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COG Financial Services Limited
(formerly Consolidated Operations Group Limited)
and its controlled entities

ABN 58 100 854 788

Annual Financial Report

For the year ended 30 June 2021

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Chairman's Letter

I am delighted to present COG Financial Services Limited's (COG or the Company) Annual Report for the financial year ended 30 June 2021. This is my third annual report as Independent Chair of the Board. The following commentary aims to provide you with context on the Group's performance and an update on our future strategic priorities.

During 2021, COG has continued to successfully implement its corporate strategy of:

- building the leading SME Finance Broking & Aggregation services provider in Australia;
- delivering profitable and low risk growth in its Lending business; and
- expanding its lending into mid-prime products for distribution through its finance broking network.

The evolving implementation of these strategies is evident in our 2021 financial performance, with underlying net profit after tax and amortisation of intangibles arising from business combinations (NPATA) attributable to COG shareholders increasing by 132% on the prior year to $19.5m. This is a very pleasing result in view of the year's challenging trading conditions, impacted by the ongoing COVID-19 pandemic.

Highlights for FY21 include:

- Net Asset Finance (NAF) settled increased by 14% to $5.2b, representing circa 18% market share[1] of broker originated NAF for commercial equipment finance;
- underlying NPATA (after non-controlling interests) increased by 132% to $19.5m (FY20: $8.4m), further demonstrating the resilience of the core finance broking business during a difficult trading environment, and a solid contribution from the lending business;
- declaration of a fully-franked final dividend of 6.0 cents per fully paid ordinary share calculated with reference to NPATA (after non-controlling interests), and to be paid out of the Company's profit reserve as at 30 June 2021 and represents an increase of 295% on the prior year (calculated on a pre-consolidation of share capital basis);
- the Company's strategic acquisition of a controlling interest in Westlawn Finance Limited (Westlawn) during the financial year ended 30 June 2021, which is pivotal to the expansion of COG's suite of lending products;
- successful implementation of an unlisted Managed Investment Scheme (MIS), a scalable / capital light funding structure as compared to other non-banks
- increased volumes of the new chattel mortgage product launched at the end of the previous financial year, currently offered by Westlawn and distributed through the COG broking network and other channels
- implementation of a new integrated IT lending system, which went live during the current financial year, allowing the Group to enhance its product offering and increase lending volumes;
- the Company's strategic acquisition of an 80% controlling interest in Access Capital Pty Limited (via its subsidiary QPF Finance Group), which is the largest asset finance broker in South Australia and the Northern Territory, completing our ambition of being a national asset finance broker and aggregator;
- increased management focus on cost synergies and coordinated Group support to enhance the delivery of services across COG's finance broker network; and
- Management's continuing decisive response to the risks posed by the ongoing COVID-19 pandemic, with a core focus on employee well-being, cashflow and liquidity, cost management and ongoing customer support.

Since commencing its Finance Broking & Aggregation services business in December 2015, COG has rapidly built its presence through an acquisition driven strategy. From December 2015 to date, COG has acquired aggregation platforms and finance brokers for a combined consideration of approximately $135.2m funded by a mix of new COG shares issued to vendors ($39.8m), cash ($90.8m) and debt ($4.6m). During FY21, COG has completed acquisitions of additional interests from minority shareholders in entities already controlled by the Group, as outlined in Notes E1 of the attached financial report.

COG continues to focus on expansion of a national asset finance distribution business which is diversified by geography, asset and borrower type, so that the business gains from the benefits of scale, diversity and reach. In acquiring businesses, COG has adopted a "skin in the game" business model, whereby founders/vendors retain an aligned equity investment in their businesses, with COG providing management input, expertise and support to address challenges and help them grow. This diversified model provides a hedge against any unexpected or adverse impact from the performance of individual businesses.

[1] Derived from information contained in the Commercial & Asset Finance Brokers Association of Australia (CAFBA) Aggregator Benchmark Report 2020 and the Australian Finance Industry Association (AFIA) Annual Review FY20

COG currently has an estimated market share of 18% of annual net commercial asset finance originated by finance brokers, making it Australia's largest aggregator of finance broker originated asset finance. In FY21, COG settled an aggregated $5.2b of NAF, up 14% from $4.5b in FY20. The asset finance broker market remains fragmented, and COG is focused on achieving a 30% market share through further targeted acquisitions and organic growth.

COG's commercial lending business has also experienced a year of significant change with the successful implementation of an unlisted Managed Investment Scheme (MIS) for efficient funding purposes, the establishment of Westlawn as the main lender for the COG Group, the implementation of an enhanced IT lending platform and the scale back of TL Commercial operations (to achieve the intended synergies from the acquisition of Westlawn). As an outcome of these timely actions, the Lending segment delivered a significant contribution to the Group's bottom line for the current financial year. COG reaffirms its strategy to deliver profitable lending growth commensurate with the Group's risk appetite, by leveraging our market-dominant distribution network.

Review of operations - Group performance

The following table provides shareholders with a summary of COG's underlying and statutory results for the year ended 30 June 2021:

Year ended 30 June	Underlying [1]			Statutory		
$'m	2021	2020	Change %	2021	2020	Change %
Revenue	**269.8**	**222.2**	**21%**	**271.7**	**218.5**	**24%**
Finance Broking & Aggregation	229.6	194.0	18%	229.7	194.1	18%
Lending	34.2	21.1	62%	35.3	17.2	105%
Other	6.0	7.1	-15%	6.7	7.2	-7%
EBITDA	**50.9**	**31.2**	**63%**	**8.0**	**14.4**	**-44%**
EBITDA after NCI [2]	**33.5**	**21.3**	**57%**	**(9.1)**	**4.8**	**-327%**
Finance Broking & Aggregation	18.7	11.1	68%	18.6	10.2	82%
Lending	17.3	12.1	43%	(24.7)	(3.4)	626%
Other	(2.5)	(1.9)	32%	(3.0)	(2.0)	50%
Profit attributable to NCI	**9.2**	**5.0**	**84%**	**9.0**	**4.7**	**91%**
Profit / (loss) after NCI	**15.8**	**5.2**	**204%**	**(26.4)**	**(10.0)**	**-164%**
NPATA [3] after NCI	**19.5**	**8.4**	**132%**	**(30.1)**	**(6.8)**	**-343%**

(1) On an underlying basis excluding impairment charge (FY21 $37.8m, FY20 $12.0m), loss on deemed sale and reacquisition of investment at fair value (FY21 $4.6m, FY20 $nil), fraud provision (FY $0.3m, FY20 $nil), non-cash change in accounting estimate adjustment (FY21: $nil, FY20: $3.9m), redundancy and restructuring costs (FY21: $0.3m, FY20 $0.9m) and transaction costs (FY21: $0.2m, FY20 $0.7m).

(2) Non-controlling interests

(3) Excludes amortisation in relation to intangibles recognised as part of business combinations.

For the year ended 30 June 2021:

- Revenue was $269.8m, an increase of 21% on the prior comparative period (pcp);
- Earnings before interest, taxes, depreciation and amortisation (EBITDA) from core operations, and before minority interests, was $50.9m, an increase of 63% on the pcp;
- Underlying profit after tax, attributable to members of the Group, was $15.8m, an increase of 204% on the pcp; and
- Net profit after tax and amortisation of intangibles arising from business combinations (NPATA), attributable to members of the Group, was $19.5m, an increase of 132% on the pcp.

Depreciation and amortisation of $11.4m is a non-cash item and has increased by 19% on the pcp. This is primarily due to an increase in amortisation of acquired intangibles to $8.1m for the period, as compared to $6.1m in the pcp. Intangible assets recognised on the acquisition of businesses are amortised over their estimated useful life.

The Group's net asset position as at the end of the period was $189.7m (30 June 2020: $192.4m).

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COVID-19 Pandemic

The COVID-19 pandemic has led to an increasingly uncertain economic environment, which has caused significant volatility and disruption in both financial markets and across the wider Australian economy, mainly from March 2020 onwards. The main financial impacts of COVID-19 on the financial performance of the Group have been felt more severely during FY20, which back then resulted in a $10.8m write-down in the value of goodwill for the Lending segment and a material increase in the expected credit loss (ECL) provision held against our finance lease portfolio. Slower SME business activity combined with a decline in forecast cash flows and a more uncertain macro-economic outlook have contributed to the related write-downs of goodwill and finance lease receivables.

During the financial year ended 30 June 2021, despite the ongoing pandemic, business activity regained some strength, which materialised through increased volumes in both of our broking and lending businesses. Although the expected credit losses in the Lending portfolio did not crystalise during the financial year to the previously forecasted, the ECL provision largely remained at similar conservative percentage levels as FY20 (which is aimed to cover the increased credit risk arising from the recent lockdown restrictions and its possible broader economic impacts).

The ongoing impact of the pandemic on COG will depend on a range of factors, including:

- duration and severity of the pandemic;
- nature and extent of Government stimulus measures; and
- the macro-economic environment and its effect on SMEs in Australia.

Review of operations - Segment performance

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

Finance Broking & Aggregation (FB&A)

The Finance Broking & Aggregation segment operations continued to grow with the net amount financed through COG's aggregation businesses totalling $5.2b in 2021, an increase of 14% on the prior year. The higher NAF is attributable to full year contributions from 2020 acquisitions, new 2021 acquisitions, and strong performances overall from businesses in this segment. Revenues increase by 18% to $229.6m, and EBITDA contribution attributable to COG shareholders increased by 68% to $18.7m in 2021.

COG has established a nationwide distribution network, through its independent aggregation platform members and equity owned brokers and is a key and trusted advisor to the Australian small-to-medium enterprise (SME) sector. COG estimates it now accounts for approximately 18% of annual industry NAF settled by finance brokers for commercial equipment finance and holds a leading position as Australia's largest finance broker aggregation platform.

COG continues to pursue organic growth, as well as acquiring strategic stakes in complementary businesses. During the year ended 30 June 2021, COG acquired additional interests from minority shareholders in the existing Group-controlled entities, Platform Consolidated Group, QPF Holdings Group (QPF), Linx Group Holdings and Sovereign Tasmania.

During the financial year ended 30 June 2021, COG has also acquired an 80% equity interest in Access Capital Pty Limited (Access) via its subsidiary QPF. Access is the largest asset finance broker in South Australia and Northern Territory and provides COG with a presence in this State and Territory, thereby completing the Company's ambition of being a diverse, national asset finance broker and aggregator.

The Group also continues to focus on improving systems and processes available to all businesses within this segment, leveraging the skills and expertise of management to enhance performance across the segment. In FY19, COG implemented a new IT platform acquired as part of Centrepoint Finance Group, known as "*BROOS".* This, along with "*Platform Connect" (IT platform that replaced "Evolved")*, have been designed to interface directly with our finance partners and will continue to support increased sales, processing efficiency and management of the sales process.

Lending

The Lending segment delivered revenues for the year ended 30 June 2021 of $34.2m, up 62% on pcp ($21.1m in the pcp). Revenues for the year are inclusive of government subsidies of $0.6m ($0.3m in the pcp), as well as a contribution from Westlawn of $16.9m (100% consolidated into COG results effective 1 July 2020). EBITDA before minority interests was up 80% to $21.8m ($12.1m in the pcp).

Effective 1 July 2020 the Group completed the acquisition of a further 19.2% of Westlawn, taking its total interest in that entity to 51%. The acquisition of a controlling interest in the Westlawn business provides COG with a unique platform to generate competitive and capital efficient funding, which will underpin future growth in our own-branded lending book.

Following the acquisition of a controlling interest in Westlawn, the Group revised its strategic plan to incorporate synergies between Westlawn and COG's wholly owned subsidiary TL Commercial Finance Pty Limited (TLC). This resulted in lease and loan contracts being directly originated by Westlawn from FY21 onwards, avoiding the duplication of processes and cost in both companies.

