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Consolidated Operations Group Limited and its controlled entities

ABN 58 100 854 788

Appendix 4E & Preliminary Final Report

Results for announcement to the market
Year ended 30 June 2018

Comparisons are to the year ended 30 June 2017

	30 June 2018 $'000	30 June 2017 $'000	up/down	% movement
Revenue from ordinary activities [1]	161,047	81,952	up	97%
Net profit/(loss) from ordinary activities after tax	8,458	421	up	1909%
Net profit/(loss) from ordinary activities after tax, attributable to members	4,802	(1,732)	up	n/a

	30 June 2018 Cents	30 June 2017 Cents
Earnings per share, attributable to members	0.4	(0.2)

	30 June 2018 $'000	30 June 2017 $'000
Net assets	**194,114**	**189,043**
Less: Intangible assets / goodwill	(145,407)	(143,121)
Non-controlling interests	(15,206)	(14,493)
Net tangible assets	**33,501**	**31,429**
NTA per share (cents)	**2.59**	**2.42**

The above prior period comparatives have been restated for adjustments to provisional acquisition accounting and equity accounted associates. Refer to notes 6 and 16 respectively in the financial report for details.

Commentary and explanations of the results
The financial report of the Company for the financial year ended 30 June 2018 presents consolidated financial performance for the Group. The comparative period presents investment entity accounting from 1 July 2016 to 31 October 2016 (four months) and consolidated financial performance from 1 November 2016 to 30 June 2017 (eight months). As a result, prior period comparative information is not entirely comparable, as it has been prepared on a different accounting basis.

Additional Appendix 4E disclosure requirements, commentary and explanation of the results for the financial year is contained in the Directors' Report and the accompanying Financial Report dated 28 August 2018.

Dividends
There were no dividends paid, declared or proposed during the year (2017: nil).

Cameron McCullagh
Managing Director
Date: 28 August 2018

Notes
1. *This report is based on the financial report which has been audited.*
2. *All the documents comprise the information required by listing rule 4.3A. The information should be read in conjunction with the audited 30 June 2018 annual financial report and all ASX announcements made by the Company during the year.*

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Consolidated Operations Group Limited and its controlled entities

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Annual Financial Report

For the year ended 30 June 2018

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Chairman's Letter

I am pleased to present Consolidated Operations Group Limited's (COG) Annual Report for the year ended 30 June 2018.

In 2018, COG has continued successfully implementing its corporate strategy of:

- building the leading SME Finance Broking & Aggregation services provider in Australia; and
- delivering its Commercial Equipment Leasing business and other related products to the market.

The early implementation of these strategies is evident in our 2018 financial performance with underlying EBITDA attributable to COG shareholders increasing 21% to $14.4m (statutory up 113%), in line with market guidance given in February 2018.

Highlights included:

- solid progress in implementing growth strategy with strong momentum going into 2019,
- 2018 Net Asset Finance (NAF) settled up 7% to $3.4bn, representing c11% market share of broker originated NAF, and
- new operating leases (rentals) written in 2018 up 38% to $58.7m.

COG is well positioned for further growth in 2019 and is forecasting EBITDA attributable to COG shareholders of between $17.1m and $19.0m representing a 19% to 32% growth compared to 2018 before the impact of unannounced acquisitions.

Since commencing its Finance Broking & Aggregation services strategy in December 2015, COG has rapidly built its presence through an acquisition led strategy. Over that time, COG has acquired aggregation platforms and finance brokers for a combined consideration of c$88m funded by a mix of new COG shares issued to vendors (c$30m) and cash (c$58m). COG completed four acquisitions during 2018 which are outlined in notes 6 and 16 of the attached financial report. In the first quarter of 2018 COG elected not to proceed with two potential acquisitions for a combined consideration of $29.4m, following extensive due diligence. COG has a solid pipeline of potential acquisitions and is confident of further investing its surplus cash in suitable acquisitions over the next 12 months.

COG is developing a national asset finance distribution business which is diversified by, geography, asset type and borrower type, such that the business gains the benefits of scale and diversity. In acquiring businesses, COG has adopted a "skin in the game" business model, whereby founders/vendors retain an equity exposure to their businesses, with COG providing management input, expertise and support as needed to address challenges and help them grow. This diversified model provides a hedge against any undue impact from the performance of individual businesses.

COG currently has an estimated market share of 11% of annual net asset finance originated by asset brokers in Australia, making it the largest aggregator of finance broker originated asset finance. In 2018, COG settled an aggregated $3.4bn of NAF (2017: $3.1bn). The asset broker market remains largely fragmented and COG's intent is to achieve a 20% market share position through further targeted acquisitions and organic growth.

COG's commercial leasing business has continued to grow annual originations of new operating leases for commercial equipment lessees. New operating leases (rentals) written increased by 38% to $58.7m.

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Chairman's Letter (continued)

Summary financial performance

2018 is the first year in which COG has reported fully consolidated results. Historically COG was an investment entity as a result the prior year only presents eight months of fully consolidated results as a result the statutory financial performance does not provide a meaningful year on year comparison. The following table provides shareholders with a summary of both COG's statutory and underlying 2018 results and 2017.

Year ended 30 June	Underlying [1], [2]			Statutory [3]		
$'m	2018	2017	*Change %*	2018	2017	*Change %*
Revenue	**160.5**	**115.5**	***39%***	**161.0**	**82.0**	***96%***
Finance Broking & Aggregation	138.6	101.0	***38%***	139.4	69.8	***100%***
Commercial Equipment Leasing	13.9	10.7	***29%***	13.8	8.5	***62%***
Other	7.2	3.8	***92%***	7.8	3.7	***111%***
EBITDA	**21.4**	**18.1**	***18%***	**21.4**	**10.6**	***102%***
EBITDA after non-controlling interests (NCI)	**14.4**	**11.9**	***21%***	**13.6**	**6.4**	***113%***
Profit/(loss) attributable to NCI	**3.7**	**3.5**	***6%***	**3.7**	**2.2**	***68%***
Profit/(loss) after NCI	**5.3**	**5.1**	***4%***	**4.8**	**(1.7)**	***n/m***

1. On an underlying basis excluding transaction costs (2018: $0.6m, 2017 $0.8m) and redundancy costs (2018: $0.2m).
2. 2017 comparatives are shown on a pro-forma basis which assumes full consolidated accounting for 2017 and excludes prior year adjustments for the write-down of Leading Edge results.
3. 2017 Statutory results are based on investment accounting for the period 1 July 2016 to 31 October 2016 and, therefore, only shows the financial performance of the parent entity for this period. From 1 November 2016 to 30 June 2017 the accounts were prepared under consolidation accounting and therefore includes the results for all subsidiaries controlled during the period.

Operations

Finance Broking & Aggregation

The Finance Broking & Aggregation segment operations continued to grow with the net amount financed through COG's aggregation businesses totalling $3.4bn in 2018, an increase of 7% on the prior year. The higher NAF, full year contributions from 2017 acquisitions, new 2018 acquisitions and strong performance from parts of the segment saw revenues increase by 37% to $138.6m in 2018. The EBITDA contribution attributable to COG shareholders increased by 6% to $9.0m in 2018.

The Group continues to focus on improving systems and processes available to all businesses within this segment, leveraging the skills and expertise of the management across the segment to enhance the performance across the segment. In 2018, COG rolled out a new IT platform for Platform Consolidated "*Evolved*". It has been designed to interface directly with our financier partners and will support increased sales, processing efficiency and management of the sales process.

COG continues to pursue organic growth as well as acquiring strategic stakes in complementary businesses. In 2018 COG funded a broker acquisition by QPF and two broker acquisitions by Platform. We also elected not to proceed with two large potential acquisitions following due diligence.

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Chairman's Letter (continued)

Commercial Equipment Leasing

The Commercial Equipment Leasing segment has continued to see strong growth in its lease book, with a 38% growth in leases written in 2018 to $58.7m. Lease originations are forecast to grow to $70.0m in 2019, which represents a compound annual growth rate of 36% since 2014. Segment EBITDA has grown by 7% and this will continue to grow in 2019 and beyond as profits are realised on leases written in the past few years.
Further opportunities are being explored as part of our refreshed and strengthened management team which includes Andrew Bennett who was appointed in June 2018 and given the specific remit to reduce funding costs and increase wholesale funding facilities available to the segment.

Capital Management

Surplus funds available for investments as at 30 June 2018 were $28.9 million. Funds available for investment includes $9.8 million of self-funded leases (saleable to financiers) and excludes working capital of $10.0m, restricted cash of $3.5m and loss reserves of $4.0m.

COG established on market share buyback of up to 102.9m shares over the 12-month period to 1 April 2019. As at 30 June 2018, COG had bought back 11.5m shares at an average price of 10.0cps.

Dividends

A 2018 dividend will not be paid as the best use of surplus shareholder funds in the immediate term is to apply funds to support COG's growth strategy to grow shareholder value. The Board monitors acquisitions and funding closely to review this position.

Strategic Objectives

COG is building a leading position in the Australian business equipment and asset finance industry.

Our strategic objectives are to:

1. Establish a leading position in the equipment finance broking market
   COG will continue to grow market share and revenue of broker originated business equipment finance, through expansion of independent aggregation platform members and in equity owned brokers. With an estimated market share of 11% of annual broker originated NAF, we are targeting a 20% market share, representing an annual NAF $5.0bn to $6.0bn.

   1.1. Continued investment in and acquisition of well managed Asset Finance Brokers
   - COG has available surplus cash reserves of $28.9m (as at 30 June 18) to fund growth
   - The industry is fragmented
   - COG is targeting 50% interest with vendors retaining equity in their businesses or for those "skin in the game" brokers to acquire 100% of retiring brokers
   - Consideration being a mix of cash and COG equity
   - General approach: either acquired directly by COG or by supporting existing brokers to grow their businesses by acquisition

   1.2. Organic growth of COG owned brokers

   1.3. Expand membership revenue and services in Member Broker Aggregation businesses (CFG and Platform)

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Chairman's Letter (continued)

Strategic Objectives (continued)

2. Expand in-house Commercial Equipment Leasing products and funding sources
    - Organic growth of operating lease portfolio
    - Invest in infrastructure to support increased size
    - Expand product offering to include auto loans and equipment finance leases
    - Reduce funding costs
    - Bank warehouse facilities and securitization program

3. Grow origination of company owned products
    - Leverage the Group's broker distribution network (equity owned brokers and independent aggregation services network partners)
    - Increasing return on capital, margins and shareholder value

Director and Key Management Personnel changes

It has been a year of consolidation of the management team. With the departure of key roles we have had the opportunity to strengthen the management team.

In 2017, Andrew Grant a founder of the TL Rentals business, a key part of Commercial Equipment Leasing and previously Joint Managing Director of COG, stepped back to a part time operational role in Commercial Equipment Leasing. In April 2018, Andrew retired from COG.

Raylee Carruthers, the former group Chief Operating Officer, left COG in May 2018. Raylee was involved in significant transformation in the business over her seven years at COG; including the strong organic growth in Commercial Equipment Leasing lease portfolio and COG's broker acquisition strategy.

Andrew Bennett joined COG in June 2018. Andrew's appointment significantly enhances COG's expertise and capacity in the funding of various asset classes. His initial focus is on growing originations and lowering funding costs in the Commercial Equipment Leasing business. Andrew will also be responsible for delivering on COG's strategic objective of delivering its own financial products to its Finance Broking & Aggregation segment. Andrew has over 20 years' experience in the non-bank finance sector, specialising in the securitisation of equipment leases, auto loans, commercial property mortgages and consumer loans and we welcome him to our team.

Outlook

For 2019, we are anticipating further strong growth. Excluding the impact of unannounced acquisitions in 2019, our guidance is to achieve an underlying EBITDA attributable to COG shareholders in the range of $17.1m to $19.0m (2018: underlying EBITDA of $14.4m).

Finally, on behalf of the Board, I would like to thank our staff, partners, funders, customers and shareholders for their continued support. I would also like to record my thanks to our Board of Directors and our management team, led by Cameron McCullagh, for their hard work and efforts during 2018 as we successfully implement our strategy, manage growth and deliver value to our shareholders and stakeholders.

Yours sincerely,



Bruce Hatchman
Chairman
28 August 2018

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Directors' Report

The Directors of Consolidated Operations Group Limited (COG or the Company) and its controlled entities (the Group), present their report together with the financial statements of the Group, for the financial year ended 30 June 2018.

Director details
The following persons were Directors of the Company during or since the end of the financial year:
Bruce Hatchman – Chairman
Cameron McCullagh – Managing Director
Rohan Ford – Executive Director
David Gray – Non-executive Director
Steve White – Non-executive Director
Andrew Grant – Executive Director (resigned effective 30 April 2018)

Bruce Hatchman
FCA, MAICD, JP
Non-executive Director (Independent)
Chairman
Chair of Nomination and Remuneration Committee
Member of Audit and Risk Committee
Director since 2014

Bruce Hatchman is an experienced financial professional. As the former Chief Executive of Crowe Horwath, Mr Hatchman has over 40 years experience in providing corporate finance, strategic planning, and audit and assurance services to listed companies and large private enterprises. He is a Chartered Accountant and a member of the Australian Institute of Company Directors.

Other current Directorships:
Chairman - JCurve Solutions Limited, Chairman - Darwin Clean Fuels Limited.

Previous Directorships (listed companies in the last 3 years):
None

Interests in shares:
625,000

Interests in debentures (of a related entity, Secured Finance Limited, a wholly owned subsidiary of Hal Group Limited):
$285,279

Cameron McCullagh
B. Bus
Managing Director/Executive Director
Director since 2015

Cameron has over 30 years experience in the finance sector, having trained as a Chartered Accountant at KPMG. Cameron was a partner at Moore Stephens Sydney and founded and grew White Outsourcing to an entity with back office administration of over $30 billion. Cameron was CEO of Employers Mutual until 2010, having grown it from $30 million of annual premium under management to over $1 billion. As COO, Cameron took operational responsibility for the successful listing on the ASX of the insurance broking accumulator Steadfast Group. Cameron is Chairman of A S White Global Pty Limited, which has over 700 employees in Australia and Asia providing offshore teams to Australian businesses.

Other current Directorships:
Hospitality Employers Mutual Limited (APRA licensed insurer).

Interest in shares:
249,631,001

Directors' Report (continued)

Rohan Ford
B.Bus (Accounting)
Executive Director
Director since 2017

Rohan is the founder of Consolidated Finance Group (CFG) and the founder and CEO of Linx Finance Australia Group (Linx). COG owns 80% of CFG and 50% of Linx.

Rohan commenced finance broking in 1991, working extensively around Australia providing finance facilities to all capital intensive industries. Rohan has long-standing relationships with Australia's largest financial institutions/lenders and a solid reputation amongst the Australian asset finance broking industry.

Other current Directorships:
None

Previous Directorships (listed companies in the last 3 years):
None

Interests in shares:
58,433,585

David Gray
Bachelor of Business in Business Administration, MAICD
Non-executive Director (Independent)
Member of Audit and Risk Committee and Nomination and Remuneration Committee
Director since 2017

David is the founder, CEO & Managing Director of Insight Capital Advisors Pty Limited. David is a former Managing Director and Head of Equity Capital Markets at both J.P. Morgan and Deutsche Bank, with over 25 years experience in financial markets, performing senior roles in Equity Capital Markets, Institutional Equity Sales and Corporate Treasury.

David has a breadth of experience across a broad range of industries and offerings including initial public offers, follow on equity raisings, block trades, M&A, capital management as well as general corporate and capital markets advice. He has been involved in more than 300 advisory roles and capital raisings with a total value of more than A$100 billion. In 2016, David founded the boutique capital markets and corporate advisory business Insight Capital Advisors and was voted as the Best Independent Equity Capital Markets Banker in the East Coles Investment Banking survey.

Other current Directorships:
Chairman, Director and Trustee of multiple private companies and family trusts.

