUGHMAN, Mary	300,000	Tranche 1	18 August 2017	0.07	0.55	1 July 2018	17 July 2020	-	(300,000)	-
PLOUGHMAN, Mary	300,000	Tranche 2	18 August 2017	0.08	0.55	1 July 2019	17 July 2020	-	(300,000)	-
PLOUGHMAN, Mary	300,000	Tranche 3	18 August 2017	0.09	0.55	Expired	Expired	(300,000)	-	-
MCWILLIAM, Scott	300,000	Tranche 1	15 August 2019	0.20	0.65	30 June 2022	30 June 2025	-	-	300,000
MCWILLIAM, Scott	300,000	Tranche 2	15 August 2019	0.20	0.65	30 June 2022	30 June 2025	-	-	300,000
MCWILLIAM, Scott	300,000	Tranche 3	15 August 2019	0.20	0.65	30 June 2022	30 June 2025	-	-	300,000
GMs	1,000,000	Tranche 1	15 August 2019	0.20	0.65	30 June 2022	30 June 2025	-	-	1,000,000
GMs	1,000,000	Tranche 2	15 August 2019	0.20	0.65	30 June 2022	30 June 2025	-	-	1,000,000
GMs	1,000,000	Tranche 3	15 August 2019	0.20	0.65	30 June 2022	30 June 2025	-	-	1,000,000
	5,700,000							**(300,000)**	**(1,200,000)**	**4,200,000**

16. Share-based payments (continuation)

16.2 Fair value of options

The primary valuation approach we have considered for the valuations is the Black-Scholes method, which entails the determination of the value of the options using comparable market equivalent information. In determining the fair value of each of the share options, a number of statistical and probability based calculations have been considered.

The following table lists the inputs to the model used:

Grant date	Tranche	Grant date share price ($)	Exercise price($)	Term (years)	Annual volatility	Risk-free interest rate	Dividend yield	Call option value	Issued options
18 August 2017	Tranche 1	0.47	0.55	3.9	30-35%	2.00%	3.23%	$0.06-$0.08	600,000
18 August 2017	Tranche 2	0.47	0.55	4.9	30-35%	2.15%	3.23%	$0.07-$0.09	600,000
18 August 2017	Tranche 3	0.47	0.55	5.9	30-35%	2.26%	3.23%	$0.08-$0.10	600,000
15 August 2019	Tranche 1	0.76	0.65	5.9	25-30%	0.75%	2%	$0.18-$0.21	300,000
15 August 2019	Tranche 2	0.76	0.65	5.9	25-30%	0.75%	2%	$0.18-$0.21	300,000
15 August 2019	Tranche 3	0.76	0.65	5.9	25-30%	0.75%	2%	$0.18-$0.21	300,000
15 August 2019	Tranche 1	0.76	0.65	5.9	25-30%	0.75%	2%	$0.18-$0.21	1,000,000
15 August 2019	Tranche 2	0.76	0.65	5.9	25-30%	0.75%	2%	$0.18-$0.21	1,000,000
15 August 2019	Tranche 3	0.76	0.65	5.9	25-30%	0.75%	2%	$0.18-$0.21	1,000,000

16. Share-based payments (continuation)

16.3 Movements in share options during the period

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

	Number of LTI options – LTI#1	Number of LTI options – LTI#2	Number of options total	Weighted average fair value $ - LTI#1	Weighted average fair value $ - LTI#2
Balance at beginning of LTI plan	1,800,000	-	1,800,000	0.08	-
Vested in prior period	(600,000)	-	(600,000)	0.07	-
Balance at 1 July 2019	1,200,000	-	1,200,000	0.09	-
Granted during the period	-	3,900,000	3,900,000	-	0.20
Vested during the period	(600,000)	-	(600,000)	0.08	-
Forfeited during the period	(300,000)	-	(300,000)	0.09	-
Balance at 31 December 2019	300,000	3,900,000	4,200,000	0.09	0.20

16.4 Share options exercised during the period

There were no shares exercised during the period.

17. Subsequent events

17.1 Financial dividend declared

The Board of Resimac Group Ltd declared a fully-franked interim dividend of 1.2 cents per share. The Record Date is 28 February 2020. The payment date will be 27 March 2020. The dividend has not been provided for in this financial report.

17.2 Resimac takes controlling stake in IA Group

Resimac has taken a controlling stake in IA Group which specialise in both secured commercial and consumer lending effective 6 January 2020. Consideration for the 60% acquisition was $6m and Resimac holds an option to acquire the remaining 40%.

18. Reclassified HY19 comparative information

As a result of the implementation of the new general ledger system in 2019 there were certain re-allocation of accounts and the mapping thereof which resulted in HY19 comparative figures being reclassified. Management deems the re-allocations more appropriate and notes that these changes were immaterial.

DIRECTORS' DECLARATION

RESIMAC GROUP LTD AND ITS CONTROLLED ENTITIES

The Directors declare that:

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

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

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

On behalf of the Directors

Cholmondeley Darvall
Chairman and Non-executive Director

Sydney,
25 February 2020

Deloitte.

Deloitte Touche Tohmatsu
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The Board of Directors
Resimac Group Limited
Level 9,
45 Clarence Street
Sydney, NSW 2000

25 February 2020

Dear Board Members

Resimac Group Limited

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

As lead audit partner for the review of the financial statements of Resimac Group Limited for the financial half-year ended 31 December 2019, 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 review; and
(ii) any applicable code of professional conduct in relation to the review.

Yours faithfully

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

Delarey Nell
Partner
Chartered Accountants

Deloitte Touche Tohmatsu
ABN 74 490 121 060

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

We have reviewed the accompanying half-year financial report of Resimac Group Limited, which comprises the condensed consolidated statement of financial position as at 31 December 2019, and the condensed consolidated statement of profit or loss and other comprehensive income, the condensed consolidated statement of cash flows and the condensed consolidated statement of changes in equity for the half-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 end of the half-year or from time to time during the half-year.

Directors' Responsibility for the Half-Year Financial Report

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

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2019 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Resimac Group Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

Auditor's Independence Declaration

In conducting our review, 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 Resimac Group Limited, would be in the same terms if given to the directors as at the time of this auditor's review report.

Conclusion

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

(a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2019 and of its performance for the half-year ended on that date; and

(b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

DELOITTE TOUCHE TOHMATSU
DELOITTE TOUCHE TOHMATSU

Delarey Nell
Partner
Chartered Accountants
Sydney, 25 February 2020