The revised origination structure of direct lending from Westlawn resulted in a one-off, non-cash impairment in FY21 of $37.4m for goodwill and other intangibles in relation to COG's wholly owned subsidiary, TL Commercial Finance Pty Limited (TL Commercial). This goodwill was originally recognised on 1 November 2016 as a result of a change in accounting policy when COG ceased being an investment entity and adopted consolidation accounting. As the goodwill originated from a change in accounting policy rather than a cash outflow from a purchase transaction, the impairment does not reflect a loss from a direct cash investment.

TL Commercial is currently in run-off with the total lease/loan receivables of $61.2m as at 30 June 2021 representing the present value of lease/loan instalments and related unguaranteed residual value expected to be received over the course of the next 4 years. As part of the TL Commercial wind up, the debenture program previously issued through TL Commercial's wholly owned subsidiary Secured Finance Limited has been fully repaid and terminated during the financial year.

In the second half of FY21 COG launched (through its Westlawn subsidiary) an unlisted Managed Investment Scheme (MIS), which is a scalable / capital light funding structure as compared to other non-banks and is expected to become the main funding vehicle for the Group's lending business.

The Chattel Mortgage lending product, now offered through Westlawn, has been well accepted by the market with a substantial increase in volume in recent months and will continue to be expanded, by leveraging the COG owned finance broker distribution network. New loan and leases written in FY21 totalled $71.0m and includes Chattel Mortgage and other products previously offered by Westlawn.

The Expected Credit Loss (ECL) provision decreased from 4.5% at 30 June 2020 to 3.1% at 30 June 2021, largely due to the addition of the Westlawn portfolio (which has a lower delinquency profile). In respect to the COG legacy lending portfolio, provisions have remained unchanged at 4.5% reflecting management's conservatism towards the COVID-19 pandemic (despite expected credit losses not crystalising during the financial year to the extent previously forecasted and cash collections being at record highs for this year).

At the end of the financial year, management became aware of a potential fraud relating to a portfolio of equipment lease receivables arranged by Forum Finance under a Principal & Agency (P&A) agreement with Westlawn. Full provision has been made in these financial statements, for all contracts that are potentially fraudulent, and a replacement P&A agreement has been put in place with a new service provider. Subsequent to 30 June 2021, the COG Group and Westlawn's minority shareholder acquired 51.02% and 48.98% interests respectively in this specific receivables' portfolio and its residual rights from secondary income.

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Lending (continued)
Finally, the new IT integrated lending system went live during the first half of FY21 and represents a key milestone for the Group.

COG continues to focus on the next steps of its strategy, being the expansion of its lending activities into mid-prime products for distribution through its finance broking network. In the medium-term, COG is targeting for around 20% of all intermediated financing completed by its broking network to come from COG's own prime and mid-prime products. The implementation of this strategy is already underway with significant progress expected in the 2022 financial year.

Other
Earlypay Limited
COG's Other segment includes dividends of $661k received from its 16.59% investment in Earlypay Limited (ASX: EPY) (formerly CML Group Limited) (ASX: CGR) during the first half of FY21.

On 19 November 2020, Steve White, a non-executive director of COG, was appointed a non-executive director of EPY. COG's representation on the EPY Board, in combination with COG's voting rights in EPY, resulted in COG gaining significant influence over EPY, and has therefore adopted the equity method of accounting for its investment in EPY effective from 19 November 2020. Consequently, the Group has recognised its proportionate share of EPY results of $1,075k for the period from 19 November 2021 to 30 June 2021, which is in addition to the dividend received in the first half of FY21.

IT managed services
During the year, the IT managed services businesses continued to perform well, achieving consistent margins. Savings in IT, telecommunication and personnel expenses also contributed to the profit result for this business.

Dividend
Since the end of the financial year the Board declared a final dividend of $9,981k (6.0 cents per fully paid ordinary share). This dividend will be paid on 22 October 2021 out of the Company's profit reserve as at 30 June 2021 to all shareholders registered on the record date of 23 September 2021 and will be fully franked. The ex-dividend date for entitlement will be 22 September 2021.

On 15 October 2019, the Company adopted a dividend policy, targeting a dividend payout ratio of up to 50% of statutory net profit after tax, after non-controlling interests, per annum. The policy has since been revised to accommodate a payout ratio of up to 70% of NPATA to members.

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

The Company established a Dividend Reinvestment Plan (DRP) for its shareholders on 5 February 2020. The DRP will apply to the final dividend for the year ended 30 June 2021 and will remain in place until further notice. The Board has determined that a discount of 5% on the Market Price will apply to new shares issued under the DRP.

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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 generated from broker originated business equipment finance and insurance broking, through expansion of independent aggregation platform members and in equity owned brokers. With an estimated market share of 18% of annual broker originated NAF for commercial equipment finance, we are targeting a 30% market share, representing an annual NAF of approximately $6.5b.

   1.1. Continued investment in and acquisition of well managed Asset Finance Brokers
   - COG along with key management from the partially controlled flagship Finance Broking and Aggregation businesses continues to seek complementary acquisitions where the price and synergies available are appropriate
   - COG is targeting a minimum 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 deliver enhanced services in Member Broker Aggregation businesses (CFG, Platform and Centrepoint)

   1.4 Growth and development of insurance broking business

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

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

Director and Key Management Personnel changes

On 8 September 2020, Bruce Hatchman resigned as a Non-executive Director of the Company. I would like to personally thank Bruce for his valuable contribution to the Board over a number of years.

On 17 September 2020, Peter Rollason was appointed as a Non-executive Director of the Company. Peter is a senior financial services professional and business strategist whose experience includes leadership of Liberty Financial, a highly successful Australian finance company. He was also a partner of Deloitte Australia where he led the national banking and securities industry sector, taking on the role of lead adviser on buy and sell-side M&A transactions, capital raising and securitisation facilities. He also has extensive Asian regional experience gained with global institutions and is well-versed in the commercial application of technology in finance, operations, marketing and business development.

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Director and Key Management Personnel changes

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

Yours sincerely,



Patrick Tuttle
Chairman
1 September 2021

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Directors' Report

The Directors of COG Financial Services Limited (COG or the Company) and its controlled entities (the Group), present their report together with the financial statements of the Group, for the financial year ended 30 June 2021.

Director details
The following persons were Directors of the Company during or since the end of the financial year:
Patrick Tuttle - Chairman
Bruce Hatchman - Non-executive Director (resigned 8 September 2020)
Steve White - Non-executive Director
Peter Rollason - Non-executive Director (appointed 17 September 2020)
Cameron McCullagh - Executive Director
Mark Crain - Executive Director

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

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

Patrick has more than 30 years' experience in the financial services sector, having initially qualified as a Chartered Accountant with Price Waterhouse. Prior to joining Pepper Group Limited in 2001 as finance director, he was a divisional finance director for a range of operating businesses within Macquarie Group Limited (ASX: MQG), including the Banking & Property, Corporate Finance, and Project & Structured Finance Groups.

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

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

- Other current Directorships: Openpay Group Limited (ASX: OPY) (Non-Executive Chairman) and Douugh Limited (ASX: DOU) (Non-Executive Director)
- Previous Directorships (listed companies in the last 3 years): None
- Interests in shares: 265,005 shares (2,650,046 shares pre-consolidation)

Steve White
M.Mngt, GAICD

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

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

- Other current Directorships: Earlypay Limited (ASX: EPY)
- Previous Directorships: None
- Interests in shares: 369,875 shares (3,757,083 shares pre-consolidation)
- Interests in debentures of a related entity (Secured Finance Limited): $nil

Cameron McCullagh
FCA, B. Bus

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

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

- Other current Directorships: Hospitality Employers Mutual Limited (APRA licensed insurer)
- Previous Directorships: None
- Interest in shares: 33,009,396 shares (330,093,953 shares pre-consolidation)
- Interests in debentures of a related entity (Secured Finance Limited): $nil

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

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

Peter qualified as a Chartered Accountant in the UK and has 35 years' experience in senior leadership roles in a number of global banking and non-bank financial institutions.

Peter was more recently with Liberty Financial, one of Australia's largest non-bank financial institutions where he was a member of the senior management team and board director responsible for strategy, business development and marketing in addition to heading the New Zealand operations which included loan origination, the Mike Pero branded broking network and a successful debenture funding program.

Prior to joining Liberty Financial, Peter was a partner at Deloitte where he advised on buy and sell-side M&A transactions, capital raising and securitisation facilities to range of banks and non-banks. Peter was also a member of the Deloitte Top 40 Leadership group representing the Financial Services Industry (FSI) sector.

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

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

Mark Crain
B. International Bus, Diploma Finance & Mortgage Broking Management

- Executive Director
- Director since 2019

Mark has over 20 years' experience in banking and finance, with the last 15 years specialising in commercial asset finance. After completing his International Business degree, Mark held roles at NAB and Mercedes-Benz Finance. In 2008, Mark joined QPF (now a 56% owned finance broking business of COG) and has since developed a strong client base and established a number of broker partnership models with national vendors and financiers. Mark has been heavily involved in various acquisitions since QPF joined COG in 2016 and has joined the COG Board as an Executive director.

- Interests in shares: 1,315,635 shares (13,156,349 shares pre-consolidation)
- Other Directorships: None
- Previous Directorships: None

Company Secretary
David Franks - BEc, CA, F Fin, JP
David is a Director and Principal of the Automic Group. He is a Chartered Accountant, Fellow of the Financial Services Institute of Australia, Fellow of the Governance Institute of Australia, Justice of the Peace, Registered Tax Agent and holds a Bachelor of Economics (Finance and Accounting) from Macquarie University. With over 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 several ASX listed and unlisted public and private companies.

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 earnings per share by investing in complementary entities and growing existing businesses that specialise in equipment financing, broking, and aggregation.

Review of operations and financial results
The financial report for the year ended 30 June 2021 presents the consolidated financial performance for the Group.

Profit/(loss) after tax, attributable to members of the Group for the year ended 30 June 2021 was a loss of $26.4m (2020: loss of $10.0m). Earnings per share, attributable to members from continuing operations was a loss of 1.63 cents per share for the year (2020: loss of 0.68 cents per share).

The Group's net asset position as at the end of the financial year was $189.7m (2020: $192.4m).

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

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

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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 Lending segment is to increase value by selectively writing leases and loans of sub to mid prime credit quality and with a focus on growing the new product offering for chattel mortgages. During the year ended 30 June 2021, COG recognised a goodwill impairment which is mainly due to the revised origination structure of direct lending from Westlawn Finance Limited (Westlawn) instead of TL Commercial Finance Pty Limited where the now impaired goodwill was originated through a revaluation of the business (arising from a change in accounting policy). Nonetheless, volumes of new originations are expected to gradually increase over a period of time through the offering of COG current lending products via its owned broking distribution network.

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

Dividends

For the period ended 31 December 2020, the Board declared a fully franked interim dividend of 0.122 cents per fully paid ordinary share (2019: nil cents). The aggregate amount of the interim dividend of $2,007k was paid on 26 April 2021 out of the Company's profits reserve at 31 December 2020. The Company's DRP applied to the interim dividend.

Since the end of the financial year the Board has declared a final dividend of $9,981k (6.0 cents per fully paid ordinary share). This dividend will be paid on 22 October 2021 out of the Company's profit reserve as at 30 June 2021 to all shareholders registered on the record date of 23 September 2021 and will be 100% franked. The ex-dividend date for entitlement will be 22 September 2021.

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

The Company established a Dividend Reinvestment Plan (DRP) for its shareholders on 5 February 2020. The DRP will apply to the final dividend for the year ended 30 June 2021 and will remain in place until further notice. The Board has determined that a discount of 5% on the Market Price will apply to new shares issued under the DRP.