Previous Directorships (listed companies in the last 3 years):
N/A

Interests in shares:
1,678,409

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Directors' Report (continued)

Steve White
M.Mngt, GAICD
Non-executive Director (Independent)
Chair of Audit and Risk Committee
Member of Nomination and Remuneration Committee
Director since 2010

Steve is a Principal and Director of Noah's Rule, a specialist risk advisory firm providing independent input and advice on strategy and execution to companies managing significant financial markets exposures. Steve has had over 30 years of experience in banking including roles with Barclays Capital Singapore, Rothschild and HSBC Japan in their treasury divisions. Steve is actively involved in working with Managing Directors and Chief Financial Officers in developing the strategies and solutions to their company's financial markets risks, ensuring the management of these risks are within corporate strategy while enhancing any potential upside. Steve is a Graduate Member of the Australian Institute of Company Directors and has a Master of Management from MGSM.

Other current Directorships:
None

Previous Directorships (listed companies in the last 3 years):
None

Interests in shares:
3,643,750

Interests in debentures (of a related entity, Secure Finance Limited, a wholly owned subsidiary of Hal Group Limited):
$200,000

Andrew Grant
B.Bus (Hons), MAICD
Executive Director
Director since 2012 (resigned 30 April 2018)

Andrew Grant was one of the founders of Hal Group Pty Limited, which includes TL Rentals Pty Limited. Andrew is an Associate Member of the Chartered Institute of Management Accountants (UK). He has financial management experience in excess of 30 years and extensive experience within the IT and finance industry. Andrew is also a member of the Australian Institute of Company Directors.

Andrew retired as a director on 30 April 2018.

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Directors' Report (continued)

Company Secretary
David Franks - BEc, CA, F Fin, JP
David Franks is principal of Franks & Associates Pty Ltd, recently merging to form part of the Automic Group. David is now a Senior Executive of the Automic Group. He is a Chartered Accountant, Fellow of the Financial Services Institute of Australia, Fellow of the Governance Institute of Australia, Justice of the Peace, Registered Tax Agent and holds a Bachelor of Economics (Finance and Accounting) from Macquarie University. With over 20 years in finance and accounting, initially qualifying with Price Waterhouse in their Business Services and Corporate Finance Divisions, David has been CFO, Company Secretary and/or Director for numerous ASX listed and unlisted public and private companies, in a range of industries covering energy retailing, transport, financial services, mineral exploration, technology, automotive, software development and healthcare. David Franks is currently the Company Secretary for the following public entities: Adcorp Australia Limited, Consolidated Operations Group Limited, Elk Petroleum Limited, JCurve Solutions Limited, Noxopharm Limited, Tomorrow Entertainment Limited, White Energy Company Limited and White Energy Technology Limited. David is also a Non-Executive Director of, JCurve Solutions Limited

Principal activities
The Company is an Australian Securities Exchange (ASX) listed company whose principal activities are in the equipment finance sector. The investment objective of the Company is to grow its earnings per share from investing in complementary entities and growing existing businesses that specialise in equipment finance broking, finance aggregation and commercial leases for essential business assets.

Review of operations and financial results
The financial report for the year ended 30 June 2018 presents consolidated financial performance for the Group. The comparative period presents investment entity accounting from 1 July 2016 to 31 October 2016 (four months) and consolidated financial performance from 1 November 2016 to 30 June 2017 (eight months). As a result, prior period comparative information is not entirely comparable, as it has been prepared on a different accounting basis.

Profit after tax, attributable to members of the Group for the year ended 30 June 2018 was $4.8 million (2017: $1.7 million loss). Earnings per share, attributable to members from continuing operations was 0.4 cents per share for the period (2017: 0.2 cents loss per share).

The Group's net asset position as at the end of the financial year was $194.1 million (2017: $189.0 million).

Likely developments
As previously announced to the market, the Company intends to continue on the path of acquiring part or all of equipment finance broking entities where there is seen to be a strategic, cultural and commercial fit and are committed to a broker accumulation strategy. COG does not intend to do any more than five such acquisitions over the next 18 months, subject to available funding.

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

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

The medium-term goal for the Commercial Equipment Leasing segment is to increase value by selectively writing leases, whilst maintaining credit quality and utilising available funding avenues. The Directors are also focused on the development of additional sources of funding, additional sales resources and alliances with vendors.

Dividends
No dividends were paid or declared during the year.

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Directors' Report (continued)

Events subsequent to reporting date

Subsequent to year-end all minority shareholders in Consolidated Finance Group Pty Limited (CFG) agreed to sell their 20% minority shareholding to the Group effective 1 July 2018. Administrative matters to complete this transaction will occur subsequent to the sign off of this report.

As outlined in note 24 (a) subsequent to year-end Cameron McCullagh the Group Managing Director invested an additional $3,500k in debentures issued by the 100% owned subsidiary Secured Finance Limited; with the debentures secured against specific financial lease assets. The additional debentures would have represented 8% of the liability owed by Secured Finance Limited and the Group to its debenture holders as at 30 June 2018 had they been issued at that date.

Other than matters disclosed above, there were no events that occurred after the end of the financial year that would materially affect the reported results or would require disclosure in this report.

Directors' meetings

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

	Board Meetings		Audit and Risk Committee		Nomination and Remuneration Committee	
Director	**A**	**B**	**A**	**B**	**A**	**B**
Bruce Hatchman	8	8	2	2	3	3
Cameron McCullagh	8	8	-	-	-	-
Rohan Ford	8	7	-	-	-	-
David Gray	8	8	2	2	3	3
Steve White	8	8	2	2	3	3
Andrew Grant [(1)]	6	6	-	-	-	-

Where:

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

(1) Andrew Grant ceased as director on 30 April 2018.

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Directors' Report (continued)

Remuneration report - audited

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

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

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

a. Principles of compensation

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

- the maximum total remuneration of the Directors of COG (other than executive Directors) has been set at $250,000 per annum to be divided among them in such proportions as they see fit
- other KMP are remunerated based on market competitive rates which are benchmarked from time-to-time.

The principles of COG's executive incentive programs are:

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

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

b. Remuneration structure

Executive Remuneration

Appropriate fixed remuneration and variable short and long-term remuneration have been determined based on ad-hoc benchmarking.

Short-term Incentive (STI) programs are designed to link management outcomes to the financial results of controlled entities, which in turn drive shareholder returns.

The STI programmes for Raylee Carruthers and Nathan Thomas were granted on 1 July 2017 based on various non-financial KPIs associated with business performance, identification and integration of business acquisitions, process improvement and delivery of management reporting and statutory reporting for the year ended 30 June 2018 and require:

- quarterly assessment of non-financial KPIs with the maximum STI payable for 2018 for Mr Thomas of $12,500 per quarter and Ms Carruthers of $26,500 per quarter; there is no minimum incentive
- employment until STI payment date
- STI that does not vest is forfeited.

The STI program for Andrew Grant was granted on 1 July 2017 and required continuing employment until STI payment date in September 2018. Mr Grant ceased his employment with the Group on 30 April 2018 and thus did not qualify for an STI in the year ended 30 June 2018.

For the year ended 30 June 2018 Ms Carruthers received 60% and Mr Thomas received 98% of maximum STI. From time-to-time discretionary bonuses are given to KMP and are approved by the Board of Directors prior to payment. No other KMP are eligible to receive an STI in 2018.

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Directors' Report (continued)

Remuneration report - audited

b. Remuneration structure (continued)

Executive Remuneration (continued)

An LTI program was granted to Ms Carruthers in the year ended 30 June 2018; it required Ms Carruthers' continued employment with the Group until 27 September 2018. As she was made redundant on 4 May 2018, the LTI has failed to vest with $nil expense recognised in the year ended 30 June 2018. No other KMP are eligible to receive an LTI in 2018.

Non-executive Director remuneration

The current base remuneration for Non-executive Directors was last reviewed with effect from 13 April 2017. The maximum total remuneration of the Directors of COG (other than executive Directors) has been set at $250,000 per annum to be divided among them in such proportions as they see fit. Non-executive Directors received no additional benefits other than base remuneration and superannuation.

Target remuneration structure

The table below represents the target remuneration mix for KMP as at 30 June 2018.

	Fixed remuneration %	Variable remuneration Short-term %	Variable remuneration Long-term %
Executive Directors			
Cameron McCullagh – Managing Director	100%	nil	nil
Rohan Ford – Executive Director	100%	nil	nil
Non-executive Directors			
Bruce Hatchman – Chairman	100%	nil	nil
David Gray – Director	100%	nil	nil
Steve White – Director	100%	nil	nil
Senior executives			
Nathan Thomas – Group Chief Financial Officer	83%	17%	nil

The above does not include disclosures for non-continuing KMP; Andrew Grant (former Executive Director) and Raylee Carruthers (former Chief Operating Officer).

c. Company performance and shareholder wealth

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

	2018 (1)	2017 (2)	2016	2015	2014
Net profit after tax ($'000)	8,458	421	14,208	7,799	3,655
Dividends paid (cents per share)	-	-	-	-	-
Share price at 30 June (cents)	10.0	13.0	12.5	10.0	12.0
EPS (cents per share)	0.4	(0.2)	2.9	2.7	1.7
Continuing KMP Remuneration ($'000)	810	1,744	1,078	1,027	794

(1) Prior to 1 November 2016 the Group accounted for its subsidiaries as Investment Entities; subsequent to this date a change in accounting standards to consolidated accounting was required. For this reason, the net profit after tax and EPS figures are not comparable to prior years.

(2) Amounts have been restated for adjustments to provisional acquisition accounting and equity accounted associates. Refer to notes 6 and 16 to the financial statements for further details.

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Directors' Report (continued)

Remuneration report - audited

d. Key Management Personnel remuneration

The remuneration of Key Management Personnel of COG during the year is set out in the following table:

		Short-term benefits			Post-employment		Other long-term	Share-based		
		Fixed Remuneration ($)	STI cash bonus ($)	Non-cash benefits ($)	benefits [1] ($)	Termination ($)	benefits [2] ($)	payments (cash) ($)	Total ($)	Performance based remuneration (%)
Executive Directors										
Cameron McCullagh	2018	90,384	-	-	18,087	-	-	-	108,471	0.0%
	2017	72,948	-	-	16,430	-	-	-	89,378	0.0%
Rohan Ford	2018	193,856	-	-	17,352	-	754	-	211,962	0.0%
	2017	64,080	-	4,075	6,333	-	1,110	-	75,598	0.0%
Andrew Grant [3]	2018	170,581	-	1,142	15,511	-	(11,828)	-	175,406	0.0%
	2017	326,012	105,605	2,052	19,616	-	5,663	173,652	632,600	44.1%
Non-executive Directors										
Bruce Hatchman	2018	76,000	-	-	14,000	-	-	-	90,000	0.0%
	2017	81,450	-	-	8,550	-	-	-	90,000	0.0%
David Gray	2018	40,000	-	-	3,800	-	-	-	43,800	0.0%
	2017	13,333	-	-	1,267	-	-	-	14,600	0.0%
Steve White	2018	40,000	-	-	3,800	-	-	-	43,800	0.0%
	2017	40,000	-	-	3,800	-	-	-	43,800	0.0%
Mark Smith	2017	32,308	-	-	3,069	-	-	-	35,377	0.0%
Senior executives										
Nathan Thomas	2018	240,432	49,000	2,052	20,135	-	663	-	312,282	15.7%
	2017	56,850	12,500	513	4,904	-	-	-	74,767	16.7%
Raylee Carruthers [4]	2018	284,482	63,600	1,340	20,049	154,976	53,572	-	578,019	11.0%
	2017	314,878	205,605	2,052	19,616	-	7,240	173,652	723,043	52.5%
Jesse Hamilton	2017	81,943	10,959	-	8,221	-	68	-	101,191	10.8%
Total	**2018**	**1,135,735**	**112,600**	**4,534**	**112,734**	**154,976**	**43,161**	**-**	**1,563,740**	**7.2%**
Total	**2017**	**1,083,802**	**334,669**	**8,692**	**91,806**	**-**	**14,081**	**347,304**	**1,880,354**	**36.3%**

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Directors' Report (continued)

Remuneration report – audited

d. Key Management Personnel remuneration (continued)

(1) Post-employment benefits is wholly comprised of Superannuation
(2) Other long-term benefits is wholly comprised of Long service leave
(3) Mr Grant ceased as a KMP on 30 April 2018
(4) Ms Carruthers ceased as a KMP on 4 May 2018

e. Key Management Personnel share transactions

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

	30 June 2016	Rights issued (1)	On market purchase	On market sale	KMP Change (2)	30 June 2017	On market purchase	KMP Change(2)	30 June 2018(3)
Executive Directors									
Andrew Grant	11,630,000	-	-	(7,000,000)	-	4,630,000	-	(4,630,000)	-
Cameron McCullagh	160,359,535	75,304,908	1,568,558	-	-	237,233,001	12,398,000	-	249,631,001
Rohan Ford	-	-	-	-	58,433,585	58,433,585	-	-	58,433,585
Non-executive Directors									
Bruce Hatchman	-	125,000	500,000	-	-	625,000	-	-	625,000
Steve White	1,510,000	2,281,250	-	(197,500)	-	3,593,750	50,000	-	3,643,750
David Gray	-	255,682	-	-	1,022,727	1,278,409	400,000	-	1,678,409
Mark Smith	11,308,534	-	-	-	(11,308,534)	-	-	-	-
Senior Management									
Nathan Thomas	-	-	-	-	-	-	100,000	-	100,000
	184,808,069	77,966,840	2,068,558	(7,197,500)	48,147,778	305,793,745	12,948,000	(4,630,000)	314,111,745

(1) Represents participation in on market or institutional rights issues
(2) Represents their holdings at the point they commenced / ceased to be a KMP.
(3) KMP shareholdings remain consistent at annual report issue date.

There were no options granted as remuneration during the financial year (2017: nil).

There were no shares issued on the exercise of options granted as remuneration during the financial year (2017: nil).

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Directors' Report (continued)

Remuneration report - audited

f. Service agreements

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

Name	Fixed Remuneration per annum (1)	Term of agreement	Notice period (2)	Termination payment (3)
Cameron McCullagh	$108,471	No set term	12 weeks	12 weeks
Rohan Ford	$200,000	No set term	12 months	12 months
Nathan Thomas	$250,049	No set term	2 months	12 weeks

(1) Fixed Remuneration includes statutory Superannuation contributions
(2) Notice periods are consistent for both COG and the KMP
(3) Termination payment in lieu of notice period is calculated as a proportion of the KMP's fixed remuneration. Summary termination with no payment is enforceable for gross misconduct or gross negligence.

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

g. Other Key Management Personnel transactions

Loans from Key Management Personnel and their related entities

During 2017, unsecured loans advanced by Key Management Personnel to a COG controlled entity were $2,600,000 (2017: $2,700,000). Interest is payable on an arms-length basis at 10% (2017: 10%) and the loans are repaid in cash on average 17 months after the issue date. The interest and principal repayments on debentures advanced to Secured Finance Limited, a wholly owned subsidiary of COG, during the year were as follows:

	Balance at 30 June 2017	Commission received	Amount advanced during the year	Interest payment	Principal repayment	Balance at 30 June 2018
	$	$	$	$	$	$
KMP (and related entities):						
Bruce Hatchman	68,854	-	400,000	28,692	183,575	285,279
Steve White	-	-	200,000	-	-	200,000
Nathan Thomas	-	875	50,000	2,533	37,029	12,971
Andrew Grant (1)	1,306,695	30,625	1,750,000	88,057	1,727,406	1,329,289
Raylee Carruthers (2)	240,895	7,000	200,000	23,872	271,937	168,958

(1) Represents transactions between 1 July 2017 and 30 April 2018, being the date Mr Grant ceased to be a KMP
(2) Represents transactions between 1 July 2017 and 4 May 2018, being the date Ms Carruthers ceased to be a KMP

End of audited remuneration report.

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Directors' Report (continued)

Environmental legislation
COG's operations are not subject to any particular or significant environmental regulation under the law of the Commonwealth or of a State or Territory in Australia.

Options
At 30 June 2018 there were no options outstanding. No options have been granted over unissued shares during or since the end of the financial year.

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

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

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

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

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

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

Non-audit services
BDO East Coast Partnership, COG's auditor, did not perform non-audit services during the year in addition to their statutory audit duties.

A copy of the auditor's independence declaration as required under S307C of the *Corporations Act 2001* is included on page 17 of this financial report and forms part of this Directors' Report.

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

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

Signed in accordance with a resolution of the Board of Directors on 28 August 2018.

Bruce Hatchman
Chairman

Cameron McCullagh
Managing Director

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Australia

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DECLARATION OF INDEPENDENCE BY GARETH FEW TO THE DIRECTORS OF CONSOLIDATED OPERATIONS GROUP LIMITED

As lead auditor of Consolidated Operations Group Limited for the year ended 30 June 2018, I declare that, to the best of my knowledge and belief, there have been:

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

This declaration is in respect of Consolidated Operations Group Limited and the entities it controlled during the period.

Gareth Few
Partner

BDO East Coast Partnership

Sydney, 28 August 2018

BDO East Coast Partnership ABN 83 236 985 726 is a member of a national association of independent entities which are all members of BDO Australia Ltd ABN 77 050 110 275, an Australian company limited by guarantee. BDO East Coast Partnership and BDO Australia Ltd are members of BDO International Ltd, a UK company limited by guarantee, and form part of the international BDO network of independent member firms. Liability limited by a scheme approved under Professional Standards Legislation, other than for the acts or omissions of financial services licensees.

Corporate Governance Statement

The Board is committed to achieving and demonstrating the highest standards of corporate governance. As such, Consolidated Operations Group Limited (COG) has adopted the third edition of the Corporate Governance Principles and Recommendations which was released by the ASX Corporate Governance Council on 27 March 2014 and became effective for financial years beginning on or after 1 July 2014.

COG's Corporate Governance Statement for financial year ending 30 June 2018 is dated as at 28 August 2018 and was approved by the Board on 28 August 2018. The Corporate Governance Statement is available on COG's website at www.coglimited.com.au.

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Statement of Comprehensive Income

For the year ended 30 June 2018

	Notes	2018 $'000	2017 (1) $'000
Revenue from continuing operations	7	161,047	81,952
Cost of sales		(48,610)	(13,195)
Commissions paid		(48,227)	(30,455)
Employee benefits expense	8	(28,330)	(17,187)
Administration expenses		(11,255)	(6,627)
Occupancy expenses		(2,653)	(1,175)
Finance costs		(4,119)	(1,480)
Depreciation and amortisation		(5,630)	(3,849)
Acquisition-related costs		(562)	(837)
Other expenses		(228)	(740)
Share of results from equity accounted associates	16	144	(2,845)
Profit before income tax		**11,577**	**3,562**
Income tax expense	9	(3,119)	(3,141)
Profit after tax for the year		**8,458**	**421**
Other comprehensive income:			
Items that may be reclassified subsequently to the statement of profit or loss			
Foreign currency translation differences		38	-
Total comprehensive income for the year		**8,496**	**421**
Profit/(loss) after tax attributable to:			
Members of Consolidated Operations Group Limited		4,802	(1,732)
Non-controlling interests		3,656	2,153
Total profit after tax for the year		**8,458**	**421**
Total comprehensive income/(loss) attributable to:			
Members of Consolidated Operations Group Limited		4,840	(1,732)
Non-controlling interests		3,656	2,153
Total comprehensive income for the year		**8,496**	**421**
Basic and diluted earnings/(loss) per share from continuing operations, attributable to members (cents):	20	**0.4**	**(0.2)**

The above Statement of Comprehensive Income should be read in conjunction with the accompanying notes.
(1) Prior period comparatives have been restated for adjustments to provisional acquisition accounting and equity accounted associates. Refer to notes 6 and 16 respectively for details.

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Statement of Financial Position

As at 30 June 2018

	Notes	2018 $'000	2017 (1) $'000
Assets			
Current			
Cash and cash equivalents	10	36,246	39,837
Trade and other receivables	11	15,737	12,860
Financial assets – lease receivables	12	21,794	11,296
Inventories		191	505
Other financial assets	13	1,205	732
Total current assets		**75,173**	**65,230**
Non-current			
Trade and other receivables	11	4,336	3,628
Financial assets – lease receivables	12	51,898	31,103
Other financial assets	13	6,533	4,227
Equity accounted associates	16	1,487	749
Property, plant and equipment	14	1,383	2,337
Intangible assets and goodwill	15	145,407	143,121
Total non-current assets		**211,044**	**185,165**
Total assets		**286,217**	**250,395**
Liabilities			
Current			
Trade and other payables	17	12,352	10,514
Unearned income		5,796	5,748
Interest bearing liabilities	18	22,771	16,658
Current tax liabilities		1,935	2,538
Provisions	8	2,105	2,460
Total current liabilities		**44,959**	**37,918**
Non-current			
Provisions	8	496	300
Interest bearing liabilities	18	36,866	12,557
Deferred tax liabilities	9	9,356	10,577
Trade and other payables	17	426	-
Total non-current liabilities		**47,144**	**23,434**
Total liabilities		**92,103**	**61,352**
Net assets		**194,114**	**189,043**
Equity			
Share capital	19	215,670	216,216
Reserves		41,341	36,437
Accumulated losses		(78,103)	(78,103)
Non-controlling interests		15,206	14,493
Total equity		**194,114**	**189,043**

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

(1) Prior period comparatives have been restated for adjustments to provisional acquisition accounting and equity accounted associates. Refer to notes 6 and 16 respectively for details.

Statement of Changes in Equity

For the year ended 30 June 2018

	Notes	Share Capital $'000	Accumulated losses $'000	Reserves [1] $'000	Non-controlling interests [1] $'000	Total Equity $'000
Balance at 1 July 2016		**128,297**	**(76,371)**	**36,768**	**-**	**88,694**
Net profit/(loss) for the year, after tax		-	(1,732)	-	2,153	**421**
Movements in reserves		-	-	-	-	-
Total comprehensive income for the year		**-**	**(1,732)**	**-**	**2,153**	**421**
Transactions with owners:						
Non-controlling interests acquired		-	-	(331)	11,818	**11,487**
Dividends		-	-	-	(1,780)	**(1,780)**
Issue of share capital		89,394	-	-	2,302	**91,696**
Costs of raising capital, net of tax		(1,475)	-	-	-	**(1,475)**
Balance at 30 June 2017	19	**216,216**	**(78,103)**	**36,437**	**14,493**	**189,043**
Balance at 1 July 2017		**216,216**	**(78,103)**	**36,437**	**14,493**	**189,043**
Net profit for the year, after tax		-	4,802	-	3,656	**8,458**
Movements in reserves		-	-	38	-	**38**
Total comprehensive income for the year		**-**	**4,802**	**38**	**3,656**	**8,496**
Transactions with owners:						
Non-controlling interests acquired		-	-	64	(8)	**56**
Dividends		-	-	-	(3,418)	**(3,418)**
Issue of share capital		787	-	-	896	**1,683**
Non-controlling interest acquisition contribution		-	-	-	(413)	**(413)**
On market buyback and share cancellation		(1,149)	-	-	-	**(1,149)**
Costs of raising capital, net of tax		(184)	-	-	-	**(184)**
Transfer to reserves		-	(4,802)	4,802	-	**-**
Balance at 30 June 2018	19	**215,670**	**(78,103)**	**41,341**	**15,206**	**194,114**

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

(1) Prior period comparatives have been restated for adjustments to provisional acquisition accounting and equity accounted associates. Refer to notes 6 and 16 respectively for details.

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Statement of Cash Flows

For the year ended 30 June 2018

	Notes	2018 $'000	2017 $'000
Cash flows from operating activities			
Receipts from customers		160,510	88,576
Payments to suppliers and employees		(154,137)	(80,996)
Dividends received		10	1,571
Interest received		10,833	2,060
Finance costs		(3,950)	(1,480)
Income taxes paid		(5,055)	(3,044)
Net cash inflow from operating activities	23	**8,211**	**6,687**
Cash flows from investing activities			
Payments for investments		(6,249)	(32,671)
Payments for deferred considerations		(315)	-
Payments for equipment - finance leases		(58,675)	(31,433)
Payments for property, plant and equipment		(264)	(548)
Payments for intangibles		(1,089)	(328)
Proceeds from sale of property, plant and equipment		95	275
Loans advanced to investee companies		-	(5,148)
Loans repayment received		31	-
Receipts from redemption of term deposit		-	1,500
Proceeds from sale of business		-	45
Net cash acquired on acquisition of controlled entities	6	137	7,402
Net cash sold on disposal of controlled entities		-	(18)
Net cash outflow from investing activities		**(66,329)**	**(60,924)**
Cash flows from financing activities			
Proceeds from issue of shares		777	62,996
Costs of raising capital and share buy back		(1,149)	-
Proceeds from funding of finance leases		27,851	14,293
Proceeds from interest bearing liabilities		56,017	19,695
Repayments of interest bearing liabilities		(25,551)	(1,141)
Dividends paid by subsidiaries to non-controlling interests		(3,418)	(1,780)
Net cash inflow from financing activities		**54,527**	**94,063**
Net increase / (decrease) in cash and cash equivalents		(3,591)	39,826
Cash and cash equivalents, beginning of the financial year		39,837	11
Cash and cash equivalents, end of the financial year	10	**36,246**	**39,837**
Non-cash investing and financing activities:			
Scrip consideration issued for acquisitions of investments		787	24,586

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

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Notes to the Financial Statements

NOTE 1. GENERAL INFORMATION

Consolidated Operations Group Limited ('COG' or 'the Company') and its controlled entities ('the Group') is an Australian Securities Exchange (ASX) listed Company whose principal activities are primarily focused on the equipment finance sector. The investment objective of the Group is to grow its earnings per share from investing in complementary entities and growing existing businesses that specialise in equipment finance broking, finance aggregation and commercial leases for essential business assets.

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

The financial statements have been approved and authorised for issue by the Board of Directors on 28 August 2018.

The registered office is:
C/O Franks and Associates Pty Limited
Suite 2, Level 10, 70 Phillip Street
Sydney, NSW, 2000
Phone 02 9299 9690

Principal place of business:
Level 1, 72 Archer Street
Chatswood NSW 2067
Phone 1300 137 146

NOTE 2. BASIS OF PREPARATION AND STATEMENT OF COMPLIANCE

These general purpose financial statements for the financial year ended 30 June 2018 have been prepared in accordance with the requirements of the *Corporations Act 2001*, Australian Accounting Standards and other authoritative pronouncements of the Australian Accounting Standards Board (AASB), as appropriate for for-profit oriented entities. Compliance with Australian Accounting Standards results in full compliance with the International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

In accordance with *ASIC Corporations (Rounding in Financial/Director Reports) Instrument 2016/191*, the amounts in the consolidated financial report have been rounded to the nearest thousand Australian dollars, which is the Group's functional and presentation currency.

The principal accounting policies adopted are consistent with those of the previous financial year unless otherwise stated. Certain comparative information was amended in these financial statements to conform to the current year presentation. These amendments do not impact the Group's financial performance or position and do not have significant impact on the Group's Statement of Financial Position or Statement of Comprehensive Income.

New or amended Accounting Standards and Interpretations adopted

The Group has adopted all of the new or amended Accounting Standards and Interpretations issued by the AASB that are mandatory for the current financial year. Adoption has not had a material impact on amounts recognised and disclosed in these financial statements.

The Group has decided against early adoption of the following standards. A discussion of those future requirements and their impact on the Group follows:

AASB 9 Financial Instruments

AASB 9 is required to be applied by the Group next financial year (year ending 30 June 2019) and makes the following amendments to existing financial instrument recognition, measurement and presentation requirements:

- a new model for the classification and measurement of financial assets,
- amendments to the accounting for financial liabilities,
- revised hedge accounting rules, and
- changes to the principles for the recognition and measuring of impairment of financial assets.

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Notes to the Financial Statements (continued)

NOTE 2. BASIS OF PREPARATION AND STATEMENT OF COMPLIANCE (CONTINUED)

AASB 9 Financial Instruments (continued)
On-going assessment is being undertaken by the Group, with the status of current considerations as follows:

- Assessment is still on-going for revisions to requirements for financial assets and financial liabilities. As such the impact is not currently reasonably estimable.
- No impact is expected from revised hedge accounting requirements.
- The impairment recognition and measurement requirements under AASB 9 are broadly consistent with existing methodology applied to the Group's most significant financial assets (being those included in the Commercial Equipment Leasing segment). The remainder of the Group's financial assets are high turnover with low risk of significant impairment and thus the changes in impairment recognition and measurement are not expected to have a significant impact.

AASB 15 Revenue from Contracts with Customers
AASB 15 is required to be applied by the Group next financial year (year ending 30 June 2019). It supersedes existing guidance included in AASB 118 *Revenue,* AASB 111 *Construction Contracts* and other revenue related accounting interpretations. The revised standard includes the following:

- Outlines a new five step revenue recognition model which determines the timing and amount of revenue recognised.
- Provides new and more detailed guidance on specific topics (e.g., multiple element arrangements, variable pricing, rights of return, warranties and licensing)
- Increases the volume of disclosure around types of revenue and the amounts recognised.

The Group is still assessing the impact of implementing AASB 15 as such the impact is not currently reasonably estimable. The majority of the impact of applying the new requirements of AASB 15 is expected to be in the revenue recognition and disclosures related to the Finance Broking & Aggregation and the All Other / Intersegment segments of the Group, as most transactions in the Commercial Equipment Leasing segment are outside the scope of AASB 15.

AASB 16 Leases
AASB 16 is required to be applied by the Group for the year ending 30 June 2020, the Group expects to apply the requirements of the standard at its mandatory adoption date. AASB 16 supersedes existing guidance included in AASB 117 *Leases* and other lease related accounting interpretations. The revised standard includes the following:

- Requires the recognition of a 'right of use' asset and related financing liability to be recognised on balance sheet for all lease assets held by lessees other than minor exemptions for short-term and low value asset leases. The right of use asset and financing liability are unwound on a systematic basis depending on the nature of each individual lease contract.
- Provides new guidance on the application of the definition of lease and on sale and lease back accounting.
- Lessor accounting requirements remain broadly consistent with existing guidance in AASB 117 and lease related accounting interpretations.
- Amended and additional disclosures are required for all leases.

On-going assessment is being undertaken by the Group, with the status of current considerations as follows:

- The Group's 30 June 2018 exposure to leases where it acts as lessee is outlined in note 28. All leases included in here are expected to require the recognition of a right of use asset and related financial liability which will have an impact on the Group's balance sheet and income statement and will have resultant impacts on the Group's key metrics including EBITDA and leverage ratios.
- No impact is expected to lessor accounting which is the primary business operations for the Commercial Equipment Leasing segment.

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Notes to the Financial Statements (continued)

NOTE 3. SIGNIFICANT ACCOUNTING POLICIES

(a) Principles of consolidation

Business combinations

The Group accounts for business combinations using the acquisition method when control is transferred to the Group. The consideration transferred in the acquisition is measured at fair value, as are the identifiable net assets acquired. The excess of the consideration transferred over the fair value of identifiable net assets acquired and non-controlling interests is recorded as goodwill. If the consideration transferred is less than the fair value of identifiable net assets acquired and non-controlling interests, the difference is recognised directly in profit or loss. Costs of acquisition are expensed as incurred, except if it related to the issue of debt or equity securities.

Subsidiaries

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements of the Group from the date on which control commences until the date on which control ceases.