Events subsequent to reporting date

At the end of the financial year, Management became aware of a potential fraud relating to a portfolio of equipment lease receivables arranged by Forum Finance under a Principal & Agency (P&A) agreement with Westlawn. Full provision has been made for all contracts that are potentially fraudulent, and subsequent to 30 June 2021 a replacement P&A agreement was put in place with a new service provider. The Group, and Westlawn's minority shareholder, have also acquired a 51.02% and 48.98% interest, respectively, in this receivables portfolio and its residual rights from secondary income.

Apart from the matters disclosed above and elsewhere in this report, no other matter or circumstance has arisen since 30 June 2021 that has significantly affected the Group's operations, results or state of affairs, or may do so in future years.

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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		Board (Sub Committee Meetings)		Audit and Risk Committee		Nomination and Remuneration Committee	
Director	**A**	**B**	**A**	**B**	**A**	**B**	**A**	**B**
Patrick Tuttle	7	7	1	1	3	3	3	3
Bruce Hatchman	1	1	-	-	1	1	1	1
Steve White	7	7	-	-	3	3	3	3
Cameron McCullagh	7	7	1	1	-	-	-	-
Peter Rollason	6	6	1	1	2	2	2	2
Mark Crain	7	7	1	1	-	-	-	-

Where:

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

Remuneration report - audited

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

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

a. Principles of compensation
b. Remuneration structure
c. Company performance and shareholder wealth
d. 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 $400,000 per annum to be divided among them in such proportions as they determine, and
- other KMP are remunerated based on market competitive rates which are benchmarked from time-to-time.

The principles of COG's executive incentive programs are:

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

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

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Remuneration report - audited

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

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

In December 2020 the Group assessed and reviewed its executive management remuneration policies and incentive structures against comparable companies. As a result of this review, the Board amended the remuneration arrangements for Andrew Bennett, Chief Executive Officer (CEO) effective from 1 January 2021.

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

The STI for the CEO and CFO were based on an annual assessment of performance, with the maximum STI payable for 2021 being $190,000 and $75,000, respectively.

Long term incentives
The Group has granted the following options under its Long-term Incentive (LTI) plan to Andrew Bennett, as part of his remuneration:

- 6,857,143 (pre-consolidation) equity-settled share options were granted on 25 July 2018 and entitle Mr Bennett to acquire one share in COG for each option held, at a strike price of 10.4763 cents per share (cps)
- 3,225,806 (pre-consolidation) equity-settled share options were granted on 25 July 2019, and entitle Mr Bennett to acquire one share in COG for each option held, at a strike price of 10.5000 cps
- 4,184,100 (pre-consolidation) equity-settled share options were granted on 23 December 2020, and entitle Mr Bennett to acquire one share in COG for each option held, at a strike price of 4.8863 cps (post consolidation: 418,410 options at a strike price of 48.863 cps)

At an Extraordinary General Meeting (EGM) held on 30 June 2021, the shareholders approved the consolidation of the Company's issued share capital (every 10 shares and every 10 options were consolidated into one share and one option, respectively), effective 1 July 2021, and the cancellation of 6,857,143 and 3,225,806 unlisted options (on a pre-consolidation basis) issued to Mr Bennett in exchange for payments to him of $127,081 and $100,000, respectively. The remaining 418,410 options (4,184,100 options pre-consolidation) will lapse if not exercised on the earlier of the date of termination of Mr Bennett's employment, and the date three years subsequent to the option grant date.

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

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

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

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Remuneration report - audited

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

No other KMP were eligible to participate in the LTI plan in 2021. No options have been granted over unissued shares during or since the end of the financial year.

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

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

	1 July 2020 to 31 August 2020 (1) (2)	1 September 2020 to 30 June 2021 (2)
	$	$
Base fees		
Chairman	112,500	150,000
Other directors	52,000	65,000
Additional fees		
Audit & Risk Committee - Chairman	8,000	10,000

(1) Reflects temporary 25% decrease in Chairman's fee and 20% decrease in other directors' fees due to impact of COVID-19 pandemic. In 2021, employees, directors and senior executives were fully compensated for the amount of the COVID-19 pandemic pay cuts implemented in 2020.

(2) Annualised.

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

Target remuneration structure
The table below represents the target remuneration mix for KMP as at 30 June 2021.

	Fixed remuneration %	Variable remuneration short-term %	Variable remuneration long-term %
Executive Directors			
Cameron McCullagh - Executive Director	100%	nil	nil
Mark Crain - Executive Director	100%	nil	nil
Non-executive Directors			
Patrick Tuttle - Chairman	100%	nil	nil
Peter Rollason - Director	100%	nil	nil
Steve White - Director	100%	nil	nil
Senior executives			
Andrew Bennett - Chief Executive Officer	53%	21%	26%
John McRae - Group Chief Financial Officer	81%	19%	nil

The above table does not include disclosures for non-continuing KMP, Bruce Hatchman (former Non-Executive Director).

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Remuneration report - audited

c. Company performance and shareholder wealth

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

	2021[1]	2020 [1]	2019	2018	2017
Net profit/(loss) after tax ($'000)	(26,378)	(10,046)	4,300	3,833	(1,732)
Dividends declared (cps)	6.0	0.152	-	-	-
Share price at 30 June (cents)	13.5	5.6	9.6	10.0	13.0
EPS (cps)	(1.6)	(0.7)	0.3	0.3	(0.2)
Total KMP Remuneration ($'000)	2,011	1,536	1,646	1,564	1,880

(1) COG's financial performance in 2020 and 2021 includes several non-cash and non-recurring items, as disclosed in the *Review of operations and financial results* section of the Directors Report, and the adoption of AASB 16 *Leases* by the Group in 2020. The 2021 results are therefore not directly comparable to prior years.

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Remuneration report - audited

d. Key Management Personnel remuneration

The remuneration of KMP of COG during the year is set out in the following table and reflects temporary decreases in fixed remuneration from 1 July 2020 to 31 August 2020 due to the impact of the COVID-19 pandemic:

			Short-term benefits		Post-employment		Share-based payments		Performance based
		Fixed remuneration [1]	STI cash bonus	Non-cash benefits	benefits [2]	Other long-term benefits [3]	(equity)	Total	remuneration
		$	$	$	$	$	$	$	%
Executive Directors									
Cameron McCullagh	2021	65,483	-	-	5,482	944	-	71,909	0.0%
	2020	86,282	-	325	7,125	(565)	-	93,167	0.0%
Mark Crain	2021	267,906	-	-	24,921	4,228	-	297,055	0.0%
	2020	168,131	-	-	14,989	16,834	-	199,954	0.0%
Non-executive Directors [4]									
Patrick Tuttle	2021	142,978	-	-	13,583	-	-	156,561	0.0%
	2020	128,425	-	-	12,200	-	-	140,625	0.0%
Bruce Hatchman [5]	2021	12,100	-	-	1,150	-	-	13,250	0.0%
	2020	60,500	-	-	5,748	-	-	66,248	0.0%
Steve White	2021	62,329	-	-	5,921	-	-	68,250	0.0%
	2020	56,393	-	-	5,357	-	-	61,750	0.0%
Peter Rollason [6]	2021	54,004	-	-	5,130	-	-	59,134	0.0%
Senior executives									
Andrew Bennett	2021	459,759	190,000	749	21,347	5,931	227,081	904,867	46.1%
	2020	365,520	75,000	1,299	21,003	2,327	100,000	565,149	31.0%
John McRae	2021	337,219	75,000	-	25,000	2,723	-	439,942	17.0%
	2020	296,250	25,000	-	21,003	680	-	342,933	7.3%
Former KMP									
Rohan Ford	2020	58,184	-	-	5,661	2,315	-	66,160	0.0%
Total	**2021**	**1,401,778**	**265,000**	**749**	**102,534**	**13,826**	**227,081**	**2,010,968**	**24.5%**
Total	**2020**	**1,219,685**	**100,000**	**1,624**	**93,086**	**21,591**	**100,000**	**1,535,986**	**13.0%**

(1) Fixed remuneration reflects COVID19 pandemic pay cut in from 1 April 2020 to 31 August 2020, and its full reimbursement in 2021

(2) Post-employment benefits are wholly comprised of superannuation

(3) Other long-term benefits are wholly comprised of long service leave

(4) Total remuneration paid to COG Non-executive Directors in 2021 amounts to $297,195 and is within the cap of $400,000 per annum

(5) Mr Hatchman ceased as a KMP on 8 September 2020

(6) Mr Rollason commenced as a KMP on 17 September 2020

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Remuneration report - audited

e. Key Management Personnel share and option transactions

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

	1 July 2020	On market purchase	Off market transfer	KMP change [1]	30 June 2020	On market purchase	On market sale	KMP change [1]	30 June 2021 [2]
Executive Directors									
Cameron McCullagh	**252,906,800**	43,577,661	-	-	**296,484,461**	33,609,492	-	-	**330,093,953**
Mark Crain	**-**	-	-	13,156,349	**13,156,349**	-	-	-	**13,156,349**
Non-executive Directors									
Patrick Tuttle	**2,271,468**	378,578	-	-	**2,650,046**	-	-	-	**2,650,046**
Bruce Hatchman	**625,000**	104,166	-	-	**729,166**	-	-	(729,166)	**-**
Steve White	**3,643,750**	308,333	(195,000)	-	**3,757,083**	-	-	-	**3,757,083**
Peter Rollason	**-**	-	-	-	**-**	-	-	-	**-**
Senior Management									
Andrew Bennett	**700,000**	-	-	-	**700,000**	-	-	-	**700,000**
John McRae	**-**	-	-	-	**-**	-	-	-	**-**
Former KMPs									
Rohan Ford	**56,599,748**	-	-	(56,599,748)	**-**	-	-	-	**-**
	316,746,766	**44,368,738**	**(195,000)**	**(43,443,399)**	**317,477,105**	**33,609,492**	**-**	**(729,166)**	**350,357,431**

(1) Represents their holdings at the date they commenced / ceased to be a KMP.

(2) KMP shareholdings reflects number of shares on a pre-consolidation basis. At an EGM held on 30 June 2021 the shareholders approved the consolidation of the Company's issued share capital (every 10 shares and every 10 options were consolidated into one share and one option, respectively), effective 1 July 2021.

Details of options issued to Andrew Bennett under his employment contract are shown above in the *Long term incentives* section of this report (Andrew Bennett is the only KMP granted options). The shareholders approved the cancellation of 6,857,143 and 3,225,806 unlisted options (on a pre-consolidation basis) issued to Mr Bennett in exchange for payments to him of $127,081 and $100,000, respectively.

There were no shares issued on the exercise of options granted as remuneration during the financial year (2020: nil).

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Remuneration report - audited

f. Service agreements

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

Name	Fixed Remuneration per annum [1]	Term of agreement	Notice period [2]	Termination payment [3]
Cameron McCullagh	$65,000	No set term	12 weeks	12 weeks
Mark Crain	$219,000	No set term	2 months	2 months
Andrew Bennett	$475,000	No set term	3 months	3 months [4]
John McRae	$321,694	No set term	3 months	3 months [4]

(1) Fixed Remuneration includes statutory superannuation contributions, and is before the temporary remuneration decreases attributable to the impact of the COVID-19 pandemic, as disclosed elsewhere in this report
(2) Notice periods are consistent for both COG personnel and the KMP
(3) Termination payment in lieu of notice period is calculated as a proportion of the KMP's fixed remuneration. Summary termination with no payment is enforceable for gross misconduct or gross negligence
(4) In the event of redundancy due to a take-over or merger of COG, a severance package of 12 months base salary including notice period and any redundancy entitlements will apply

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

g. Other Key Management Personnel transactions

Indemnification for vendor program losses

During the 2019 and 2018 financial years TL Commercial Finance undertook a number of transactions with an equipment finance vendor program partner. During the 2019 financial year the vendor partner entered into voluntary liquidation. While the Group considered the underlying lease arrangements with lessees introduced as part of the program were enforceable the Group took the action to settle these lessee obligations for a lower value than its contractual rights. Cameron McCullagh, one of the Group's Executive Directors, chose to indemnify the Group for the majority of this loss. As part of this indemnification Mr McCullagh paid an amount of $1,023,160 to the Group to offset the net cash loss incurred by the Group. During the 2021 financial year an amount of $125,692 was recovered and subsequently repaid to Mr McCullagh.