Non-controlling interests

Non-controlling interests (NCI) are measured at their proportionate share of the acquired subsidiaries' identifiable net assets at the date of acquisition. The term 'NCI' is used to describe that portion not owned by the parent entity, the NCI share of the consolidated profit and net assets is disclosed separately in the consolidated statement of other comprehensive income, the consolidated statement of financial position and the consolidated statement of changes in equity.

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

Interests in equity-accounted associates

The Group's interests in equity-accounted investees comprise interests in associates. Associates are those entities in which the Group has significant influence, but not control or joint control, over the financial and operating policies. Interests in associates are accounted for using the equity method. They are initially recognised at cost, which includes transaction costs. Subsequent to initial recognition, the Company's share of the profit or loss of associates and the joint venture is included in the Group's profit or loss.

Transactions eliminated on consolidation

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

(b) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable after taking into account any trade discounts and volume rebates allowed. Any consideration deferred is treated as the provision of finance and is discounted at a rate of interest that is generally accepted in the market for similar arrangements. The difference between the amount initially recognised and the amount ultimately received is interest revenue.

Sale of goods

Sales revenue comprises revenue earned (net of returns, discounts and allowances) from the provision of products or services to entities outside the Group. Sales revenue is recognised when goods are provided to a customer with a complete contract of sale.

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Notes to the Financial Statements (continued)

NOTE 3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(b) Revenue recognition (continued)

Commission, trail, fee and volume bonus income

Finance commission income

Finance commission income, volume bonus incentives and fee income are accounted for on an accruals basis when the related service has been provided and the amount of consideration can be reliably measured. Such revenues are recorded on the gross basis as the Group acts as Principal in its dealings with customers and aggregation partners.

Trail revenue

Trail revenue and related receivables balances are initially recognised and measured at the net present value of expected future net cash receipts. Subsequent to initial recognition the trail receivable asset is measured at amortised cost with any changes in the net present value of net cash receipts recognised in the Statement of Comprehensive Income.

Finance lease income

Finance lease income

Finance leases are capitalised by recording an asset at the lower of the amounts equal to the fair value of the minimum lease payments, including any guaranteed residual values. Lease receipts are allocated between the reduction of lease receivables and the lease interest income for the period.

Lease rentals

Rental income on operating leases (where applicable) comprises revenue earned from leasing equipment where the Group is the lessor and has retained the right to the contracted rentals streams. Rental income on operating leases is recognised on a straight-line basis, with amounts received but unearned taken up as deferred income and amounts earned but not yet received taken up as trade debtors.

Residual rights

The Group recognises the estimated sum of expected end of term earnings on inception of the lease, discounted at the interest rate implicit in the lease (including residual rights) such that at the commencement of the lease, no income is recognised. Income received from lease rentals and asset sale proceeds past the term of the lease over and above the residual rights receivable asset are recognised as per note 4(e).

Sale of receivable streams

Where contracted rental streams are sold to financiers and the Group contractually retains the residual rights then the proceeds received are recorded as revenue when received.

Other revenue

Gain on sale of assets

Gain on sale of assets is recognised upon disposal of the asset and when right to receive payment is established.

Interest income

Interest income is recognised on a proportional basis taking into account the interest rates applicable to the financial assets, using the effective interest rate method.

(c) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits, together with other short-term, highly liquid investments that are readily convertible into known amounts of cash within three months of year end and which are subject to an insignificant risk of changes in value.

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Notes to the Financial Statements (continued)

NOTE 3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(d) Lease receivables

The Group has classified its long-term contracts as finance leases for accounting purposes. Under a finance lease, substantially all the risks and benefits incidental to the ownership of the lease asset are transferred by the Group to the lessees. The Group recognises at the beginning of the lease term as an asset at an amount equal to the aggregate of the present value (discounted at the interest rate implicit in the lease) of the minimum lease payments and an estimate of any unguaranteed residual value expected to accrue to the Group at the end of the lease term. Any over or under in recovery of this unguaranteed residual is recognised directly in the profit or loss.

(e) Finance costs

The Group's finance costs include:

- interest expense; and
- the foreign currency gain or loss on financial assets and financial liabilities.

Interest expense is recognised using the effective interest method.

(f) Financial instruments

Recognition and initial measurement

Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provisions of the financial instrument.

Financial instruments are initially measured at fair value adjusted by transaction costs, except for those carried at fair value through profit or loss where transaction costs related to financial instruments are expensed to profit or loss immediately.

Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and all substantial risks and rewards are transferred. Any interest in such derecognised financial assets that is created or retained by the Group is recognised as a separate asset or liability.

A financial liability is derecognised when its contractual obligations are extinguished, discharged, cancelled or expired. The Group has no derivative financial assets or liabilities in the current or previous financial years.

Classification and subsequent measurement of financial assets

For the purpose of subsequent measurement, all financial assets are classified as loans and receivables upon initial recognition.

All financial assets are subject to review for impairment at least at each reporting date to identify whether there is any objective evidence that a financial asset or a group of financial assets is impaired.

All income and expenses relating to financial assets that are recognised in profit or loss are presented within finance costs, finance income, unrealised gain or loss on investments, or other financial items, except for impairment of trade receivables which is included within administration expenses.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. These assets are initially recognised at fair value plus any directly attributable transaction costs. After initial recognition, these are measured at amortised cost using the effective interest method, less provision for impairment. Discounting is omitted where the effect of discounting is immaterial.

The Group's cash and cash equivalents, trade and most other receivables fall into this category of financial instruments.

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Notes to the Financial Statements (continued)

NOTE 3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(f) Financial instruments (continued)

Loans and receivables (continued)

Receivables are considered for impairment when they are past due or when other objective evidence is received that a specific counterparty will default.

Classification and subsequent measurement of financial liabilities

A financial liability is classified as at FVTPL if it is classified as held for trading or is designated as such on initial recognition. Directly attributable costs are recognised in profit or loss as incurred. Financial liabilities at FVTPL are measured at fair value and gains or losses are recognised in profit or loss.

Other non-derivative financial liabilities are initially measured at fair value less any directly attributable transaction costs. Subsequent to initial recognition, these liabilities are measured at amortised cost using the effective interest method. The Group's financial liabilities including trade and other payables, and interest-bearing liabilities, fall into this category. All interest-related charges and if applicable, changes in an instrument's fair value that are reported in profit or loss, are included within finance costs or finance income.

(g) Impairment

Financial instruments

Financial assets not classified as at FVTPL, including an interests in equity accounted investees, are assessed each reporting date to determine whether there is objective evidence of impairment.

Objective evidence that financial assets are impaired includes:

- Default or delinquency by a debtor;
- Indications that a debtor will enter bankruptcy;
- Adverse changes in the payment status of borrowers or issuers; or
- Observable data indicating that there is a measurable decrease in the expected cash flows from a group of financial assets.

Financial assets measured at amortised cost	The Group considers evidence of impairment for these assets at both the individual asset and collective level. All individually significant assets are individually assessed for impairment. Those found not to be impaired are then collectively assessed for any impairment that has been incurred but not yet individually identified. Assets that are not individually significant are collectively assessed for impairment. Collective assessment is carried out by grouping together assets with similar risk characteristics. In assessing collective impairment, the Group uses historical information on the timing of recoveries and the amount of losses incurred and makes an adjustment if current economic and credit conditions are such that the actual losses are likely to be greater or lesser than suggested by historical trends. An impairment loss is calculated as the difference between an asset's carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognised in profit or loss and reflected in an allowance account. When the Group considers that there are no realistic prospects of recovery of the asset, the relevant amounts are written off. If the amount of the impairment loss subsequently decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, then the previously recognised impairment loss is reversed through profit or loss.
Equity accounted investees	An impairment loss in respect of an equity accounted investee is measured by comparing the recoverable amount of the investment with its carrying amount. An impairment loss is recognised in profit or loss and is reversed if there has been a favourable change in the estimates used to determine the recoverable amount.

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Notes to the Financial Statements (continued)

NOTE 3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(g) Impairment (continued)

Non-financial assets

At each reporting date, the Group reviews the carrying amounts of its non-financial assets (other than inventories and deferred tax assets) to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. Goodwill is tested annually for impairment.

For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or cash generating units (CGUs). Goodwill arising from a business combination is allocated to CGUs or groups of CGUs that are expected to benefit from synergies of the combination.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. Value in use is based on the estimated future cash flows, 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 or CGU.

An impairment loss is recognised if the carrying amount of an asset or CGU exceeds its recoverable amount.

Impairment losses are recognised in profit or loss. They are allocated first to reduce the carrying amount of any goodwill allocated to the CGU, and then to reduce the carrying amounts of the other assets in the CGU on a pro-rata basis.

An impairment loss in respect of goodwill is not reversed. For other assets, an impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciated and amortisation, if no impairment loss had been recognised.

(h) Income taxes

Income tax expense comprises current and deferred income tax. It is recognised in profit or loss except to the extent that it relates to a business combination, or items recognised directly in equity or in OCI.

Tax consolidated group

The Company and its wholly owned subsidiaries have formed an income tax consolidated group under the tax consolidation regime. Consequently, these entities are taxed as a single entity and the deferred tax assets and liabilities of these entities are offset in the consolidated financial statements (where applicable).

In addition, certain controlled entities and their wholly owned subsidiaries have formed income tax consolidated groups under the tax consolidation regime. These entities are also taxed as a single entity and the deferred tax assets and liabilities of these tax consolidated groups are offset in the consolidated financial statements.

Current tax

Current income tax assets and/or liabilities comprise those obligations to, or claims from, the Australian Taxation Office (ATO) and other fiscal authorities relating to the current or prior financial years, that are unpaid at the reporting date. Current tax is payable on taxable profit, which differs from profit or loss in the financial statements. Calculation of current tax is based on tax rates and tax laws that have been enacted or substantively enacted by the reporting date.

Deferred tax

Deferred income taxes are calculated using the liability method on temporary differences between the carrying amounts of assets and liabilities and their tax bases.

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Notes to the Financial Statements (continued)

NOTE 3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(h) Income taxes (continued)

Deferred tax (continued)

Deferred tax is not recognised for:

- temporary differences on the initial recognition of an asset or liability in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss;
- temporary differences related to investments in subsidiaries, associates and joint arrangements to the extent that the Group is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future; and
- taxable temporary differences arising on the initial recognition of goodwill.

Deferred tax assets are recognised to the extent that it is probable that they will be able to be utilised against future taxable income, based on the Group's forecast for individual subsidiaries in the Group and the reversal of temporary differences. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised, such reductions are reversed when the probability of future taxable profits improves.

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

Deferred tax is measured, without discounting, at the tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date.

Changes in deferred taxes are recognised as a component of tax income or expense in profit or loss, except where they relate to items that are recognised in other comprehensive income (such as the revaluation of land) or directly in equity, in which case the related deferred tax is also recognised in other comprehensive income or equity respectively.

Deferred tax assets and liabilities are offset only when the Group has a right and intention to set off current tax assets and liabilities from the same taxation authority.

(i) Inventories

Inventories are measured at lower of cost and net realisable value. The cost of inventories is based on the first-in, first-out principle.

(j) PPE

Recognition and measurement

Items of property, plant and equipment are measured at cost, which includes capitalised borrowing costs, less accumulated depreciation and any accumulated impairment losses. Any gain or loss on disposal of an item of property, plant and equipment is recognised in profit or loss.

Subsequent expenditure

Subsequent expenditure is capitalised only if it is probable that the future economic benefits associated with the expenditure will flow to the Group.

Depreciation

Depreciation is calculated to write off the cost of items of property, plant and equipment less their estimated residual values using the straight-line method over their estimated useful lives and is recognised in profit or loss. Leased assets are depreciated over the lease term and their useful lives unless it is reasonably certain that the Group will obtain ownership by the end of the lease term. Land is not depreciated.

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Notes to the Financial Statements (continued)

NOTE 3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(j) PPE (continued)

Depreciation (continued)

The estimated useful lives of property, plant and equipment for current and comparative periods are as follows:

- Leasehold improvements 5 – 40 years
- Plant and equipment 2 – 10 years
- Operating leased assets 2 – 5 years
- Other assets 2 – 10 years

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

(k) Intangible assets and goodwill

Recognition and measurement

Goodwill	Goodwill arising on the acquisition of subsidiaries has an infinite useful life and is measured at cost less accumulated impairment losses.
Other intangible Assets	Other intangible assets, including customer lists, intellectual property and software that are acquired or developed by the Group and have finite useful lives are measured at cost less accumulated amortisation and any accumulated impairment losses.

Amortisation

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

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

- Intellectual property 2 – 5 years
- Software 2 – 6 years
- Customer relationships and supplier agreements 5 – 10 years

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

(l) Leases

Determining whether an arrangement contains a lease

At inception of an arrangement, the Group determines whether the arrangement is or contains a lease.

At inception or on reassessment of an arrangement that contains a lease, the Group separates payments and other consideration required by the arrangement into those for the lease and those for other elements on the basis of their relative fair values. If the Group concludes for a finance lease that it is impracticable to separate the payments reliably, then an asset and a liability are recognised at an amount equal to the fair value of the underlying asset. Subsequently, the liability is reduced as payments are made and an imputed finance cost on the liability is recognised using the Group's incremental borrowing rate.

Lease assets

If the Group is the lessor in a lease agreement that transfers substantially all of the risks and rewards incidental to ownership of the asset to the lessee, then the arrangement is classified as a finance lease and a receivable equal to the net investment in the lease is recognised and presented on the consolidated statement of financial position. Subsequent to initial recognition, the assets are accounted for in accordance with the accounting policy applicable to that asset.

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Notes to the Financial Statements (continued)

NOTE 3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(l) Leases (continued)

Lease assets (continued)

Assets held under other leases are classified as operating leases and are not recognised in the Group's statement of financial position.

Lease payments

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised as an integral part of the total lease expense, over the term of the lease. Associated costs, such as maintenance and insurance, are expensed as incurred.

(m) Employee benefits

Short-term employee benefits

Short-term employee benefits are current liabilities included in employee benefits, measured at the undiscounted amount that COG expects to pay as a result of the unused entitlement.

Share-based employee remuneration

The Group has previously operated a cash-settled share-based remuneration plan. All goods and services received in exchange for the grant of any share-based payment are measured and determined indirectly by reference to the fair value of the long-term incentives granted. This fair value is appraised at the grant date and excludes the impact of non-market vesting conditions (for example profitability and sales growth targets and performance conditions).

All share-based remuneration is ultimately recognised as an expense in profit or loss with a corresponding credit to liabilities. If vesting periods or other vesting conditions apply, the expense is allocated over the vesting period, based on the best available estimate of the remuneration expected to vest. No adjustment is made to any expense recognised in prior periods if remuneration ultimately exercised is different to that estimated on vesting.

Other long-term employee benefits

Employee benefits payable later than one year have been measured at the present value of the estimated future cash outflows to be made for those benefits. Those cash flows are discounted using market yields on high quality corporate bonds with terms to maturity that match the expected timing of cash flows.

(n) Equity and reserves

Share capital

Share capital represents the fair value of shares that have been issued. Any transaction costs directly associated with the issuing of shares are deducted from share capital, net of any related income tax benefits.

Profit reserve

The Current Profit Reserve has been established by the Board by allocating the profits from the years ended 30 June 2012, 30 June 2013, 30 June 2014, 30 June 2015, 30 June 2016 and 30 June 2018, for the purpose of considering dividends in a future financial period.

Accumulated losses include all prior period losses before the year ended 30 June 2012 and for the financial year ended 30 June 2017.

All transactions with owners of the parent are recorded separately within equity.

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Notes to the Financial Statements (continued)

NOTE 3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(o) Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Tax Office. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense.

Receivables and payables in the Statement of Financial Position are shown exclusive of GST.

Cash flows are presented in the Statement of Cash Flows on a gross basis, except for the GST components of investing and financing activities, which are disclosed as operating cash flows.

NOTE 4. KEY ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

The Directors evaluate estimates and judgments incorporated into the financial report based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the Group.

The estimates and underlying assumptions are reviewed on an on-going 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.

(a) Key estimate – rate of return on unguaranteed residual rights

The Group estimates the value of unguaranteed lease residual rights based on its prior experience and history for similar contracts. The return is estimated to be between 20% to 25% of the original cost of the underlying asset (originally paid to the supplier). The Group recognises the estimated sum of expected end of term earnings on inception of the lease, discounted at the interest rate implicit in the lease (including residual rights) such that at the commencement of the lease, no income is recognised.

(b) Key estimates – allowance for impairment of receivables

The Group assesses the allowance for impairment of receivables at each reporting date based on the likelihood of collectability of receivables due at that time.

Refer to note 3(g) for the further details on allowance for impairment of receivables.

(c) Key estimates – fair value of assets acquired

The Group measures the net assets acquired in a business combination at their fair value at the date of acquisition. If new information obtained within one year from the acquisition date about facts and circumstances that existed at the acquisition date, identified adjustments to the fair value, then the amounts recognised as at the acquisition date will be retrospectively revised. For deemed acquisitions, fair value is estimated with reference to the market transactions for similar assets or discounted cash flow analysis.

Refer to note 6 for the further details on business combinations.

(d) Key estimates – goodwill

Goodwill is not amortised but assessed for impairment annually or when there is objective evidence of an impairment. The recoverable amount of goodwill is estimated using the higher of fair value or the value in use analysis of the relevant cash generating unit (CGU) deducting the carrying amount of the identifiable net assets of the CGU. Key assumptions used in the calculation of recoverable amounts are the discount rates, terminal value growth and EBITDA growth rates and multiples.

Refer to note 6 and note 15 for the further details on goodwill.

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Notes to the Financial Statements (continued)

NOTE 4. KEY ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (CONTINUED)

(e) Key estimates – recovery of deferred tax assets

Deferred tax assets are recognised for deductible temporary differences and operating tax losses only if the Group considers it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Refer to note 9 for the further details on taxation.

NOTE 5. OPERATING SEGMENTS

The Group has three operating segments based upon the product and services offered by business units within each segment. The Group presents the below financial information to the Chief Operating Decision Makers (being the Board of Directors), on a monthly basis.

The Group's reportable segments are as follows:

- *Finance Broking & Aggregation* activities comprise business units focused on aggregation of broker volumes to encourage profitability through scale and finance broking focused on motor and equipment finance
- *Commercial Equipment Leasing* activities are focused on providing bespoke financing arrangements for essential business assets for commercial customers
- *All Other / Intersegment* activities include:
    - Hal Group, who provides management IT services, and
    - Consolidated Operations Group, who provides head office functions for the Group.

The information presented below is for the year ended 30 June 2018.

Year ended 30 June 2018	Finance Broking & Aggregation $'000	Commercial Equipment Leasing [1] $'000	All Other / Intersegment $'000	Total $'000
Revenue	139,426	13,805	7,320	160,551
EBITDA from core operations	**16,014**	**7,650**	**(2,246)**	**21,418**
Dividend income				10
Interest income				486
Acquisition and integration				(562)
Depreciation and amortisation				(5,630)
Finance costs				(4,119)
Redundancy costs				(170)
Share of results from associates				144
Profit before tax				11,577
Income tax expense				(3,119)
Profit after tax				**8,458**
Non-controlling interests				(3,656)
Profit after tax, attributable to members				**4,802**

Notes to the Financial Statements (continued)

NOTE 5. OPERATING SEGMENTS (CONTINUED)

Year ended 30 June 2017	Finance Broking & Aggregation $'000	Commercial Equipment Leasing [1] $'000	All Other / Intersegment $'000	Total $'000
Revenue	69,844	8,468	1,699	80,011
EBITDA from core operations	**10,026**	**4,217**	**(3,611)**	**10,632**
Dividend income				1,060
Interest income				881
Acquisition and integration				(837)
Depreciation and amortisation				(3,849)
Finance costs				(1,480)
Share of results from associates				(2,845)
Profit before tax				3,562
Income tax expense				(3,141)
Profit after tax				**421**
Non-controlling interests				(2,153)
Loss after tax, attributable to members				**(1,732)**

The comparative period presents investment entity accounting from 1 July 2016 to 31 October 2016 (four months) and consolidated financial performance from 1 November 2016 to 30 June 2017 (eight months). As a result, prior period comparative information is not entirely comparable, as it has been prepared on a different accounting basis.

(1) Commercial Equipment Leasing segment EBITDA from core operations includes interest income from leasing activities as these are core to segment activities.

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Notes to the Financial Statements (continued)

NOTE 6. BUSINESS COMBINATIONS

(a) Current period acquisitions

DLV acquisition

On 13 July 2017, the Group acquired 50% of DLV (QLD) Pty Limited (DLV) through its 50% owned subsidiary QPF Holdings Pty Limited for $1,482k net consideration. DLV is an equipment finance broker predominantly servicing central Queensland.

Three years post completion the Group has an option to acquire 18% of DLV per annum from the non-controlling interests (at a multiple of 4.5 times the most recent financial year normalised EBITDA) should any of the non-controlling shareholders transition out of the business.

The acquired business contributed revenues of $2,323k and net profit after tax of $525k to the Group for the period from 13 July 2017 to 30 June 2018. Total expenses of $7k were included in acquisition-related costs in relation to the DLV business combination.

VEF acquisition

Effective 1 January 2018, the Group acquired 50% of Vehicle and Equipment Finance Pty Limited (VEF) through its subsidiary Platform Consolidated Group Pty Limited for $2,987k net consideration. VEF is an equipment finance broker with eight offices in Victoria and southern New South Wales.

The Group has the option to acquire 8.3% of VEF every 24 months (to up a maximum of 25%) from the non-controlling interests (at a multiple of 4.5 times the most recent financial year normalised EBITDA) should any of the non-controlling shareholders transition out of the business giving sufficient notice. Additional amounts can be acquired by the Group from non-controlling shareholders transitioning out of the business at between 2 times and 4.5 times the most recent financial year normalised EBITDA depending on the specific terms and conditions of their exit.

The acquired business contributed revenues of $1,366k and net profit after tax of $365k to the Group for the period from 1 January 2018 to 30 June 2018; if VEF had been held for the entire year it would have contributed revenue and net profit after tax of $2,796k and $905k respectively. Total expenses of $77k were included in acquisition-related costs in relation to the VEF business combination.

BW acquisition

Effective 1 February 2018, the Group acquired 100% of Business Works (BW) operational assets and liabilities through the wholly owned subsidiary Hal Group Pty Limited (Hal) for $1,313k net consideration. BW is an IT managed services provider operating in suburban Melbourne with a wide range of SME customers and compliments the existing services provided by the Hal business owned by the Group.

The acquired business contributed revenues of $1,287k and net profit after tax of $81k to the Group for the period from 1 February 2018 to 30 June 2018; if BW had been held for the entire year it would have contributed revenue and net profit after tax of $2,789k and $204k respectively. Total expenses of $98k were included in acquisition-related costs in relation to the BW business combination.

Acquisition values

For the acquisitions outlined above:

- goodwill associated with the acquisitions primarily relates to synergies due to scale and operational efficiencies through the sharing of operational expertise throughout the Group and is not expected to be tax deductible,
- acquired receivables are recorded at their contractual cashflow amounts which are consistent with their fair values at acquisition date,
- non-controlling interests are measured at their proportion of ownership of the fair value of net assets at acquisition date, and
- acquisition accounting remains provisional.

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Notes to the Financial Statements (continued)

NOTE 6. BUSINESS COMBINATIONS (continued)

(a) Current period acquisitions (continued)

The values identified for the above acquisitions as at 30 June 2018 are as follows:

	DLV $'000	VEF $'000	BW $'000
Purchase consideration			
Shares in Consolidated Operations Group Limited	787	-	-
Cash consideration	798	3,020	1,314
Less: Cash and cash equivalents acquired	(103)	(33)	(1)
	1,482	**2,987**	**1,313**
Net assets acquired			
Trade and other receivables	55	67	298
Inventories	-	-	85
Other financial assets	48	14	6
Property, plant and equipment	79	25	-
Deferred tax assets	21	-	31
Goodwill recognised on acquisition by the Group	1,592	2,989	1,094
Non-controlling interests acquired	8	(31)	-
Trade and other payables	(152)	-	(97)
Interest bearing liabilities	(68)	-	-
Provisions	(101)	(77)	(104)
Net assets, at acquisition date fair value	**1,482**	**2,987**	**1,313**

(b) Prior period acquisitions

Prior to 1 November 2016 the Company was classified as an Investment Entity as defined in AASB *10 Consolidated Financial Statements*. From 1 November 2016, due to recent acquisitions, the Company no longer met the definition of an Investment Entity. Consequently, the transition from being an investment entity to undertaking consolidation accounting was recognised as a deemed acquisition. Details of these acquisitions are outlined in the 30 June 2017 annual financial statements.

Subsequent to the 30 June 2017 financial statements, during the provisional accounting period, the Group identified additional facts and circumstances not included in the provisional acquisition accounting. These included:

- *Identification of assets on acquisition:* these were determined based on external third-party valuation and where appropriate require amortisation over their anticipated effective useful life.
- *Revision of accounting for finance lease assets:* this is consistent with the accounting for finance leases outlined in the 29 August 2017 release to market.

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Notes to the Financial Statements (continued)

NOTE 6. BUSINESS COMBINATIONS (continued)

(b) Prior period acquisitions (continued)

The impact on the prior period comparatives of the above provisional accounting adjustments are as follows:

	30 June 2017 As originally stated $'000	Revised $'000
Statement of Comprehensive Income		
Revenue from continuing operations	84,424	81,952
Commissions paid	(31,809)	(30,455)
Employee benefits expense	(17,907)	(17,187)
Administration expenses	(5,994)	(6,627)
Depreciation and amortisation	(1,626)	(3,849)
Profit before income tax	10,061	3,562
Income tax expense	(3,705)	(3,141)
Profit/(loss) after tax for the year	6,356	421
- Attributable to members of Consolidated Operations Group Limited	3,559	(1,732)
- Attributable to non-controlling interests	2,797	2,153
Total comprehensive income/(loss)	6,356	421
- Attributable to members of Consolidated Operations Group Limited	3,559	(1,732)
- Attributable to non-controlling interests	2,797	2,153

	30 June 2017 As originally stated $'000	Revised $'000
Statement of Financial Position		
Current Assets		
Financial assets - lease receivables	12,169	11,296
Non-current assets		
Financial assets - lease receivables	34,688	31,103
Intangible assets [(1)]	123,684	143,121
Non-current liabilities		
Deferred tax liabilities	2,578	10,577
Equity		
Reserves	39,793	36,437
Non-controlling interests	5,670	14,493

(1) Adjustments include the following revisions to categories of intangible assets:

	Useful life	30 June 2017 As originally stated $'000	Revised $'000
Intangible assets			
Goodwill - Platform, CFG, Linx, QPF, Hal Group	Indefinite	115,103	103,415
Customer relationships - Platform, CFG, Linx, QPF	10 years	-	25,994
Supplier agreements - Platform	10 years	-	5,131
Other intangible assets	Varies	8,581	8,581
		123,684	**143,121**

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Notes to the Financial Statements (continued)

NOTE 7. REVENUE

See accounting policies in note 3(b)

	2018 $'000	2017 $'000
Commission, trail, fee and volume bonus income	91,837	52,950
Sale of goods	54,073	19,023
Finance lease income	13,805	7,470
Interest income	486	881
Other operating revenue	836	568
Dividend income	10	1,060
Total	**161,047**	**81,952**

NOTE 8. EMPLOYEE BENEFITS

See accounting policies in Note 3(m)

(a) Employee benefit expenses

Salaries and wages expense	22,975	14,184
Superannuation expense	2,282	1,359
Cash-settled share-based payments expense	-	380
Payroll tax	1,372	770
Other employee benefits expense	1,701	494
Total	**28,330**	**17,187**

Cash-settled share-based payment arrangement:
In the prior year the Group operated a cash settled share-based payment Long-term Incentive (LTI) program which vested with a liability of $477k at 30 June 2017. Cash payment was made to both participants in September 2017 with all obligations under the LTI program finalised.

A further LTI program was offered to the former Chief Operating Officer in the current financial year, with one of the vesting conditions being continued employment over the term of the LTI. As she was made redundant on 4 May 2018, $nil expense has been recorded for this LTI program and its obligations have been finalised. No other employees are eligible to receive an LTI in the 2018 financial year nor are there any other share-based payments schemes in operation in either the 2017 or 2018 financial years.

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Notes to the Financial Statements (continued)

NOTE 8. EMPLOYEE BENEFITS (CONTINUED)

(b) Employee benefit liabilities

	2018 $'000	2017 $'000
Annual leave liability	1,303	1,128
Long-service leave liability	884	627
Bonus provision	414	1,005
Total employee benefits provisions	**2,601**	**2,760**
Analysis of employee benefits provisions		
Current	2,105	2,460
Non-current	496	300
Total employee benefits provisions	**2,601**	**2,760**
Opening balance at the beginning of the year	2,760	442
Additional provisions raised during the year	1,977	1,731
Provisions acquired from business combinations during the year	282	1,695
Amounts utilised	(2,418)	(1,108)
Closing balance at the end of the year	**2,601**	**2,760**

Provision for employee benefits
A provision is recognised for employee benefits relating to short-term bonus, annual leave and long service leave for employees. In calculating the present value of future cash flows in respect of long service leave, the probability of long service leave being taken is based upon historical data. The measurement and recognition criteria for employee benefits have been included in note 3(m).

NOTE 9. TAXATION

See accounting policies in note 3(h)

(a) Components of tax expense comprise:

	2018 $'000	2017 $'000
Current year tax	4,531	998
Prior year tax expense (over)/under provision	(69)	96
Movement in deferred assets and liabilities	(1,343)	2,047
Total income tax expense	**3,119**	**3,141**

'Income tax expense' excludes the Group's share of the tax expense on equity-accounted investees, which has been included in 'Share of profit of equity-accounted investees, net of tax' on the statement of financial position.

Notes to the Financial Statements (continued)

NOTE 9. TAXATION (CONTINUED)

(b) The prima facie tax on profit before income tax is reconciled to income tax as follows:

	2018 $'000	2017 $'000
Accounting profit before tax	11,577	3,562
Prima facie tax payable on profit before income tax at 30% (2017: 30%)	3,473	1,069
Add/(deduct):		
Share of associates results	(43)	974
Franking credits applied	(917)	(1,491)
Other non-deductible expenses	170	1,090
Other assessable income	2,482	644
Under provision from prior years	(69)	96
Allowable deduction for capital raising costs recognised in equity	(184)	(169)
Initial recognition of deferred taxes	-	928
Initial recognition of deferred tax assets on tax losses	(2,019)	-
Other items	226	-
Total income tax expense	**3,119**	**3,141**

(c) Unrecognised deferred tax assets

Management continues to consider it probable that future taxable profits would be available against which the above tax losses can be recovered and, therefore, the related deferred tax asset can be realised.

- As at 30 June 2018 the Group had $11,778k of gross unrecognised tax losses ($3,533k tax effected).
- As at 30 June 2017 the Group had $16,060k of gross unrecognised tax losses ($4,818k tax effected).