Loans from Key Management Personnel and their related entities

During 2021, KMP invested $nil (2020: $450,000) in fixed interest debentures issued by Secured Finance Limited, a COG controlled entity. Interest is payable on an arms-length basis ranging from 8% to 10% (2020: 8% to 10%). The interest and principal repayments on the debenture investments during the year were as follows:

	Balance at 1 July 2020	Amount advanced during the year	Interest payment	Principal repayment	Balance at 30 June 2021
	$	$	$	$	$
KMP (and related entities):					
Bruce Hatchman	85,331	-	3,997	85,331	-
Cameron McCullagh	65,802	-	3,873	65,802	-
Steve White	376,286	-	19,426	376,286	-
Andrew Bennett	508,701	-	30,056	508,701	-
Total	**1,036,120**	**-**	**57,352**	**1,036,120**	-

End of audited remuneration report.

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

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

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

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

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

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

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

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

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

A copy of the auditor's independence declaration as required under S307C of the *Corporations Act 2001* is included on page 22 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 1 September 2021.

Patrick Tuttle
Chairman

Cameron McCullagh
Executive Director

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Tel: +61 2 9251 4100
Fax: +61 2 9240 9821
www.bdo.com.au

Level 11, 1 Margaret St
Sydney NSW 2000
Australia

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DECLARATION OF INDEPENDENCE BY GARETH FEW TO THE DIRECTORS OF COG FINANCIAL SERVICES LIMITED

As lead auditor of COG Financial Services Limited for the year ended 30 June 2021, I declare that, to the best of my knowledge and belief, there have been:

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

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



Gareth Few
Director

BDO Audit Pty Ltd

Sydney, 1 September 2021

BDO Audit Pty Ltd ABN 33 134 022 870 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 Audit Pty Ltd 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.

Corporate Governance Statement

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

COG's Corporate Governance Statement for the financial year ended 30 June 2021 is dated 1 September 2021 and was approved by the Board on that date. The Corporate Governance Statement is available on COG's website at www.cogfs.com.au.

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Consolidated Statement of Comprehensive Income

For the year ended 30 June 2021

	Notes	2021 $'000	2020 $'000
Revenue from continuing operations	A2	271,680	218,548
Cost of sales		(68,754)	(58,889)
Commissions paid		(95,395)	(76,703)
Employee benefits expense	A3	(42,272)	(36,523)
Administration expenses		(10,903)	(17,828)
Occupancy expenses		(1,634)	(1,355)
Finance costs	A4	(8,068)	(8,577)
Depreciation and amortisation		(11,360)	(9,560)
Acquisition-related expenses		(163)	(702)
Impairment	B1,B2	(37,767)	(12,009)
Loss on deemed sale & reacquisition of investment at fair value	E1	(4,590)	-
Other expenses		(488)	(396)
Share of results from associates	E2	1,223	642
Profit/(loss) before income tax		**(8,491)**	**(3,352)**
Income tax expense	A5.1	(8,904)	(2,019)
Profit/(loss) after tax for the year		**(17,395)**	**(5,371)**
Other comprehensive income/(loss):			
Items that may be reclassified subsequently to the statement of profit or loss:			
Revaluations by associate	E2	-	(740)
Changes in equity securities fair value	E3.3	5,677	(13,139)
Total comprehensive income/(loss) for the year		**(11,718)**	**(19,250)**
Profit/(loss) after tax attributable to:			
Members of COG Financial Services Limited		(26,378)	(10,046)
Non-controlling interests		8,983	4,675
Total profit/(loss) after tax for the year		**(17,395)**	**(5,371)**
Total comprehensive income/(loss) attributable to:			
Members of COG Financial Services Limited		(21,775)	(23,925)
Non-controlling interests		10,057	4,675
Total comprehensive income/(loss) for the year		**(11,718)**	**(19,250)**
Basic and diluted earnings/(loss) per share from continuing operations, attributable to members (cents):	A6	**(1.63)**	**(0.68)**

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

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Consolidated Statement of Financial Position

As at 30 June 2021

	Notes	2021 $'000	2020 $'000
Assets			
Current			
Cash and cash equivalents	A7	94,514	34,691
Trade and other receivables	C1	18,175	17,973
Contract assets	C3	2,787	2,553
Financial assets - lease receivables	D1	42,463	34,057
Financial assets - loans	D2	46,377	470
Other financial assets	C4	1,334	1,338
Inventories		72	51
Total current assets		**205,722**	**91,133**
Non-current			
Contract assets	C3	7,085	6,551
Financial assets - lease receivables	D1	50,576	55,326
Financial assets - loans	D2	52,543	1,824
Other financial assets	C4	10,835	3,193
Financial assets at fair value through other comprehensive income	E6	908	8,876
Equity accounted associates	E2	18,404	16,194
Property, plant and equipment		6,729	1,094
Intangible assets	B1	117,728	141,698
Right-of-use lease assets	B3	6,160	5,524
Total non-current assets		**270,968**	**240,280**
Total assets		**476,690**	**331,413**
Liabilities			
Current			
Trade and other payables	C2	27,416	19,816
Customer salary packaging liability		6,800	5,932
Interest bearing liabilities	D3	183,473	45,283
Current tax liabilities		7,432	3,054
Provisions		6,640	4,538
Other liabilities		327	105
Lease liabilities	D5	1,495	1,616
Total current liabilities		**233,583**	**80,344**
Non-current			
Trade and other payables	C2	2,915	1,001
Interest bearing liabilities	D3	35,704	45,750
Deferred tax liabilities	A5.2	8,438	6,876
Lease liabilities	D5	5,269	4,401
Provisions		1,120	654
Total non-current liabilities		**53,446**	**58,682**
Total liabilities		**287,029**	**139,026**
Net assets		**189,661**	**192,387**
Equity			
Share capital	E3	247,315	241,179
Accumulated losses		(117,793)	(91,415)
Reserves	E3.3	22,817	24,419
Non-controlling interests		37,322	18,204
Total equity		**189,661**	**192,387**

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

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Consolidated Statement of Changes in Equity

For the year ended 30 June 2021

	Notes	Share capital $'000	Accumulated losses $'000	Reserves $'000	Non-controlling interests $'000	Total equity $'000
Balance at 1 July 2020		**241,179**	**(91,415)**	**24,419**	**18,204**	**192,387**
Net profit/(loss) for the year, after tax		-	(26,378)	-	8,983	**(17,395)**
Changes in equity securities fair value		-	-	4,603	1,074	**5,677**
Total comprehensive income/(loss) for the year		**-**	**(26,378)**	**4,603**	**10,057**	**(11,718)**
Transactions with owners:						
Share based payment expense		-	-	(60)	-	**(60)**
Option to acquire further interest in subsidiary		-	-	(1,132)	-	**(1,132)**
Transactions between owners		-	-	1,711	-	**1,711**
Non-controlling interests acquired		-	-	(2,328)	(593)	**(2,921)**
Non-controlling interest recognised through business combinations		-	-	-	18,476	**18,476**
Non-controlling interest acquisition contribution		-	-	-	1,202	**1,202**
Dividends		-	-	(4,396)	(10,024)	**(14,420)**
Issue of share capital		6,315	-	-	-	**6,315**
Costs of raising capital, net of tax		(179)	-	-	-	**(179)**
Balance at 30 June 2021	E3	**247,315**	**(117,793)**	**22,817**	**37,322**	**189,661**
Balance at 1 July 2019 as originally reported		**220,905**	**(81,369)**	**38,564**	**20,874**	**198,974**
Adjustment on adoption of AASB 16 *Leases* (net of tax)		-	-	(222)	(131)	**(353)**
Adjusted balance at 1 July 2019		**220,905**	**(81,369)**	**38,342**	**20,743**	**198,621**
Net profit for the year, after tax		-	(10,046)	-	4,675	**(5,371)**
Changes in equity securities fair value		-	-	(13,139)	-	**(13,139)**
Movements in reserves		-	-	(740)	-	**(740)**
Total comprehensive income for the year		**-**	**(10,046)**	**(13,879)**	**4,675**	**(19,250)**
Transactions with owners:						
Share based payment expense		-	-	100	-	**100**
Non-controlling interests acquired		-	-	(144)	(1,958)	**(2,102)**
Dividends		-	-	-	(5,559)	**(5,559)**
Issue of share capital		20,753	-	-	-	**20,753**
Non-controlling interest acquisition contribution		-	-	-	303	**303**
Costs of raising capital, net of tax		(479)	-	-	-	**(479)**
Balance at 30 June 2020	E3	**241,179**	**(91,415)**	**24,419**	**18,204**	**192,387**

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

Consolidated Statement of Cash Flows

For the year ended 30 June 2021

	Notes	2021 $'000	2020 $'000
Cash flows from operating activities			
Receipts from customers		352,281	284,632
Payments to suppliers and employees		(250,376)	(209,869)
Dividends received		735	-
Finance costs paid		(8,285)	(8,659)
Income taxes paid		(7,260)	(3,284)
Net cash inflow from operating activities	A7	**87,095**	**62,820**
Cash flows from investing activities			
Net cash inflow/(outflow) on acquisitions, net of cash acquired		33,024	(23,540)
Payments for deferred consideration		(3,370)	(188)
Payments for equipment - finance leases		(760)	(29,076)
Loans advanced		(7,704)	(2,340)
Payments for property, plant and equipment		(1,765)	(695)
Payments for intangible assets		(1,135)	(982)
Proceeds from sale of treasury shares		4,996	-
Proceeds from sale of property, plant and equipment and investments		3,854	-
Loan repayments received		308	89
Net cash inflow (outflow) from investing activities		**27,448**	**(56,732)**
Cash flows from financing activities			
Proceeds from issue of shares		6,315	20,197
Costs of raising capital		(179)	(479)
Proceeds from interest bearing liabilities		5,000	42,539
Repayments of interest bearing liabilities		(50,469)	(52,421)
Repayment of lease liabilities - right-of-use lease assets		(2,169)	(2,014)
Dividends paid		(4,396)	-
Dividends paid by subsidiaries to non-controlling interests		(10,024)	(5,559)
Non-controlling interest acquisition contribution		1,202	303
Net cash inflow (outflow) from financing activities		**(54,720)**	**2,566**
Net increase in cash and cash equivalents		59,823	8,654
Cash and cash equivalents, beginning of the financial year		34,691	26,037
Cash and cash equivalents, end of the financial year	A7	**94,514**	**34,691**
Non-cash investing and financing activities:			
Scrip consideration issued for acquisitions of investments		560	556

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

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Preface to the Notes to the Financial Statements

COG Financial Services Limited (formerly 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 focused on the equipment finance sector. The investment objective of the Company is to grow earnings per share by investing in complementary entities and growing existing businesses that specialise in equipment financing, broking, and aggregation.

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

The financial statements have been approved and authorised for issue by the Board of Directors on 1 September 2021.