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Notes to the Financial Statements (continued)

NOTE 9. TAXATION (CONTINUED)

(d) Movement in deferred tax balances

2018	Net balance at 1 July 2017 $'000	Recognised in profit or loss $'000	Recognised directly in equity $'000	Acquired in business combination $'000	Balance at 30 June 2018: Net balance at 30 June 2018 $'000	Deferred Tax Assets $'000	Deferred Tax Liabilities $'000
Property, plant and equipment	10,338	8,033	-	(2)	18,369	19,334	(965)
Trail income receivable	(1,320)	(595)	-	(13)	(1,928)	-	(1,928)
Intangible assets	(9,826)	509	-	-	(9,317)	-	(9,317)
Employee benefits	773	(10)	-	62	825	825	-
Other items	2,229	(63)	(164)	5	2,007	2,112	(105)
Lease receivables	(12,781)	(9,349)	-	-	(22,130)	191	(22,321)
Tax losses carried forward	10	2,808	-	-	2,818	2,818	-
Tax assets (liabilities)	**(10,577)**	**1,333**	**(164)**	**52**	**(9,356)**	**25,280**	**(34,636)**

2017	Net balance at 1 July 2016 $'000	Recognised in profit or loss $'000	Recognised directly in equity $'000	Acquired in business combination $'000	Balance at 30 June 2017: Net balance at 30 June 2017 $'000	Deferred Tax Assets $'000	Deferred Tax Liabilities $'000
Property, plant and equipment	-	4,195	-	6,143	10,338	12,014	(1,676)
Trail income receivable	-	-	-	-	(1,320)	-	(1,320)
Intangible assets	-	(10)	-	(1,321)	(9,826)	801	(10,627)
Inventories	-	51	-	(51)	-	-	-
Employee benefits	-	386	-	450	773	773	-
Other items	-	363	2,329	(814)	2,229	2,269	(40)
Lease receivables	-	(7,672)	-	(14,636)	(12,781)	116	(12,897)
Tax losses carried forward	-	(48)	-	58	10	10	-
Tax assets (liabilities)	-	**(2,735)**	**2,329**	**(10,171)**	**(10,577)**	**15,983**	**(26,560)**

Notes to the Financial Statements (continued)

NOTE 10. CASH AND CASH EQUIVALENTS

See accounting policies in note 3(c)

	2018 $'000	2017 $'000
Cash at bank and on hand	36,246	39,837

Included in cash at bank and on hand are amounts of $3,533k (2017: $1,102k) which are funds held by the Group on behalf of its customers and are not available for general use.

NOTE 11. TRADE AND OTHER RECEIVABLES

See accounting policies in note 3(f)

	2018 $'000	2017 $'000
Current		
Trade receivables	4,588	3,727
Less provision for doubtful debts	(324)	(539)
Accrued income and other debtors	5,279	4,833
Trail income receivable	1,697	1,209
Terminated lease receivable	7,177	4,728
Less provision for doubtful debts	(2,765)	(2,122)
Other receivables	85	1,024
Total	**15,737**	**12,860**
Non-current		
Trail income receivable	4,336	3,628
Total	**4,336**	**3,628**

Credit and markets risks, and impairment losses

Information about the Group's exposure to credit and market risks, and impairment losses for trade and other receivables, is included in note 27.

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Notes to the Financial Statements (continued)

NOTE 12. FINANCE LEASE RECEIVABLES

See accounting policies in note 3(d) & 3(f)

Finance lease assets are receivable as follows:

	2018 $'000	2017 $'000
Current	21,794	11,296
Non-current	51,898	31,103
Total	**73,692**	**42,399**
Gross investment in finance lease receivables:		
Less than one year	33,070	15,265
Between one and five years	68,250	44,421
More than five years	1	203
Total gross investment	101,321	59,889
Unearned finance income	(27,490)	(17,145)
Net investment in finance leases	73,831	42,744
Less impairment allowance	(139)	(345)
Total	**73,692**	**42,399**
The present value of minimum lease payment is as follows:		
Less than one year	21,933	11,641
Between one and five years	51,898	30,974
More than five years	-	129
Total	**73,831**	**42,744**

NOTE 13. OTHER FINANCIAL ASSETS

See accounting policies in note 3(f)

Current		
Loans receivable	40	54
Prepayments	1,005	568
Bank guarantees	151	-
Security deposits and bonds	4	-
Other assets	5	110
Total	**1,205**	**732**
Non-current		
Loans receivable	356	280
Loss reserves receivable	4,192	2,005
Vendor advances	1,359	1,452
Security deposits and bonds	561	425
Other assets	65	65
Total	**6,533**	**4,227**

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Notes to the Financial Statements (continued)

NOTE 14. PROPERTY, PLANT AND EQUIPMENT

See accounting policies in note 3(j)

Reconciliation of carrying amount

Cost	Leased assets $'000	Plant and equipment $'000	Leasehold Improvements $'000	Other $'000	Total $'000
Balance at 1 July 2016	-	-	-	-	-
Acquisition through business combinations	8,239	1,440	709	394	10,782
Additions	50	306	150	42	548
Disposals	(2,690)	(44)	(317)	(92)	(3,143)
Balance at 30 June 2017	**5,599**	**1,702**	**542**	**344**	**8,187**
Balance at 1 July 2017	5,599	1,702	542	344	8,187
Acquisition through business combinations	-	104	-	-	104
Transfers	(475)	791	-	(316)	-
Additions	-	248	16	-	264
Disposals	(2,174)	(456)	-	-	(2,630)
Balance at 30 June 2018	**2,950**	**2,389**	**558**	**28**	**5,925**

Accumulated depreciation and impairment losses	Leased assets $'000	Plant and equipment $'000	Leasehold Improvements $'000	Other $'000	Total $'000
Balance at 1 July 2016	-	-	-	-	-
Acquisition through business combinations	(6,046)	(818)	(298)	(227)	(7,389)
Depreciation	(942)	(185)	(63)	(27)	(1,217)
Disposals	2,473	38	210	35	2,756
Balance at 30 June 2017	**(4,515)**	**(965)**	**(151)**	**(219)**	**(5,850)**
Balance at 1 July 2017	(4,515)	(965)	(151)	(219)	(5,850)
Transfers	258	(449)	-	191	-
Depreciation	(614)	(454)	(89)	-	(1,157)
Disposals	2,139	311	15	-	2,465
Balance at 30 June 2018	**(2,732)**	**(1,557)**	**(225)**	**(28)**	**(4,542)**
Carrying value at 30 June 2017	**1,084**	**737**	**391**	**125**	**2,337**
Carrying value at 30 June 2018	**218**	**832**	**333**	**-**	**1,383**

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Notes to the Financial Statements (continued)

NOTE 15. INTANGIBLE ASSETS AND GOODWILL

See accounting policies in note 3(k)

(a) Reconciliation of carrying amount

Carrying amount	Goodwill $'000	Software $'000	Customer relationships $'000	Supplier agreements $'000	Other $'000	Total $'000
Carrying amount at 1 July 2016	-	-	-	-	-	-
Acquisition through business combinations	107,279	58	32,356	5,497	235	145,425
Additions	-	313	-		15	328
Amortisation	-	(33)	(2,130)	(366)	(103)	(2,632)
Carrying amount at 30 June 2017	**107,279**	**338**	**30,226**	**5,131**	**147**	**143,121**
Balance at 1 July 2017	107,279	338	30,226	5,131	147	143,121
Acquisition through business combinations	5,675	-	-	-	-	5,675
Additions	-	804	285	-	-	1,089
Disposals	-	-	(5)	-	-	(5)
Transfer	(46)	15	46	-	(15)	-
Amortisation	-	(46)	(3,825)	(550)	(52)	(4,473)
Carrying amount at 30 June 2018	**112,908**	**1,111**	**26,727**	**4,581**	**80**	**145,407**

(b) Impairment test

Goodwill is assessed for recoverability at a segment level. The Group's segments are considered to be the cash generating units (CGUs) due to the high degree of interconnectivity of cash inflows and business processes going forward. Goodwill is allocated to the following CGUs at 30 June 2018:

	2018 $'000	2017 $'000
Segment		
Finance Broking & Aggregation	64,564	60,029
Commercial Equipment Leasing	47,250	47,250
All other	1,094	-
	112,908	**107,279**

Finance Broking & Aggregation segment

The value of goodwill for the Finance Broking & Aggregation segment is based on a Fair Value Less Costs to Sell (FVLCTS) model. The model includes the following key assumptions:

- EBITDA for each business unit is broadly consistent with the actual EBITDA for the year ended 30 June 2018.
- EBITDA multiples for arm's length transactions of businesses similar in size and nature to the business units within recent financial periods.

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

Notes to the Financial Statements (continued)

NOTE 15. INTANGIBLES ASSETS AND GOODWILL (CONTINUED)

(b) Impairment test

Commercial Equipment Leasing segment

The value of goodwill for the Commercial Equipment Leasing segment is based on a Value in Use (VIU) model comprising a ten year discounted cash flow model plus terminal value. The model includes the following key assumptions:

- A ten year discounted cashflow model is used to properly reflect the expected timing of residual value payments received on leasing activity written in year five of the model.
- Commercial equipment leasing activity growing at a rate lower than 2018 actual growth rate. The model assumes growth will decline to nil% between the final cash flow year and the terminal value.
- External funding mix, lease mix and lease profitability broadly consistent with 2018 actual performance.
- Operational expenditure broadly increasing in line with lease activity growth, using normalised 2018 actual operational expenditure as a basis.
- Discount rate between 15.5% and 17.5% post-tax and terminal growth rate consistent with the Reserve Bank of Australia's long-term target consumer price index rate.

No reasonably possible changes would unfavourably impact the model to the extent that the related goodwill would be impaired.

All Other/Intersegment - Hal IT goodwill

The value of goodwill for the Hal IT business, which is included in the "Other" segment is based on a Value in Use (VIU) model comprising a five year discounted cash flow model plus terminal value. The model includes the following key assumptions:

- EBITDA activity growing at a rate lower than the 2018 growth rate had the acquisition outlined in note 6 occurred at 1 July 2017. The model assumes growth will decline to a terminal growth rate consistent with the Reserve Bank of Australia's long-term target consumer price index rate.
- Discount rate between 16% and 18% pre-tax.

No reasonably possible changes would unfavourably impact the model to the extent that the related goodwill would be impaired.

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Notes to the Financial Statements (continued)

NOTE 16. EQUITY ACCOUNTED ASSOCIATES

See accounting policies in note 3(a)

Riverwise Pty Limited

The Company holds 33% of the equity in Riverwise; which is the sole shareholder of the Leading Edge Group Limited (LEG). LEG provides telecommunication distribution services to three large telecommunications providers and also operates buying groups with over 900 member retail shop-fronts throughout Australia.

	2018 $'000	2017 $'000
Current assets	37,968	42,493
Non-current assets	19,267	13,915
Current liabilities	(30,399)	(37,404)
Non-current liabilities	(621)	(2,060)
Net assets (100%)	26,215	16,944
Group's share of net assets (33%)	8,651	5,592
Carrying amount of investment in associate	**692**	**749**
Revenue	161,711	208,380
Profit/(loss)from continuing operations (100%)	362	(8,145)
Other comprehensive income (100%)	116	158
Total comprehensive income (100%)	478	(7,987)
Total comprehensive income (33%)	158	(2,636)
Group's share of total comprehensive income	**119**	**(2,845)**

LEG completes its audited annual financial report significantly later than the Group completes its annual financial report; and as such the Group relies upon provisional financial information provided by the LEG's management to complete its financial reporting.

During the year the Group noted significant differences between the 30 June 2017 provisional information provided by LEG and the audited annual financial report. The most significant aspect was the inclusion of a $8,975k impairment charge which impacts the Group's share of results from equity accounted associates in the Statement of Comprehensive Income and the related equity accounted associates investment on the Statement of Financial Position. These differences were recognised in LEG's audited annual financial report effective 30 June 2017; thus, the Group's 30 June 2017 financial position and performance has been amended to reflect this in accordance with accounting standards. All differences are related to the year ended 30 June 2017 position and performance, there is no impact on periods prior to 1 July 2016.

Notes to the Financial Statements (continued)

NOTE 16. EQUITY ACCOUNTED ASSOCIATES (CONTINUED)

Riverwise Pty Limited (continued)
The impact on line items in the Group's primary financial statements is as follows:

	2017 Reported $'000	Adjustments $'000	2017 Restated $'000
Statement of Comprehensive Income (extract)			
Share of results from equity accounted associates	400	(3,245)	(2,845)
Profit After Tax			
- Attributable to members of Consolidated Operations Group Limited	1,513	(3,245)	(1,732)
- Non-controlling interests	2,153	-	2,153
	3,666	(3,245)	421
Total comprehensive income for the period			
- Attributable to members of Consolidated Operations Group Limited	1,513	(3,245)	(1,732)
- Non-controlling interests	2,153	-	2,153
	3,666	(3,245)	421
Statement of Financial Position (extract)			
Equity accounted associates	3,994	(3,245)	749
Total non-current assets	188,410	(3,245)	185,165
Total assets	253,640	(3,245)	250,395
Net Assets	192,288	(3,245)	189,043
Reserves	37,950	(3,245)	34,705
Total Equity	192,288	(3,245)	189,043

Basic and diluted earnings per share for the prior year have also been restated. The amount of the correction for both basic and diluted earnings per share was a decrease of 0.4 cents per share.

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Notes to the Financial Statements (continued)

NOTE 16. EQUITY ACCOUNTED ASSOCIATES (CONTINUED)

Simply Finance Group

The Group through its 66.11% owned subsidiary Platform Consolidated Group Pty Limited acquired 25% of the equity in Simply Finance Group (comprised of Simply Finance Australia Pty Limited and Simply Automotive Pty Limited) on 1 May 2018. Simply Finance Group is a finance broker operating primarily in the automotive sector offering new and used vehicle financing, procurement and trade-in solutions.

	2018 $'000
Current assets	1,096
Non-current assets	48
Current liabilities	(449)
Non-current liabilities	(478)
Net assets (100%)	217
Group's share of net assets (25%)	54
Carrying amount of investment in associate	**795**
Revenue	1,242
Profit from continuing operations (100%)	98
Total comprehensive income (100%)	98
Total comprehensive income (25%)	25
Group's share of total comprehensive income	**25**

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Notes to the Financial Statements (continued)

NOTE 17. TRADE AND OTHER PAYABLES

See accounting policies in note 3(f)

	2018 $'000	2017 $'000
Current		
Trade payables	3,623	4,509
Deferred consideration	-	350
Salaries and commissions	1,798	2,647
GST and other taxes	769	45
Other payables and accruals	6,162	2,963
Total	**12,352**	**10,514**
Non-current		
Trade payables	426	-
Total	**426**	**-**

Information about the Group's exposure to currency and liquidity risks is included in note 27.

NOTE 18. INTEREST BEARING LIABILITIES

See accounting policies in note 3(f)

	2018 $'000	2017 $'000
Current		
Loan – Bendigo Bank	3,000	3,000
Loan – MGM266 Pty Limited	-	1,885
Debenture funding – Secured Finance Limited [(1)]	13,589	7,601
BEN Leasing facility [(2)]	6,122	4,013
Other interest bearing liabilities	60	159
	22,771	**16,658**
Non-current		
Loan – Bendigo Bank	6,000	10,500
Debenture funding – Secured Finance Limited [(1)]	30,757	1,908
Other interest bearing liabilities	109	149
	36,866	**12,557**

(1) Multiple debentures secured against specific financial lease assets, subject to specific repayment periods up to 36 months.
(2) Funding secured against specific financial lease assets, subject to repayment consistent with the cash flows associated with the related financial lease assets.

The fair value of fixed interest financial liabilities is consistent with their balances as disclosed above.

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Notes to the Financial Statements (continued)

NOTE 19. SHARE CAPITAL AND RESERVES

(a) Ordinary shares

	2018 $'000	2017 $'000	2018 No. of Shares '000	2017 No. of Shares '000
Shares issued and fully paid				
Balance at the beginning of the financial year	216,216	128,297	1,301,219	567,846
Shares issued in business combination (1)	787	24,586	6,292	167,807
On market share buyback and share cancellation (2)	(1,149)	-	(11,544)	-
Shares issued via rights issue	-	32,931	-	285,942
Shares issued via placement	-	31,877	-	279,624
Costs of raising capital, net of tax	(184)	(1,475)	-	-
Balance at the end of the financial year	**215,670**	**216,216**	**1,295,967**	**1,301,219**

(1) To partially fund the acquisition of DLV (QLD) Pty Limited ("DLV") the Group issued scrip consideration of 6,292k shares ($787k) to the vendors of DLV. See note 6 for further details.
(2) During the year the Company established an on-market share buy-back for up to 10% of the Company's issued capital from 2 April 2018 and will remain in place for 12 months.