The financial statements are general purpose financial statements that:

- have been prepared in accordance with the requirements of the *Corporations Act 2001*, Australian Accounting Standards and other authoritative pronouncements of the Australian Accounting Standards Board (AASB) and International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB),
- include the assets and liabilities of all subsidiaries of the Company as at 30 June 2021 and the results of the subsidiaries for the year then ended. Inter-entity transactions with, or between subsidiaries are eliminated in full on consolidation,
- have been prepared on a historical cost basis, as modified by the revaluation of certain financial assets and liabilities at fair value, and
- are measured and presented in Australian dollars which is the Company's functional and presentation currency with all values rounded to the nearest thousand dollars unless otherwise stated, in accordance with ASIC Legislative Instrument 2016/191.

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

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

Key judgements and estimates

Due to the dynamic and evolving nature of the ongoing COVID-19 pandemic and limited recent experience of the economic and financial impacts, changes to the key judgements and estimates have been applied to reflect the increased estimation uncertainty in the preparation of these financial statements.

Key judgements, accounting estimates and assumptions, including any significant changes to those applied in the preparation of the 2021 Annual Financial Report, are shown in the relevant notes. The accounting policies adopted have been consistently applied to all years presented, unless otherwise stated.

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

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

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

Reclassification or restatement of prior year balances

Certain prior year amounts in the following notes to the financial statements have been reclassified or restated to conform to the current year presentations.

- Statement of financial position
- C1 Trade and other receivables
- C2 Trade and other payables
- A7 Reconciliation of cash flow from operating activities

Going concern
The financial statements have been prepared on a going concern basis.

The Directors regularly monitor the Company's cash position and, on an on-going basis, consider a number of options to ensure that adequate funding continues to be available for the Company to meet all of its commitments.

As at 30 June 2021, the Group's current assets of $205,722k are $27,861k lower than current liabilities of $233,583k due to COG's subsidiary Westlawn Finance Limited, which funds its operations through the issue of short-term unsecured notes. Whilst the carrying value of those notes has been presented in the balance sheet in accordance with their maturity profile, historically there has been a consistently high reinvestment rate by investors, who choose not to withdraw their funds at the maturity of the note term, and roll their funds into a new unsecured note. On this basis, the mismatch between current assets and current liabilities is not indicative of any going concern issue.

The Directors are satisfied the current level of cash reserves, availability of operational cash flow, and quantum of financing, which can be secured through the means noted above, will be sufficient to meet the ongoing operational commitments of the Company for more than 12 months from the date of this report.

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A - Financial Performance

A1 OPERATING SEGMENTS

The Group has three operating segments based upon the products and services offered by business units within each segment. The Group presents the financial information below to the Directors each month or quarter.

The Group's reportable segments are as follows:

- *Finance Broking and Aggregation* activities comprise business units focused on the aggregation of broker volumes to maximise profitability through scale, and finance broking focused on a range of finance products and asset types,
- *Lending* activities are focused on providing bespoke financing arrangements to commercial customers for essential business assets, and
- *All Other / Intersegment* activities, which include:
  - managed IT services provided by Hal Group Pty Limited,
  - equity investment of 16.59% in the associate Earlypay Limited (formerly CML Group Limited), and
  - corporate office function provided by the ultimate parent entity.

30 June 2021	Finance Broking and Aggregation $'000	Lending [2] $'000	All Other / Intersegment $'000	Total $'000
Revenue	229,582	34,204	6,023	269,809
Underlying EBITDA from core operations [1]	**31,667**	**21,798**	**(2,532)**	**50,933**
Impairment	-	(37,752)	(15)	(37,767)
Loss on deemed sale and reacquisition of investment at fair value	-	(4,590)	-	(4,590)
Fraud provision	-	(304)	-	(304)
Redundancy and restructuring costs	(149)	(37)	(80)	(266)
EBITDA from core operations	**31,518**	**(20,885)**	**(2,627)**	**8,006**
Dividend income				735
Interest income				1,136
Acquisition-related expenses				(163)
Depreciation and amortisation				(11,360)
Finance costs				(8,068)
Share of results from associates				1,223
Profit/(loss) before tax				**(8,491)**
Income tax expense				(8,904)
Profit/(loss) after tax				**(17,395)**
Non-controlling interests				(8,983)
Profit/(loss) after tax, attributable to members				**(26,378)**

30 June 2020	Finance Broking and Aggregation $'000	Lending [2] $'000	All Other / Intersegment $'000	Total $'000
Revenue	194,021	17,224	7,091	218,336
Underlying EBITDA from core operations [1]	**21,055**	**12,101**	**(1,925)**	**31,231**
Impairment	(1,071)	(10,827)	(111)	(12,009)
Change in accounting estimate	-	(3,898)	-	(3,898)
Redundancy and restructuring costs	(192)	(678)	(58)	(928)
EBITDA from core operations	**19,792**	**(3,302)**	**(2,094)**	**14,396**
Interest income				212
Acquisition-related expenses				(702)
Depreciation and amortisation				(9,323)
Finance costs				(8,577)
Share of results from associates				642
Profit/(loss) before tax				**(3,352)**
Income tax expense				(2,019)
Profit/(loss) after tax				**(5,371)**
Non-controlling interests				(4,675)
Profit/(loss) after tax, attributable to members				**(10,046)**

(1) Excludes non-recurring items.
(2) Lending (formerly the Commercial Equipment Financing (CEF) segment) includes Westlawn Finance Limited.

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A2 REVENUE

Key judgement - Trail commissions

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

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

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

	2021 $'000	2020 $'000
Commission, trail, fee, and volume bonus income	162,620	132,132
Sale of goods	74,291	64,645
Finance lease income	19,807	16,870
Finance income - loans	6,531	-
Interest income	1,136	212
Government grants	3,911	2,690
Dividend income	735	-
Other operating revenue	2,649	1,999
	271,680	**218,548**

Accounting policy

Revenue recognition

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

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

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

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

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

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A2 REVENUE

Accounting policy

Revenue recognition

Commission, fee, and volume bonus income

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

Trail income

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

Sale of goods

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

Government grants

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

Finance lease income

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

Dividend income

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

A3 EMPLOYEE BENEFITS EXPENSE

	Note	2021 $'000	2020 $'000
Salaries and wages expense		35,297	30,293
Superannuation expense		3,433	2,806
Equity-settled share-based payments expense	A3.1	167	100
Payroll tax		1,876	1,590
Other employee benefits expense		1,499	1,734
		42,272	**36,523**

A3.1 SHARE BASED PAYMENTS

Options

Andrew Bennett

The Group has issued share options to Andrew Bennett who commenced as a member of key management personnel in the previous financial year. These share options, which were issued as part of Mr Bennett's remuneration package, entitle him to acquire one share in COG at the option strike price at any time between the grant and expiry dates, as set out below:

Grant date	Expiry date	Exercise price	Balance at the beginning of the year	Granted	Exercised	Expired/ Forfeited / Cancelled	Balance at the end of the year
25 July 2018	30 June 2021	$0.105	-	6,857,143	-	-	6,857,143
25 July 2019	30 June 2022	$0.105	6,857,143	3,225,806	-	-	10,082,949
23 December 2020	30 June 2023	$0.049	10,082,949	4,184,100	-	(10,082,949)	4,184,100

The options have the following characteristics:

Option valuation method	Black-Scholes
Market conditions	None
Service conditions	None
Nature of settlement	Equity settled

The valuation model inputs during the year ended 30 June 2021 included:

Grant date	23 December 2020
Expiry date	30 June 2023
Option valuation - grant date share price	$0.076 per share
Option valuation - grant date risk free rate	0.11%
Option valuation - historical volatility	66.8% as the same duration as the option term
Option valuation - historical dividend yield	Nil%
Option valuation - early exercise	Assumes early exercise at 2x option exercise price

At an Extraordinary General Meeting (EGM) held on 30 June 2021, the shareholders approved the consolidation of the Company's issued share capital (every 10 shares and every 10 options were consolidated into one share and one option, respectively), effective 1 July 2021, and the cancellation of 6,857,143 and 3,225,806 unlisted options (on a pre-consolidation basis) issued to Mr Bennett in exchange for payments to him of $127,081 and $100,000, respectively, recognised against the share based payment reserve. The remaining 4,184,100 options on a pre-consolidated basis (post-consolidation: 418,410 options) will lapse if not exercised on the earlier of the date of termination of Mr Bennett's employment, and the date three years subsequent to the option grant date.

At the EGM the shareholders also approved the adoption of a new Long Term Incentive (LTI) plan, effective 1 January 2021. The revised LTI plan allows for the issue of performance rights, options, or shares in the Company (Incentive Securities), or a combination of those Incentive Securities. The Board may determine from time to time to issue Incentive Securities under the LTI plan.

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

No other KMP were eligible to participate in the LTI plan in 2021. No options have been granted over unissued shares during or since the end of the financial year.

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A3.1 SHARE BASED PAYMENTS

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

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

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

A4 FINANCE COSTS

	2021 $'000	2020 $'000
Interest on finance lease portfolio	7,016	7,902
Interest on corporate facility	530	310
Other finance costs	522	365
	8,068	**8,577**

The Group's finance costs include:

- *Interest expense on finance lease portfolio*; interest expense is calculated based on the funding rate provided by the Group's financiers. The funding rate is dependent on the finance lease cashflows being funded and the specific requirements of each funder.
- *Interest expense on corporate debt*; interest expense is paid monthly based on the principal outstanding and a market based floating rate plus margin.
- *Other finance costs*; this includes interest expense on unsecured loans, minor other financing activities throughout the Group, and foreign exchange gains and losses.

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A5 TAXATION

Key judgement - recovery of deferred tax assets
Deferred tax assets are recognised for deductible temporary differences and operating tax losses only if the Group considers it is probable that future taxable amounts will be available to utilise those temporary differences and losses. As at 30 June 2021 the Group had a deferred tax asset of $76k recognised in relation to historical tax losses (2020: $1,217k). Management continues to consider it probable that future taxable profits would be available against which the above tax losses can be recovered and, therefore, the related deferred tax asset can be realised.

In addition, as at 30 June 2021 the Group had $7,319k of gross unrecognised tax losses ($2,196k tax effected), (2020: $9,499k of gross unrecognised tax losses ($2,850k tax effected)). Management will continue to monitor expected future taxable profits of the Group to determine the extent that these tax losses should be recognised as deferred tax assets in future periods.