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

As at 30 June 2017 and 2018:

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

(b) Options

No options have been issued by the Company during the current or comparative financial year. At reporting date, there were no options over ordinary shares in the Company.

(c) Reserves

Profit Reserve

The Current Profit Reserve has been established by the Board by allocating the profits from the years ended 30 June 2012, 30 June 2013, 30 June 2014, 30 June 2015, 30 June 2016 and 30 June 2018, for the purpose of considering the payment of dividends in a future financial period.

(d) Capital management policy

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

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

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Notes to the Financial Statements (continued)

NOTE 19. SHARE CAPITAL AND RESERVES

(d) Capital management policy (continued)

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

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

NOTE 20. EARNINGS PER SHARE

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

	2018	2017
Profit after income tax, attributable to members ($'000)	4,802	(1,732)
Basic and diluted earnings per share (cents)	**0.4**	**(0.2)**
Weighted average number of ordinary shares outstanding during the period used in calculating basic and diluted earnings per share ('000)	1,305,145	928,631
Closing number of ordinary shares on issue at the end of the year ('000)	1,295,967	1,301,219

There are no outstanding securities that are potentially dilutive in nature for the Company.

NOTE 21. DIVIDENDS

There were no dividends paid in or declared to be paid during the year ended 30 June 2018 (2017: nil).

As at the end of the financial year, the franking credits available for subsequent financial periods based on a tax rate of 30% was $5,051k (2017: $3,165k).

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

- franking credits that will arise from the payment of the current tax liability;
- franking debits that will arise from the payment of dividends recognised as a liability at the year end;
- franking credits that will arise from the receipt of dividends recognised as receivables at the year end;
- franking credits that the entity may be prevented from distributing in subsequent years; and
- total tax losses not brought to account is $11,778k (2017: $16,060k).

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

Notes to the Financial Statements (continued)

NOTE 22. AUDITOR'S REMUNERATION

	2018 $	2017 $
Audit services		
BDO East Coast Partnership	435,600	447,500
Total	**435,600**	**447,500**
Non-audit services		
BDO East Coast Partnership – taxation and due diligence	-	35,000
Total	-	**35,000**

NOTE 23. RECONCILIATION OF CASH FLOWS FROM OPERATING ACTIVITIES

	2018 $'000	2017 $'000
Profit from ordinary activities after income tax	4,802	(1,732)
Adjustments for non-cash items included in profit or loss:		
Amortisation of intangibles	4,473	2,632
Depreciation	1,157	1,217
Loss on sale of assets	76	113
Write-off of investment	-	140
Profit on sale of entity	-	(20)
Share of equity accounted results (less dividend received)	71	2,916
Profits attributable to Non-controlling interests	3,656	2,153
Changes in assets and liabilities:		
Movement in trade and other receivables	(2,778)	(3,217)
Movement in dividend receivable	-	440
Movement in other assets	(2,956)	(855)
Movement in inventory	399	(187)
Movement in trade and other payables	1,923	3,232
Movement in tax accounts	(1,936)	973
Movement in other liabilities	(235)	(1,782)
Movement in provisions	(441)	664
Net cash inflow from operating activities	**8,211**	**6,687**

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Notes to the Financial Statements (continued)

NOTE 24. RELATED PARTY TRANSACTIONS

(a) Transactions with Key Management Personnel and related parties

Loans from Key Management Personnel and their related entities

During 2018, loans advanced by Key Management Personnel (KMP) to Secured Finance Limited a 100% owned subsidiary of the Group were $2,600,000 (2017: $2,700,000). Interest is payable on an arms-length basis at 10% (2017: 10%) and the loans are repaid in cash on average 17 months after the issue date. Loans are secured against specific financial lease assets.

In addition, subsequent to year-end, Cameron McCullagh has advanced an additional $3,500,000 to Secured Finance Limited with the loans secured against specific financial lease assets.

KMP (and related entities)	Balance at 1 July 2017 $	Amount advanced during the year $	Commission received $	Interest payment $	Principal repayment $	Balance at 30 June 2018 $
Bruce Hatchman	68,854	400,000	-	28,692	183,575	285,279
Steve White	-	200,000	-	-	-	200,000
Nathan Thomas	-	50,000	875	2,533	37,029	12,971
Andrew Grant [1]	1,306,695	1,750,000	30,625	88,057	1,727,406	1,329,289
Raylee Carruthers [2]	240,895	200,000	7,000	23,872	271,937	168,958

KMP (and related entities)	Balance at 1 July 2016 $	Amount advanced during the year $	Commission received $	Interest payment $	Principal repayment $	Balance at 30 June 2017 $
Bruce Hatchman	-	100,000	-	5,770	31,146	68,854
Cameron McCullagh	2,563,841	-	-	61,048	2,563,841	-
Andrew Grant	1,083,807	2,300,000	40,250	117,691	2,077,112	1,306,695
Raylee Carruthers	154,977	300,000	7,000	14,259	214,082	240,895

Key Management Personnel compensation

Key Management Personnel compensation is comprised as follows:

	2018 $	2017 $
Short-term employee benefits	1,252,869	1,427,163
Termination benefits	154,976	-
Post-employment benefits	112,734	91,806
Other long-term benefits	43,161	14,081
Share-based payments	-	347,304
Total	**1,563,740**	**1,880,354**

(1) Represents transactions between 1 July 2017 and 30 April 2018, being the date Mr Grant ceased to be a KMP
(2) Represents transactions between 1 July 2017 and 4 May 2018, being the date Ms Carruthers ceased to be a KMP

Notes to the Financial Statements (continued)

NOTE 24. RELATED PARTY TRANSACTIONS

(a) Transactions with Key Management Personnel and related parties (continued)

Key Management Personnel share and option transactions

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

KMP shareholdings	30-Jun-17	On market purchase	KMP Change [1]	30-Jun-18 [2]
Executive Directors				
Andrew Grant [3]	4,630,000	-	(4,630,000)	-
Cameron McCullagh	237,233,001	12,398,000	-	249,631,001
Rohan Ford	58,433,585	-	-	58,433,585
Non-executive Directors				
Bruce Hatchman	625,000	-	-	625,000
Steve White	3,593,750	50,000	-	3,643,750
David Gray	1,278,409	400,000	-	1,678,409
Senior Management				
Nathan Thomas	-	100,000	-	100,000
	305,793,745	12,948,000	(4,630,000)	314,111,745

KMP shareholdings	30-Jun-16	Rights [4]	On market purchase	On market sale	KMP Change [1]	30-Jun-17
Executive Directors						
Andrew Grant [2]	11,630,000	-	-	(7,000,000)	-	4,630,000
Cameron McCullagh	160,359,535	75,304,908	1,568,558	-	-	237,233,001
Rohan Ford [5]	-	-	-	-	58,433,585	58,433,585
Non-executive Directors						
Bruce Hatchman	-	625,000	-	-	-	625,000
Steve White	1,510,000	2,281,250	-	(197,500)	-	3,593,750
David Gray	-	-	255,682	-	1,022,727	1,278,409
Mark Smith [6]	11,308,534	-	-	-	(11,308,534)	-
	184,808,069	78,211,158	1,824,240	(7,197,500)	48,147,778	305,793,745

(1) Represents their holdings at the point they commenced / ceased to be a KMP.
(2) KMP shareholdings remain consistent at annual report issue date.
(3) Ceased as a KMP on 30 April 2018.
(4) Represents participation in on market or institutional rights issues.
(5) Commenced as a KMP on 1 March 2017.
(6) Ceased as a KMP on 28 February 2017.

There were no options granted as remuneration during the financial year (2017: nil). There were no shares issued on the exercise of options granted as remuneration during the financial year (2017: nil)

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Notes to the Financial Statements (continued)

NOTE 24. RELATED PARTY TRANSACTIONS (CONTINUED)

(b) Transactions with associates

The Group had the following transactions with its 33% owned associate Riverwise Pty Limited (and its subsidiaries):

Transactions with associates	2018 $	2017 $
Receipts for administrative services	49,732	149,385
Receivables at 30 June	4,107	24,235
Payments for goods and administrative services	(1,156,057)	(527,352)
Payables at 30 June	(149,924)	(48,430)

(c) Transactions with subsidiaries

The comparative period presents investment entity accounting from 1 July 2016 to 31 October 2016 (four months) and consolidated financial performance from 1 November 2016 to 30 June 2017 (eight months). During the period where the Group's subsidiaries were accounted for under investment entity accounting the following transactions occurred with subsidiaries:

- COG received interest revenue from Hal Group Pty Limited and its subsidiaries of $3,067,373,
- COG advanced loans to Hal Group Pty Limited and its subsidiaries of $5,000,000,
- COG received loan repayments from Hal Group Pty Limited and its subsidiaries of $1,402,765,
- COG received interest revenue from Platform Consolidated Group Pty Limited and its subsidiaries of $55,855, and
- COG received loan repayments from Platform Consolidated Group Pty Limited and its subsidiaries of $295,217.

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Notes to the Financial Statements (continued)

NOTE 25. SUBSIDIARIES

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

Name of entity	Country of incorporation	Direct equity interest	*Indirect equity interest
Hal Group Pty Limited	Australia	100%	
BEN Leasing Portfolio Pty Limited	Australia		100%
Data Box International Pty Limited	Australia		100%
Hal Assist Pty Limited	Australia		100%
Number Rentals Pty Limited	Australia		100%
Secured Finance Limited	Australia		100%
TL Rentals Pty Limited	Australia		100%
TL Rentals SPV NO 1 Pty Ltd	Australia		100%
Platform Consolidated Group Pty Limited	Australia	66%	
Advance Car Loans Pty Ltd	Australia		66%
Aussie Fleet Management Pty Limited	Australia		66%
Aussie VIP Card Pty Limited	Australia		66%
Beinformed Group Pty Limited	Australia		66%
Melbourne Finance Broking Pty Limited	Australia		66%
Mildura Finance Pty Limited	Australia		66%
New Cars Group Pty Limited	Australia		66%
Platinum Auto Pty Limited	Australia		66%
Fleet Network Pty Limited	Australia		53%
Consolidated Platform Aggregation Pty Limited	Australia		50%
Platinum Fleet Pty Limited	Australia		46%
Mardent Practice Solutions Pty Ltd	Australia		44%
Fleet Avenue Pty Limited	Australia		33%
Platinum Finance (Central Coast) Pty Limited	Australia		33%
Vehicle and Equipment Finance Pty Ltd	Australia		33%
Consolidated Finance Group Limited	Australia	80%	
CFG (QLD) Pty Limited	Australia		80%
QPFCFG Pty Limited	Australia		80%
Linx Group Holdings Pty Limited	Australia	50%	
Linx Finance Australia Pty Limited	Australia		50%
Linx Insurance Australia Pty Limited	Australia		50%
Linx Insurance Holdings Pty Limited	Australia		50%
Linx Mortgage Australia Pty Limited	Australia		50%
Linx Mortgage Holdings Pty Limited	Australia		50%
QPF Holdings Pty Limited	Australia	50%	
QLD Pacific Finance Pty Limited	Australia		50%
QPF Insurance Pty Limited	Australia		25%
QPF Mortgages Pty Limited	Australia		50%
Security Allied Finance Pty Limited	Australia		50%
DLV (QLD) Pty Limited	Australia		25%

** Indirect equity interests represent the beneficial interest in entities which are non-wholly owned but are controlled entities of direct equity interests.*

Notes to the Financial Statements (continued)

NOTE 26. CONTINGENCIES AND COMMITMENTS

(a) Contingent liabilities
There are no contingent liabilities at 30 June 2018.

(b) Commitments
The Group holding Company has commitments to acquire share capital of various subsidiaries. The following commitments are based upon multiples of future financial year's normalised EBITDA and include opportunities for a one-year deferral by either party:

- Consolidated Finance Group Pty Limited (20% of the share capital in the year ending 30 June 2019)
- Fleet Network Pty Limited (20% of share capital in the year ending 30 June 2020)
- Platform Consolidated Group Pty Limited (19% of the share capital in each of the years ending 30 June 2019 and 2021)
- QPF Holdings Pty Limited (5% of the share capital in each of the years ending 30 June 2019, 2021 and 2023)
- Linx Group Holdings Pty Limited (5% of the share capital in each of the years ending 30 June 2019, 2021 and 2023).

There are no other capital commitments at 30 June 2018 (2017: nil).

NOTE 27. FINANCIAL RISK MANAGEMENT

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

This note presents information about the Group's exposure to each of the above risks and the Board's objectives, policies and processes for measuring and managing risk. Further quantitative disclosures are included throughout this financial report.

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

(a) Credit risk
The Group's maximum exposure to credit risk is limited to the carrying amount of financial assets recognised at the reporting date as summarised below. The Group's management considers that all of the financial assets that are not impaired or past due for each of the balance date are of good credit quality.

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Notes to the Financial Statements (continued)

NOTE 27. FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) Credit risk (continued)

	2018 $'000	2017 $'000
Current		
Cash and cash equivalents	36,246	39,837
Trade and other receivables	15,737	12,860
Financial assets – lease receivables	21,794	11,296
Other financial assets	1,205	732
Sub-total	74,982	64,725
Non-current		
Trade and other receivables	4,336	3,628
Financial assets – lease receivables	51,898	31,103
Other financial assets	6,533	4,227
Sub-total	62,767	38,958
Total	**137,749**	**103,683**

i. Trade and other receivables and lease receivables

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. However, management also considers the factors that may influence the credit risk of its customer base, including the default risk associated with the industry in which customers operate.

The credit approval team has established a credit policy under which each new customer is analysed individually for creditworthiness before the Group's standard terms and conditions are offered. Exposure limits can be established per customer and these are reviewed on a regular basis. Any sales exceeding those limits require approval from the Group's senior management.

The Group limits its exposure to credit risk from trade receivables by establishing a maximum payment period of one and three months for individual and corporate customers respectively.

Equipment financing lease agreements are sold subject to retention of title clauses, so that in the event of non-payment the Group have a secured claim.

The Group establishes an allowance for impairment that represents the estimate of incurred losses in respect of trade and other receivables.

As at 30 June 2018, the ageing of the Group's finance lease receivables that were not impaired was as follows:

	2018 $'000	2017 $'000
Finance lease receivables		
Neither past due nor impaired	73,682	42,393
Past due 1 – 30 days	5	3
Past due 31 – 90 days	5	2
Past due 91 – 120 days	-	1
Past due 121+ days	-	-
Total	**73,692**	**42,399**

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Notes to the Financial Statements (continued)

NOTE 27. FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) Credit risk (continued)

i. Trade and other receivables and lease receivables (continued)

Management believes that the unimpaired amounts that are past due by more than 30 days are still collectable in full, based on historical payment behaviour and extensive analysis or customer credit risk, including underlying customers' credit rates if they are available.

As at 30 June 2018, the ageing of the Group's trade receivables that were not impaired was as follows:

	2018 $'000	2017 $'000
Trade receivables		
Neither past due nor impaired	2,242	2,919
Past due 1 – 30 days	1,312	517
Past due 31 – 90 days	499	108
Past due 91 – 120 days	355	46
Past due 121+ days	180	83
Total	**4,588**	**3,673**

The movement in the allowance for impairment in respect of trade and other receivables during the year was as follows:

	Trade and other receivables $'000	Finance lease receivables $'000	Total $'000
Balance at 1 July 2017	-	-	-
Increase from deemed acquisitions	5,274	140	5,414
Provided for during the year less write-offs	(2,613)	205	(2,408)
Balance at 30 June 2017	**2,661**	**345**	**3,006**
Provided for during the year less write-offs	428	(206)	222
Balance at 30 June 2018	**3,089**	**139**	**3,228**

ii. Cash and cash equivalents

The Group held cash and cash equivalents of $36,246k at 30 June 2018 (2017: $39,837k). The cash and cash equivalents are held with bank and financial institution counterparties, which are rated A- to AA-, based on Standard & Poor's long-term credit ratings.