A5.1 INCOME TAX EXPENSE

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

	2021 $'000	2020 $'000
Accounting profit/(loss) before income tax	(8,491)	(3,352)
Prima facie tax payable on profit/(loss) before income tax at 30% (2020: 30%)	(2,547)	(1,006)
Add/(deduct):		
Impairment expense	10,990	-
Loss on deemed sale & reacquisition of investment at fair value	1,147	-
Gain from a bargain purchase	(110)	-
Franking credits applied	(7,094)	(3,553)
Other non-deductible expenses	633	3,557
Other assessable income	6,742	3,439
(Over)/under provision from prior years	25	(250)
Allowable deduction for capital raising costs recognised in equity	(144)	(158)
Utilisation of tax losses not previously brought to account	(737)	(10)
Other items	(1)	-
	8,904	**2,019**

A5.2 DEFERRED TAX LIABILITIES

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

	2021 $'000	2020 $'000
Property, plant, and equipment	14	10,191
Lease receivables	(4,436)	(13,312)
Loans	2,108	-
Contract assets	(4,197)	(3,457)
Intangible assets	(10,329)	(9,117)
Employee benefits	2,322	1,380
Tax losses	76	1,217
Other items	6,004	6,222
	(8,438)	**(6,876)**

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A5 TAXATION

Accounting policy

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

Tax consolidated group

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

Current tax

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

Deferred tax

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

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

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

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

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

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

A6 EARNINGS PER SHARE

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

	2021	2020
Profit/(loss) after income tax, attributable to members ($'000)	(26,378)	(10,046)
Basic and diluted earnings/(loss) per share (cents)	**(1.63)**	**(0.68)**
Weighted average number of ordinary shares outstanding during the year used in calculating basic and diluted earnings per share ('000) [1]	1,622,718	1, 470,740
Closing number of ordinary shares on issue at the end of the year ('000) [1]	1,663,461	1,571,736

[1] Pre consolidation

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A6 EARNINGS PER SHARE

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

A7 RECONCILIATION OF CASH FLOWS FROM OPERATING ACTIVITIES

	2021 $'000	2020 $'000
Profit/(loss) from ordinary activities after income tax	**(26,378)**	**(10,046)**
Adjustments for non-cash items included in profit or loss:		
Amortisation	8,793	7,191
Depreciation	2,567	2,369
Impairment	37,767	12,009
Change in accounting estimate	-	3,898
Loss on deemed sale & reacquisition of investment at fair value	4,590	-
Share based payment	60	(100)
Share consideration	(560)	(556)
Profit on sale of property, plant and equipment	-	-
Share of equity accounted results (less dividend received)	1,318	657
Profit after tax attributable to non-controlling interests	8,983	4,675
Finance lease income - unguaranteed secondary income	(1,889)	(1,548)
Changes in assets and liabilities:		
Movement in trade and other receivables	421	(207)
Movement in contract assets	(768)	388
Movement in other financial assets	2,379	2,191
Movement in inventories	21	(38)
Movement in trade and other payables	9,429	(3,898)
Movement in current and deferred tax liabilities	1,486	(1,857)
Movement in other liabilities	1,276	(158)
Movement in provisions	(677)	(1,188)
Movement in financial assets - lease receivables	19,438	49,082
Movement in financial assets - loans	18,839	(44)
Net cash inflow from operating activities	**87,095**	**62,820**

Cash and cash equivalents

This is comprised of cash at bank and on hand. Included in cash at bank and on hand are amounts of $10,549k (2020: $5,282k) which are funds held by the Group on behalf of its novated leasing customers, and insurance broking trust accounts (representing the unpaid insurance premiums due to insurers and refunds due to customers) and are not available for general use.

Financial exposures - Credit risk

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

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B - Intangibles and Lease Assets

B1 INTANGIBLE ASSETS

Reconciliation of carrying amount

Carrying amount	Goodwill $'000	Software $'000	Customer relationships $'000	Supplier agreements $'000	Other $'000	Total $'000
Balance at 1 July 2019	119,876	3,072	30,603	4,460	1,118	159,129
Acquisition through business combinations	24	-	-	-	-	24
Additions	-	982	-	-	-	982
Impairment	(10,827)	(628)	-	-	-	(11,455)
Intangible assets previously classified as held for sale	209	-	-	-	-	209
Amortisation	-	(1,295)	(5,136)	(633)	(127)	(7,191)
Balance at 30 June 2020	**109,282**	**2,131**	**25,467**	**3,827**	**991**	**141,698**
Balance at 1 July 2020	109,282	2,131	25,467	3,827	991	141,698
Acquisition through business combinations	9,440	59	7,274	4,592	-	21,365
Additions	-	1,135	-	-	-	1,135
Disposals	-	(331)	-	-	-	(331)
Impairment	(36,632)	(714)	-	-	-	(37,346)
Amortisation	-	(831)	(6,284)	(1,551)	(127)	(8,793)
Balance at 30 June 2021	**82,090**	**1,449**	**26,457**	**6,868**	**864**	**117,728**

Accounting policy

Goodwill

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

Other intangible assets

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

Impairment

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

Amortisation

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

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

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

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

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B - Intangibles and Lease Assets (continued)

B2 IMPAIRMENT TESTING

Key judgement - Impairment
Goodwill is not amortised but assessed for impairment at least once a year (and when there is evidence of impairment). The Group uses two methods for assessing the recoverable amount of the business units to which the goodwill is attached:

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

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

Impairment testing is complex and involves the following key judgements:

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

Management have incorporated the impact of the ongoing COVID-19 pandemic into the assumptions used in the forecast. Assumptions used in impairment testing reflect management's view and best estimate of the likely scenario based on current available information.

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

Goodwill is allocated to the following CGUs at 30 June 2021:

	2021 $'000	2020 $'000
Cash Generating Unit		
Finance Broking and Aggregation	82,090	72,650
Lending	-	36,632
	82,090	**109,282**

Finance Broking and Aggregation CGU
The value of goodwill for the Finance Broking and Aggregation segment is based on a 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 2021.
- EBITDA multiples ranging from 6.3x to 7.2x for arms-length transactions of businesses of similar size and nature to the CGU within recent financial periods (based on information provided by external experts).

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

B2 IMPAIRMENT TESTING

Lending segment CGUs

Following the acquisition of a controlling interest in Westlawn Finance Limited (Westlawn), the Group revised its strategic plan to incorporate synergies between Westlawn and COG's wholly owned subsidiary TL Commercial Finance Pty Limited (TLC) with effect from 1 March 2021. This resulted in contracts being directly originated by Westlawn, avoiding the duplication of processes and cost in both companies.

Impairment indicators were identified at half year end as a result of the above changes, and impairment testing for the TLC CGU (formerly 'Commercial Equipment Leasing') has been updated to reflect nil originations and associated costs from July 2021 onwards. This resulted in an impairment loss of $36,632k, representing the full carrying amount of the remaining goodwill recognised for the TLC CGU. Although the test resulted in full impairment of the TLC CGU goodwill, the carrying value of the existing lease/loan receivable has not been impaired, as it represents the fair value expected to be recovered through its use or transfer to the Westlawn CGU.

The goodwill relating to the TLC CGU was originally recognised on 1 November 2016 as a result of a change in accounting policy when COG ceased being an investment entity (where investments are recognised at fair value with any changes in value recognised in the income statement), and transitioned to consolidation accounting, as required by AASB 10 *Consolidated Financial Statements*. The goodwill recognised on 1 November 2016 represented the difference between the 'deemed purchase consideration' (calculated as the fair value of the investment held by the Company in its subsidiary Hal Group Pty Limited on 1 November 2016) and the fair value of the 'deemed acquired identified assets' on the same date. This goodwill was fully allocated to the TLC CGU. As the goodwill originated from a change in accounting policy, rather than a cash outflow from a purchase transaction, the impairment does not reflect a loss from a direct cash investment.

The value of goodwill for the TLC CGU is based on a VIU model comprising a discounted cash flow and terminal value. The model includes the following key assumptions:

- A ten-year discounted cashflow has been used to properly reflect the expected timing of residual value payments received on leasing contracts written in year five of the model.
- The model assumes nil originations from July 2021 onwards, in line with changes COG's strategic plan described above.
- External funding costs and lending profitability are slightly lower than the prior year, consistent with a decline observed in market rates.
- Operational expenditure broadly decreasing in line with the expected lending activity, using normalised 2020 actual operational expenditure as a base.
- Discount rate between 12.7% and 16.3% post-tax (FY20: 12.7% and 16.3% post-tax) and terminal growth rate consistent with the Reserve Bank of Australia's long-term target consumer price index rate.
- Forward looking macro-economic information and assumptions in relation to the ongoing COVID-19 pandemic, including the pandemic's impact on small to medium-sized enterprises (SME), and resulting impact on the financial performance of the TLC CGU.

Westlawn's discreet future cashflows have been allocated to a separate Westlawn CGU and have not been included in the model for TLC CGU goodwill impairment testing. No impairment testing was performed for the Westlawn CGUs at the reporting date as no indicators of impairment were assessed as being present (there was no requirement for an annual impairment testing due to their being no indefinite life intangible assets allocated to this CGU).

During the year ended 30 June 2021, the Group has also impaired capitalised software as it has been replaced with an enhanced software solution. As a result, a one-off impairment loss of $714k has been recognised by the Group.

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B3 RIGHT-OF-USE LEASE ASSETS

	2021 $'000	2020 $'000
Right-of-use lease assets - at cost	9,723	7,117
Less: Accumulated depreciation	(3,563)	(1,593)
Net carrying amount	**6,160**	**5,524**

Reconciliation of carrying amount

Carrying amount	Office premises $'000	Motor Vehicles $'000	Total $'000
Adoption of AASB 16 at 1 July 2019	3,315	70	3,385
Additions	3,586	150	3,736
Disposals	(4)	-	(4)
Depreciation	(1,518)	(75)	(1,593)
Balance at 30 June 2020	**5,379**	**145**	**5,524**
Balance at 1 July 2020	5,379	145	5,524
Additions	2,680	41	2,721
Disposals	(113)	(10)	(123)
Depreciation	(1,898)	(64)	(1,962)
Balance at 30 June 2021	**6,048**	**112**	**6,160**

Accounting policy

Group as lessee

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

Non-lease components of property leases

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

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

Recognition and measurement

Right-of-use lease assets

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

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

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

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C - Working Capital

C1 TRADE AND OTHER RECEIVABLES

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

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

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

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

	2021 $'000	2020 $'000
Current		
Terminated lease receivable	18,390	19,681
Less: Allowance for doubtful debts	(11,620)	(11,475)
	6,770	8,206
Trade receivables	6,562	6,102
Less: Allowance for doubtful debts	(199)	(365)
	6,363	5,737
Accrued income and other debtors	5,208	4,221
Other receivables	70	62
Provision for clawbacks	(236)	(253)
	18,175	**17,973**

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

	2021 $'000	2020 $'000
Trade receivables		
Neither past due nor impaired	6,076	5,271
Past due 1 - 30 days	405	491
Past due 31 - 90 days	26	162
Past due 91 - 120 days	5	146
Past due 121+ days	50	32
Total	**6,562**	**6,102**

C - Working Capital (continued)

C1 TRADE AND OTHER RECEIVABLES

Financial exposures - Credit risk

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

	Trade receivables $'000	Terminated lease receivable $'000	Provision for clawbacks $'000
Balance at 1 July 2019	**196**	**7,436**	**204**
Terminated and provided for during the year less write-offs	169	4,039	49
Balance at 30 June 2020	**365**	**11,475**	**253**
Terminated and provided for during the year less write-offs	(166)	145	(17)
Balance at 30 June 2021	**199**	**11,620**	**236**

Accounting policy

Trade and other receivables

See Accounting policy in Note D4.

Provision for clawbacks

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

C2 TRADE AND OTHER PAYABLES

	2021 $'000	2020 $'000
Current		
Trade payables	8,924	3,356
Deferred consideration [(1)]	746	900
Salaries and bonuses	1,342	961
GST and other taxes	5,046	2,900
Other payables and accruals	11,358	11,699
	27,416	**19,816**
Non-current		
Trade payables	337	284
Deferred consideration [(1)]	-	717
GST and other taxes	2,578	-
	2,915	**1,001**

(1) Deferred consideration is in relation to the purchase of a 5.6% interest in QPF Holdings Pty Limited from non-controlling shareholders on 30 June 2019, and settled in two instalments in August 2020 and August 2021.

Financial exposures - Liquidity risk

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

Accounting policy

See Accounting policy in Note D4.

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C - Working Capital (continued)

C3 CONTRACT ASSETS

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

	2021 $	2020 $
Current		
Trail receivable	2,787	2,553
	2,787	**2,553**
Non-current		
Trail receivable	7,085	6,551
	7,085	**6,551**

Accounting policy
See Accounting policy in Note A2.

C4 OTHER FINANCIAL ASSETS

	2021 $'000	2020 $'000
Corporate bonds - at amortised cost	767	-
Less: Provision for impairment	(110)	-
	657	-
Investments - at amortised cost [1]	7,500	-
Others	4,012	4,531
	12,169	**4,531**
Current	1,334	1,338
Non-current	10,835	3,193
	12,169	**4,531**

[1] Investment in unlisted notes

Reconciliation of carrying amount

Balance at 1 July	4,531	4,364
Additions	9,012	167
Disposals	(1,222)	-
Amortisation of corporate bonds	(42)	-
Impairment of asset	(110)	-
Balance at 30 June	**12,169**	**4,531**

Accounting policy
See Accounting policy in Note D4.