(b) Liquidity risk

The following are the contractual maturities of non-derivative financial liabilities, including estimated interest payments and excluding the impact of netting agreements:

	Carrying amount $'000	Contractual cash flow $'000	Less than 1 year $'000	1 to 2 years $'000	2 to 5 years '000
2018					
Trade and other payables	12,778	(12,778)	(12,352)	(426)	-
Borrowings (Bendigo Bank)	9,000	(9,815)	(3,439)	(6,376)	-
Finance lease funding	50,468	(55,096)	(21,887)	(30,660)	(2,549)
Other interest bearing liabilities	169	(449)	(340)	(109)	-
Total	**72,415**	**(78,138)**	**(38,018)**	**(37,571)**	**(2,549)**

Notes to the Financial Statements (continued)

NOTE 27. FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Liquidity risk (continued)

	Carrying amount $'000	Contractual cash flow $'000	Less than 1 year $'000	1 to 2 years $'000	2 to 5 years $'000
2017					
Trade and other payables	10,164	(10,164)	(10,164)	-	-
Contingent consideration	350	(350)	(350)	-	-
Borrowings (Bendigo Bank)	13,500	(15,184)	(3,650)	(6,827)	(4,707)
Finance lease funding	13,522	(14,140)	(9,078)	(3,118)	(1,944)
Other interest bearing liabilities	2,193	(2,193)	(2,044)	(149)	-
Total	**39,729**	**(42,031)**	**(25,286)**	**(10,094)**	**(6,651)**

Liquidity risk is the risk that the Group might be unable to meet its obligations. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

During the 2017 financial year the Group has a secured bank loan that contains a loan covenant; a future breach of covenant may require the Group to repay the loan earlier than indicated in the above table. Under the agreement, the covenant is monitored on a regular basis by management to ensure compliance with the agreement.

Interest payments on variable interest rate loans in the table above reflect forward interest rates at reporting date and these amounts may change as market interest rates change.

The future cash flows on contingent consideration may be different from the above table as the relevant conditions underlying the contingency may change.

(c) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices, will affect the Group's income or the value of its financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising return.

Foreign exchange risk

The Group does not have any material balances denominated in foreign currencies, except for $556k trade payables to overseas suppliers in Hal Group which are settled within 60 days of being incurred. Resultantly the Group is not significantly exposed to profit and loss foreign currency risk.

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Notes to the Financial Statements (continued)

NOTE 27. FINANCIAL RISK MANAGEMENT (CONTINUED)

(c) Market risk (continued)

Interest rate risk
The interest rate profile of the Group's interest-bearing instruments is as follows:

	2018 $'000	2017 $'000
Fixed-rate instruments		
Financial assets	79,674	46,400
Financial liabilities	(50,637)	(15,715)
	29,037	**30,685**
Variable-rate instruments		
Financial assets	36,246	39,837
Financial liabilities	(9,000)	(13,500)
	27,246	**26,337**

The Group has not changed its market risk strategies during 2018.

(d) Sensitivity analysis
The Group has performed a sensitivity analysis relating to its exposure to interest rate risk balance date. This sensitivity analysis demonstrates the effect on the current year results and equity which could result from a change in these risks.

Interest Rate Sensitivity Analysis
The exposure to interest rate risk is based on the cash held in short-term money market accounts. The total cash held for COG is $36,246k (2017: $39,837k) and is held in accounts where there is interest rate risk.

At 30 June 2018, the effect on profit and equity as a result of changes in the interest rate, with all other variables remaining constant would be as follows:

	2018 $'000	2017 $'000
Change in profit after tax		
Increase in interest rate by 100 basis points	272	263
Decrease in interest rate by 100 basis points	(272)	(263)
Change in equity		
Increase in interest rate by 100 basis points	272	263
Decrease in interest rate by 100 basis points	(272)	(263)

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Notes to the Financial Statements (continued)

NOTE 28. OPERATING LEASE COMMITMENTS

(a) Operating leases as lessee

The Group leases a number of office premises, motor vehicles and other equipment.

i. Future minimum lease payments

At 30 June 2018, the future minimum lease payments under non-cancellable leases were payable as follows:

	2018 $'000	2017 $'000
Future minimum lease payments		
Less than one year	2,177	1,342
Between one and five years	2,403	2,358
Total	**4,580**	**3,700**

ii. Amounts recognised in profit or loss

Lease expense	2,198	1,056

(b) Operating leases as lessor

The Group leases out its property, plant and equipment (see note 16).

i. Future minimum lease payments

At 30 June 2018, the future minimum lease payments under non-cancellable leases were receivable as follows:

	2018 $'000	2017 $'000
Future minimum lease payments		
Less than one year	339	1,441
Between one and five years	30	391
More than five years	1	2
Total	**370**	**1,834**

ii. Amounts recognised in profit or loss

During 2018, revenue from equipment rentals of $13,805k (2017: $7,470k) were included in 'Revenue' (See note 7).

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Notes to the Financial Statements (continued)

NOTE 29. PARENT ENTITY DISCLOSURES

As at, and throughout, the financial year ended 30 June 2018 the parent entity of the Group was Consolidated Operations Group Limited (COG).

	2018 $'000	2017 $'000
Results of parent entity		
Profit for the period after tax	6,175	1,624
Other comprehensive income	-	-
Total comprehensive income for the period	**6,175**	**1,624**
Financial position of the parent entity at year end		
Current assets	17,731	34,180
Non-current assets	175,538	159,419
Total assets	**193,269**	**193,599**
Current liabilities	3,483	4,826
Non-current liabilities	6,011	10,536
Total liabilities	**9,494**	**15,362**
Net assets of the parent entity at year end	**183,775**	**178,237**
Total equity of the parent entity comprising of:		
Share capital	215,670	216,216
Accumulated losses	(76,371)	(76,371)
Reserves	44,476	38,392
Total equity	**183,775**	**178,237**

Parent entity contingencies and commitments are outlined in note 26.

NOTE 30. SUBSEQUENT EVENTS

Subsequent to year-end all minority shareholders in Consolidated Finance Group Pty Limited (CFG) agreed to sell their 20% minority shareholding to the Group effective 1 July 2018. Administrative matters to complete this transaction will occur subsequent to the sign off of this report.

As outlined in note 24 (a) subsequent to year-end Cameron McCullagh the Group Managing Director invested an additional $3,500k in debentures issued by the 100% owned subsidiary Secured Finance Limited; with the debentures secured against specific financial lease assets. The additional debentures would have represented 8% of the liability owed by Secured Finance Limited and the Group to its debenture holders as at 30 June 2018 had they been issued at that date.

Other than matters disclosed above, there were no events that occurred after the end of the financial year that would materially affect the reported results or would require disclosure in this report.

Directors' Declaration

1. In the opinion of the Directors of Consolidated Operations Group Limited (the Company):
   a) the consolidated financial statements and notes of the Company and its controlled entities (the Group), are in accordance with the *Corporations Act 2001*, including:

      i. giving a true and fair view of the Group's financial position as at 30 June 2018 and of its performance for the financial year ended on that date; and

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

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

2. The Directors have been given the declarations required by Section 295A of the *Corporations Act 2001* from the Managing Director and Chief Financial Officer for the financial year ended 30 June 2018.

3. The Directors draw attention to note 2 to the consolidated financial statements, which includes a statement of compliance with International Financial Reporting Standards.

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



Bruce Hatchman
Chairman



Cameron McCullagh
Managing Director

28 August 2018

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INDEPENDENT AUDITOR'S REPORT

To the members of Consolidated Operations Group Limited

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Consolidated Operations Group Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 30 June 2018, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial report, including a summary of significant accounting policies, and the directors' declaration.

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

(i) Giving a true and fair view of the Group's financial position as at 30 June 2018 and of its financial performance for the year ended on that date; and

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

Basis for opinion

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

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

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

BDO East Coast Partnership ABN 83 236 985 726 is a member of a national association of independent entities which are all members of BDO Australia Ltd ABN 77 050 110 275, an Australian company limited by guarantee. BDO East Coast Partnership and BDO Australia Ltd are members of BDO International Ltd, a UK company limited by guarantee, and form part of the international BDO network of independent member firms. Liability limited by a scheme approved under Professional Standards Legislation, other than for the acts or omissions of financial services licensees.

Key audit matters

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

Goodwill impairment assessment

Key Audit Matter	*How addressed during audit*
The Group's disclosures in respect to Goodwill and impairment assessment are included note 15 of the financial statements. Annual impairment testing requires a significant amount of judgment and estimation by Management, in the determination of Cash Generating Units, cash flows, growth rates and discount rates. The critical assumptions used by Management are disclosed in note 15. The assumptions and complexity of the calculations have made the impairment assessment of goodwill a Key Audit Matter.	In order to evaluate and challenge key assumptions used by Management in their impairment analysis, our procedures included but were not limited to: • Critically evaluating whether the models prepared by Management comply with the requirements of AASB 136 Impairment of Assets. • Evaluating the appropriateness of Management's identification of the Group's cash generating units. • Recalculating the mathematical accuracy of the impairment models. • Comparing the projected cash flows, including assumptions relating to revenue growth rates and operating margins, against historical performance to testing the accuracy of Management's projections. • In conjunction with our valuation specialists, assessing the discount rates and EBITDA multiples utilised in the recoverable amount calculations. • Applying a sensitivity analysis to Management's key assumptions. • We also assessed the adequacy of the Group's disclosures in relation to Goodwill and Impairment.

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Revenue

Key Audit Matter	*How addressed during audit*
As noted in the revenue recognition accounting policy in note 3, the Group's revenue is derived from a variety of sources. The recognition of revenue involves significant Management estimation as detailed in note 3 and complex accounting treatments.	Our procedures included but were not limited to: • Developing an understanding of each revenue stream and reviewing each component's revenue accounting policy, against the relevant Australian Accounting Standards (AASB 118 Revenue and AASB 117 Leases) to confirm its adequacy and application. • Assessing management assumptions in relation to whether the brokerage and aggregation businesses were acting in the capacity as principal or agent as well as key assumptions relating to the lease income including the implicit interest rates applied. • Assessing the control environment relating to revenue recognition. • Testing sample of revenue transactions to evaluate whether they were appropriately recorded as revenue. This included checking the amounts recorded to supporting evidence. • Performing analytical procedures to understand movements and trends in revenue for comparisons against expectations. • Performing cut-off testing to ensure that revenue transactions around year end have been recorded in the correct reporting period. • We assessed the adequacy of the Group's disclosure in respect of the accounting policies on revenue recognition.

Other information

The directors are responsible for the other information. The other information comprises the information in the Company's annual report for the year ended 30 June 2018, but does not include the financial report and our auditor's report thereon.

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

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

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

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Responsibilities of the directors for the Financial Report

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

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

Auditor's responsibilities for the audit of the Financial Report

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

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

http://www.auasb.gov.au/auditors_files/ar1.pdf.

This description forms part of our auditor's report.

Report on the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in the directors' report for the year ended 30 June 2018.

In our opinion, the Remuneration Report of Consolidated Operations Group Limited, for the year ended 30 June 2018, complies with section 300A of the *Corporations Act 2001*.

Responsibilities

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

BDO East Coast Partnership



Gareth Few
Partner

Sydney, 28 August 2018

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ASX Additional Information

Additional information required by the ASX Limited Listing Rules and not disclosed elsewhere in the report is set out below. The information is effective 16 August 2018.

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

Shareholder	No. of ordinary shares	% of Total
NAOS ASSET MANAGEMENT LIMITED	279,654,696	21.58%
GEGM INVESTMENTS PTY LIMITED	248,431,001	19.00%
SANDON CAPITAL INV LTD A/C	95,917,445	9.23%

Range	No. of ordinary Shares	%	No. of holders	%
100,001 and Over	1,275,529,526	98.42	423	39.72
10,001 to 100,000	19,457,950	1.50	407	38.21
5,001 to 10,000	626,793	0.05	77	7.23
1,001 to 5,000	336,464	0.03	107	10.05
1 to 1,000	16,683	0.00	51	4.79
Total	**1,295,967,416**	**100.00**	**1,065**	**100.00**

There were 131 holders of less than a marketable parcel of ordinary shares.

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ASX Additional Information (continued)

Substantial shareholders (continued)

Rank	Twenty Largest Shareholders	A/C designation	No of shares held	% of total
1	NATIONAL NOMINEES LIMITED		333,565,970	25.74
2	GEGM INVESTMENTS PTY LTD		235,272,303	18.15
3	ONE MANAGED INVT FUNDS LTD	SANDON CAPITAL INV LTD A/C	71,382,476	5.51
4	LINX HOLDINGS PTY LTD	LINX FINANCE HOLDINGS A/C	56,806,723	4.38
5	J P MORGAN NOMINEES AUSTRALIA LIMITED		47,757,972	3.69
6	UBS NOMINEES PTY LTD		26,317,566	2.03
7	AUSTRALIAN EXECUTOR TRUSTEES LIMITED	NO 1 ACCOUNT	24,507,813	1.89
8	AUST EXECUTOR TRUSTEES LTD	GFFD	23,897,957	1.84
9	C-FLAG PTY LTD		14,358,698	1.11
10	FIDUCIO PTY LTD	LE A/C	13,962,387	1.08
11	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED		13,075,886	1.01
12	MFB INVESTMENTS NO 2 PTY LTD	MELB FIN INV UNIT NO 2 A/C	11,169,572	0.86
13	ROSEMARY LAURENCE PTY LTD	ROSEMARY LAURENCE S/F A/C	10,000,000	0.77
14	MATTSALL PTY LTD	MATTSALL SUPER FUND A/C	8,000,000	0.62
14	MARKSUE CRAIN PTY LTD	MARKSUE CRAIN SUPER FUND A/C	8,000,000	0.62
15	A & M CRAIN SUPER PTY LTD	CRAIN SUPER FUND A/C	7,947,826	0.61
16	MELBOURNE FINANCE BROKING (HOLDINGS) PTY LTD	MELB FIN BROKING UNIT A/C	7,837,480	0.60
17	MR PETER JOHN SCHAMPERS	PJS FAMILY A/C	7,771,312	0.60
18	MR ANGUS MCCULLAGH		7,749,087	0.60
19	LEZAK NOMINEES PTY LTD	LEZAK NOMINEES S/F A/C	7,718,409	0.60
20	SHARON LEE SCHROEDER & PETER JOHN SCHROEDER	PJ & SL SCHROEDER FAMILY	7,208,644	0.56
		Total	**944,308,081**	**72.87**
		Balance of register	**351,659,335**	**27.13**
		Grand total	**1,295,967,416**	**100.00**

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

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ASX Additional Information (continued)

Listing Rule 3.13.1 and 14.3

Further to Listing Rule 3.13.1 and Listing Rule 14.3, the Annual General Meeting of COG is scheduled for 16 November 2018

DIRECTORS
Bruce Hatchman – Independent Non-executive Chairman
Cameron McCullagh – Managing Director
Rohan Ford – Executive Director
David Gray – Independent Non-executive Director
Steve White – Independent Non-executive Director

SECRETARY
David Franks

MANAGEMENT
Nathan Thomas – Group Chief Financial Officer

REGISTERED OFFICE
C/O Franks and Associates Pty Limited
Suite 2, Level 10, 70 Phillip Street
Sydney NSW 2000
Tel 02 9299 9690

AUDITORS
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Sydney NSW 2000
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Internet: https://www.bdo.com.au/en-au/sydney

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Phone: (02) 8280 7111
Fax: (02) 9287 0303
Email: registrars@linkmarketservices.com.au
Internet: www.linkmarketservices.com.au

KEY DATES

Annual General Meeting Date: 16 November 2018

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