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D - Financial Instruments

D1 FINANCIAL ASSETS - LEASE RECEIVABLES

Key judgment - Secondary income

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

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

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

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

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

Change in accounting estimate

In the prior year, the Group reassessed the assumptions used to estimate secondary income based on current circumstances, including the impact of the COVID-19 pandemic. The reassessment was based on the historical secondary income recovery rates and forecast secondary income recoverability for each type of contract, taking into consideration specific characteristics such as asset type and the existence of purchase option agreements. As a result of this change in accounting estimate, the Group had recognised a reduction of $3.9m in Finance lease receivables (unguaranteed secondary income), and a corresponding expense in the prior year profit and loss.

Key judgement - Expected credit loss provision

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

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

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

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

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D1 FINANCIAL ASSETS - LEASE RECEIVABLES

Key judgement - Expected credit loss provision

Key inputs to the ECL provision calculation for 30 June 2021 that reflect some level of variation on the criteria adopted in the previous year include:

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

The overall severity and duration of the COVID-19 pandemic is not known at the reporting date. In determining the ECL provision, forward looking macro-economic information and assumptions relating to the pandemic and other economic indicators have been considered, including the potential impacts of the pandemic on industry and asset types most likely to be affected. Both forward looking information, and analysis based on the Group's historical loss experience, have been used to determine the ECL provision. The performance of the finance lease portfolio will continue to be impacted by the COVID-19 pandemic, and more relevant data will become available in the future to better understand the underlying credit risks and loss implications of the pandemic (which may be mitigated in part, by Government stimulus and regulatory measures). Upon termination these finance lease receivables are classified as terminated lease receivables (see Note C1). As at 30 June 2021 the ECL provision represents 5.2% (2020: 4.5%) of gross finance lease receivables.

Finance lease receivables are comprised as follows:

	2021 $'000	2020 $'000
Current	42,463	34,057
Non-current	50,576	55,326
	93,039	**89,383**
Gross investment in finance lease receivables:		
Less than one year	42,829	44,489
Between one and five years	47,172	49,874
More than five years	-	-
Unguaranteed secondary income	16,746	22,094
Gross investment	**106,747**	**116,457**
Unearned finance income	(8,579)	(22,826)
Net investment in finance leases	**98,168**	**93,631**
Less: expected credit loss provision	(5,129)	(4,248)
	93,039	**89,383**
The present value of minimum lease payment is as follows:		
Less than one year	40,524	31,904
Between one and five years	27,485	44,796
More than five years	-	-
	68,009	**76,700**

Allowance for expected credit losses

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

	Carrying amount 2021 $'000	Carrying amount 2020 $'000	Allowance for ECL 2021 $'000	Allowance for ECL 2020 $'000
Impaired leases (including non-accrual leases)				
Not in arrears (but impaired)	3,142	-	(2,854)	-
More than 30 days in arrears	3,297	3,436	(233)	(156)
More than 60 days in arrears	464	1,790	(72)	(81)
More than 90 days in arrears	1,045	2,901	(563)	(132)
	7,948	**8,127**	**(3,722)**	**(369)**

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D - Financial Instruments (continued)

D1 FINANCIAL ASSETS - LEASE RECEIVABLES

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

Lease portfolio by security type	2021 $'000	2020 $'000
Plant, equipment & chattels	82,636	63,404
Registered second mortgages	10,163	25,112
Unsecured	240	867
Total	**93,039**	**89,383**

Lease portfolio by geographic region	2021 $'000	2020 $'000
NSW	43,885	26,095
Queensland	23,838	21,432
Victoria	17,667	28,829
Western Australia	4,115	6,584
South Australia	2,238	3,551
Northern Territory	601	1,537
ACT	339	636
Tasmania	356	719
Total	**93,039**	**89,383**

Financial exposures - Credit risk

The Group's exposure to credit risk relating to finance lease receivables arises from the potential failure by a lessee to meet their contractual obligations and is primarily due to individual characteristics of each lessee. Management also considers the factors that may influence the credit risk of its customer base, including the default risk associated with the lessee's industry, location, and movements in macroeconomic factors including those resulting from the COVID-19 pandemic.

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

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

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

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

Accounting policy

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

D2 FINANCIAL ASSETS - LOANS

Key judgement - Expected loss provision

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

- **Stage 1: 12 months ECL - No significant increase in default risk**
  For financial assets - loans, where there has been no significant increase in default risk since origination a provision equivalent to 12 months ECL is recognised. These include contracts which are not in arrears or in arrears up to 59 days and not in hardship at reporting date.
- **Stage 2: Lifetime ECL - Significant increase in default risk**
  For financial assets - loans, where there has been a significant increase in default risk since origination but where the asset is still performing a provision equivalent to lifetime ECL is recognised. These include contracts which are in arrears exceeding 60 days or in hardship at reporting date.
- **Stage 3: Lifetime ECL - Defaulted**
  For financial assets - loans, that are non-performing a provision equivalent to lifetime ECL is recognised. Indicators include a default or breach on interest or principal payments, eg. where a borrower is experiencing significant financial difficulties or observable economic conditions that correlate to default. These include contracts which have been terminated and/or in arrears exceeding 180 days at reporting date (for those contracts, provision is individually assessed).

Determining the stage for impairment

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

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

Credit quality of financial assets

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

Inputs, assumptions, and techniques used for estimating impairment

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

Assessment of significant increase in credit risk

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

As at 30 June 2021 the ECL provision represents 0.9% (2020: 3.8%) of gross finance loans receivable.

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D2 FINANCIAL ASSETS - LOANS

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

Finance loans receivable are as follows:

	2021 $'000	2020 $'000
Current	46,377	470
Non-current	52,543	1,824
Total	**98,920**	**2,294**
Loans	99,855	2,384
Less: expected credit loss provision	(935)	(90)
Total	**98,920**	**2,294**

Allowance for expected credit losses

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

	Carrying amount 2021 $'000	Carrying amount 2020 $'000	Allowance for ECL 2021 $'000	Allowance for ECL 2020 $'000
Impaired loans (including non-accrual loans)				
Not in arrears (but impaired)	27	-	(27)	-
More than 30 days in arrears	52	-	(15)	-
More than 60 days in arrears	1	-	-	-
More than 90 days in arrears	254	-	(163)	-
	334	**-**	**(205)**	**-**

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

	Stage 1 12-mth ECL Collective provision $'000	Stage 2 Lifetime ECL Collective provision $'000	Stage 3 Lifetime ECL Specific provision $'000	Total $'000
Balance at 1 July 2019	-	-	-	-
New and increased provisions (net of releases)	90	-	-	90
Balance at 30 June 2020	**90**	**-**	**-**	**90**
Increase due to Westlawn acquisition	620	1	221	842
New and increased provisions (net of releases)	17	11	(25)	3
Balance at 30 June 2021	**727**	**12**	**196**	**935**

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

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

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D2 FINANCIAL ASSETS - LOANS

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

Loan portfolio by security type	2021 $'000	2020 $'000
Plant, equipment & chattels	46,820	1,442
Registered first mortgages - non development loans	28,048	-
Registered first mortgages - development loans	8,766	-
Insurance policies (premium funding)	5,120	-
Security interests over shares and assets	5,022	-
Registered second mortgages	4,726	852
Unsecured	380	-
Other	38	-
Total	**98,920**	**2,294**

Loan portfolio by geographic region	2021 $'000	2020 $'000
NSW	64,394	698
Queensland	22,432	338
Victoria	6,023	989
Western Australia	3,720	190
South Australia	1,996	79
Northern Territory	263	-
Tasmania	69	-
ACT	23	-
Total	**98,920**	**2,294**

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

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

Financial exposures - Credit risk

The Group's exposure to credit risk relating to loans arises from the potential failure by a customer to meet their contractual obligations and is primarily due to individual characteristics of each customer. Management also considers the factors that may influence the credit risk of its customer base, including the default risk associated with the customer's industry, location, and movements in macroeconomic factors including those resulting from the COVID-19 pandemic.

Accounting policy

See Accounting policy in Note D4.

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D - Financial Instruments (continued)

D3 INTEREST-BEARING LIABILITIES

	2021 $'000	2020 $'000
Current		
Corporate facility - Bendigo Bank Limited [1]	1,500	3,000
Debenture funding - Secured Finance Limited [2]	-	16,155
Funding liabilities - Finance leases and loans [3]	1,173	25,775
Unsecured notes - variable [4]	15,692	-
Unsecured notes - fixed [4]	164,290	-
Other interest-bearing liabilities	818	353
	183,473	**45,283**
Non-current		
Corporate facility - Bendigo Bank Limited	-	1,500
Debenture funding - Secured Finance Limited [2]	-	8,985
Funding liabilities - Finance leases and loans [3]	86	34,991
Unsecured notes - fixed [4]	32,044	-
Other interest-bearing liabilities	3,574	274
	35,704	**45,750**

(1) Facility repaid in full on 19 July 2021.
(2) Multiple debentures with contractual rights and specific repayment periods up to 36 months, fully repaid during the year ended 30 June 2021.
(3) Finance leases and loans relating to contractual cash flows associated with lease receivables and loans.
(4) Unsecured notes are issued subject to the conditions of the Westlawn Trust Deed. The Unsecured notes issued to wholesale investors are not governed by the Trust Deed.

Financial exposures - Liquidity risk

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

	Carrying amount $'000	Contractual cash flows $'000	Less than 1 year $'000	1 to 2 years $'000	2 to 5 years $'000	More than 5 years $'000
30 June 2021						
Trade and other payables	30,331	(30,331)	(27,416)	(1,191)	(1,724)	-
Corporate facility	1,500	(1,521)	(1,521)	-	-	-
Debenture funding	-	-	-	-	-	-
Finance lease funding	1,259	(8,551)	(4,653)	(3,898)	-	-
Unsecured notes - variable	15,692	(15,692)	(15,692)	-	-	-
Unsecured notes - fixed	196,334	(196,334)	(164,290)	(24,466)	(7,577)	(1)
Other	4,392	(5,151)	(742)	(862)	(2,435)	(1,112)
	249,508	**(257,580)**	**(214,314)**	**(30,417)**	**(11,736)**	**(1,113)**
30 June 2020						
Trade and other payables	20,817	(20,817)	(19,816)	(1,001)	-	-
Corporate facility	4,500	(4,652)	(3,130)	(1,522)	-	-
Debenture funding	25,140	(27,414)	(17,884)	(7,385)	(2,145)	-
Finance lease funding	60,766	(70,002)	(32,070)	(22,885)	(15,047)	-
Other	627	(715)	(422)	(293)	-	-
	111,850	**(123,600)**	**(73,322)**	**(33,086)**	**(17,192)**	**-**

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D3 INTEREST-BEARING LIABILITIES

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

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

Covenants
The Group has a corporate facility that contains a loan covenant; a future breach of covenant may require the Group to repay the facility earlier than indicated in the above table. Under the agreement, the covenant is monitored on a regular basis by management to ensure compliance with the agreement. All covenants have been complied with as at 30 June 2021.

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

Accounting policy
See Accounting policy in Note D4.

D4 FINANCIAL INSTRUMENTS

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

Subsequent measurement

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

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D4 FINANCIAL INSTRUMENTS

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

Loss allowances are measured on either of the following bases:

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

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

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

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

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

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

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

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

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

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

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

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D4 FINANCIAL INSTRUMENTS

Classification of financial instruments

The Group classifies its financial instruments as follows:

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

D5 LEASE LIABILITIES

	2021 $'000	2020 $'000
Lease liabilities	**6,764**	**6,017**
Maturity analysis		
Current	1,495	1,616
Non-current	5,269	4,401
	6,764	**6,017**

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

	2021 $'000
Adoption of AASB 16 at 1 July 2019	3,996
Additions	3,798
Disposals	(104)
Interest on lease liabilities	341
Repayment of lease liabilities	(2,014)
Balance at 30 June 2020	**6,017**
Balance at 1 July 2020	6,017
Additions	2,645
Disposals	(110)
Interest on lease liabilities	382
Repayment of lease liabilities	(2,170)
Balance at 30 June 2021	**6,764**

Accounting policy

Recognition and measurement

Group as lessee

On commencement date, the Group recognises lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of AASB 117 *Leases*. These liabilities are initially measured at the present value of the future lease payments, discounted using the Group's incremental borrowing rate.

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D4 LEASE LIABILITIES

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

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

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

The Group has elected to apply the practical expedient not to recognise ROU lease assets and lease liabilities for short term leases that have a lease term of 12 months or less and leases of low-value assets. The lease payments associated with these leases are recognised as an expense on a straight-line basis over the lease term with an aggregate expense of $1,634k being recognised during the year.

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

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

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

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E - Group Structure

E1 BUSINESS COMBINATIONS

Key judgement - fair value of assets acquired

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

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

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

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

Acquisition values

During the year ended 30 June 2021 the Group executed the following acquisitions:

- acquired an additional 19.2% which resulted in a controlling equity interest of 51.02% in Westlawn, effective 1 July 2020, and
- acquired 80.0% of Access Capital Pty Limited (Access) through its 57.1% owned subsidiary QPF Holdings Group (QPF).

The values identified for the above acquisitions as at 30 June 2021 are as follows:

	WFL $'000	Access $'000
Purchase consideration		
Cash consideration	3,868	9,100
Deferred consideration[1]	2,451	227
Less: Cash and cash equivalents acquired	(43,402)	(123)
	(37,083)	**9,204**
Fair value of net assets acquired		
Trade and other receivables	978	185
Loans and advances	180,494	-
Financial assets at FVOCI	8,522	-
Property, plant and equipment	7,279	-
Intangible assets	8,684	3,241
Right-of-use lease assets	-	320
Deferred tax assets/(liabilities)	(1,579)	(915)
Goodwill recognised on acquisition by the Group	-	9,440
Trade and other payables	(19,017)	(446)
Interest bearing liabilities	(193,848)	-
Provisions	(1,602)	(289)
Fair value of equity interest previously held	(10,484)	-
Non-controlling interests	(16,144)	(2,332)
Gain from a bargain purchase	(366)	-
	(37,083)	**9,204**

[1] Deferred consideration fully paid during FY21.

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E1 BUSINESS COMBINATIONS

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,
- gain from a bargain purchase reflects the amount by which the fair value of assets acquired exceeds the purchase consideration,
- non-controlling interests are measured at their proportion of ownership of the fair value of net assets at acquisition date, and
- acquisition accounting for Access Capital remains provisional.

Westlawn

In September 2018, COG acquired a 31.82% investment in Westlawn Finance Limited for a consideration of $14,306k comprised of $10,000k in cash and $4,306k in COG shares. This initial acquisition and subsequent changes in COG's share of Westlawn's financial position and performance were included in *Equity accounted associates* in the Consolidated Statement of Financial Position and *Share of results from associates* in the Consolidated Statement of Comprehensive Income respectively.

On 12 June 2020, COG entered into an agreement with Westlawn Holdings Pty Limited, to acquire further shares in Westlawn in two tranches. COG acquired an additional 19.2% interest in Westlawn for a total consideration of $7,451k on 1 July 2020, which resulted in COG holding a 51% controlling interest in Westlawn.

The total consideration above included payment for an option (but not a contractual obligation) to acquire an additional 24% interest in Westlawn for a total consideration of $9,320k by no later than 30 June 2023. The fair value of the option at acquisition date was determined to be $1,132k based on a binomial option-pricing model and has been recognised separately from the business combination transaction as a reduction to equity, in accordance with requirements of AASB 132 *Financial instruments: Presentation*, as this option takes the form of a transaction between owners, as Westlawn is a controlled entity. After excluding the amount paid for the option, the total consideration attributable to the business combination was determined to be $6,319k.

At the date of acquisition of a controlling interest, the equity interest in Westlawn previously held (which was accounted for under the equity method) was treated as a stepped acquisition under AASB 3 *Business combinations* and treated as if it were disposed of and reacquired at fair value, resulting in a loss of $4,590k (net of a gain from a bargain purchase of $366k).

The acquired business contributed revenues of $22,017k and net profit after tax of $2,951k to the Group for the year from 1 July 2020 to 30 June 2021, after the elimination of intercompany transactions. Total expenses of $6k were included in acquisition-related costs in relation to the WFL business combination.

Access

Effective 2 November 2020, the Group acquired an 80% equity interest in Access Capital Pty Limited via its subsidiary QPF Finance Group (QPF) for a total consideration of $9,325k, funded as follows:

- $4,577k (50%) through external borrowings obtained directly by QPF;
- $3,601k (39%) through a capital raising by QPF (out of which COG contributed $2,400k, taking its ownership interest in QPF from 55.6% to 57.1%); and
- $1,147k (11%) through current working capital / cash resources at QPF.

The acquired business contributed revenues of $2,754k and net profit after tax of $945k to the Group for the period from 2 November 2020 to 30 June 2021. Had Access had been held for the entire year it would have contributed revenue and net profit after tax of $4,189k and $1,468k respectively. Total expenses of $44k were included in acquisition-related costs in relation to the Access business combination.

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E1 BUSINESS COMBINATIONS

Transactions between owners

During the year ended 30 June 2021, the Group acquired additional interests from minority shareholders in the following entities, which were already controlled by the Group:

- **Platform Consolidated Group Pty Limited (PCG)**
  On 31 July 2020 the Group issued 492,730 fully paid ordinary shares totalling $27.1k as part of the consideration for the acquisition of 0.2% of PCG from minority shareholders.
- **QPF Holdings Pty Limited (QPF)**
  On 9 October 2020, the Group acquired 4,122,195 QPF shares for a total subscription price of $2,400k as part of the QPF's capital raising for the acquisition of Access. QPF also, issued 2,062,339 new shares to minority shareholders for a total subscription price of $1,202k. As a result of these share issues, COG's ownership in QPF increased from 55.6% to 57.1%.
- **Heritage Group (Heritage)**
  Effective 1 July 2020, Linx (50% owned by COG) acquired an additional 13.3% equity interest in Heritage Group for a total cash consideration of $639.9k, resulting in Linx's direct, and COG's indirect, ownership interest in that entity increasing to 63.3% and 35% respectively.
- **Linx Group Holdings Pty Limited (Linx)**
  Effective 1 January 2021, Linx acquired an additional 4.17% equity interest in Sovereign for a total cash consideration of $96.7k, resulting in Linx's direct, and COG's indirect, ownership interest in that entity increasing to 54.2% and 30% respectively.
- **Linx Group Holdings Pty Limited (Linx)**
  On 2 June, 2021, the Group issued 4,698,274 fully paid ordinary shares totalling $532.8k as part of the acquisition of 4.9% of Linx from minority shareholders.

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

Accounting policy

Principles of consolidation

Business combinations

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

Subsidiaries

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

Non-controlling interests

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

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

Transactions eliminated on consolidation

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

E2 EQUITY ACCOUNTED ASSOCIATES

Earlypay Limited (formerly CML Group Limited)

In January 2020 COG acquired 37,770,423 ordinary shares in Earlypay Limited (EPY), at a cost of $22,030k (inclusive of brokerage and GST). On 29 June 2021, Westlawn acquired 7,450,070 shares in EPY for $3,130k. COG's investment in EPY represents a 16.59% interest in that company as at 30 June 2021. The Group made an irrevocable election on initial recognition and designated the investment in EPY at fair value through other comprehensive income (FVOCI).

On 19 November 2020, Steve White, a non-executive director of COG, was appointed a non-executive director of EPY. COG's representation on the EPY Board, in combination with COG's voting rights in EPY, resulted in the COG gaining significant influence in EPY, and has therefore adopted the equity method of accounting for its investment in EPY effective from 19 November 2020. Consequently, the Group's proportionate share of EPY's financial position and performance are included in *Equity accounted associates* in the Consolidated Statement of Financial Position and *Share of results from associates* in the Consolidated Statement of Comprehensive Income.

The carrying amount of the investment presented as FVOCI at the time of appointment of COG non-executive director to EPY was $13,408k, and included fair value adjustment net gains of $4,532k recognised in revaluation reserves. The Group's accounting policy for step acquisitions of associates is to measure the cost of the investment as the sum of the fair value of the interest previously held plus the fair value of the additional consideration, both at the date of the transaction.

EPY is an ASX-listed company and is a provider of secured finance to SME businesses in the form of invoice and equipment finance. Through its receivables finance facility, it provides an advance payment of up to 80% of a client's invoice to help their businesses overcome the cash pressure of delivering goods or services in advance of payment from their customers (often 30 to 60 days). This is a flexible line of credit that is utilised in line with sales volume. It will also consider an additional advance to a client (above the usual 80%), for an additional fee and when there is adequate security from the client to cover the position. Other services include trade finance to assist client finance purchases, as well as equipment finance to assist SME's with capital expenditure on items required to operate their businesses.

The carrying amount of equity-accounted investment in EPY has changed as follows in the year ended 30 June 2021:

	30 June 2021 $'000
Balance at the beginning of the year (Investment classified as financial instrument at FVOCI)	**8,876**
Changes in fair value through OCI	4,532
Balance on the date significant influence determined	**13,408**
Share of results from associates [(1)]	1,075
Additional investment by Westlawn in EPY [(2)]	3,130
Balance at the end of the year [(3)]	**17,613**

[(1)] Share of results from associates in the Consolidated Statement of Comprehensive Income includes results from other non-material associates of $148k (2020: $46k).

[(2)] On 29 June 2021, Westlawn acquired 7,450,070 shares in EPY for $3,130k.

[(3)] Equity accounted associates in the Consolidated statement of financial position includes investment in other non-material associates of $791k (2020: $755k).

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E2 EQUITY ACCOUNTED ASSOCIATES

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

	2021 $'000	2020 $'000
Current assets	259,671	220,289
Non-current assets	116,759	114,694
Current liabilities	(204,448)	(159,716)
Non-current liabilities	(113,558)	(122,877)
Net assets (100%)	58,424	52,390
Group's share of net assets 16.59% (2020: nil%)	9,693	-
Fair value adjustment on initial recognition	7,920	-
Carrying amount of investment in associate	**17,613**	**-**
Revenue	43,865	47,506
Profit from continuing operations (100%)	10,320	3,535
Other comprehensive income/(loss) (100%)	-	-
Total comprehensive income (100%)	10,320	3,535
Total comprehensive income 16.59% (2020: nil%) [1]	1,151	-
Adjustment on finalisation of associate's results	(76)	-
Group's share of total comprehensive income/(loss)	**1,075**	**-**

[1] Calculated based on a profit from continuing operations of $6,938k for the period from 19 November 2020 (date in which significant influence was obtained) to 30 June 2021.

Other equity accounted associates

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

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

Year ended 30 June	2021 $'000	2020 $'000
Westlawn	-	(144)
Earlypay	1,075	-
Other associates	148	46
Group's share of total comprehensive income/(loss)	**1,223**	**(98)**
Share of results from associates	1,223	642
Revaluations by associate	-	(740)
Group's share of total comprehensive income/(loss)	**1,223**	**(98)**

As at 30 June	2021 $'000	2020 $'000
Westlawn	-	15,439
Earlypay	17,613	-
Other immaterial associates	791	755
Carrying amount of interests in associates	**18,404**	**16,194**

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E2 EQUITY ACCOUNTED ASSOCIATES

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

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

Amounts owing by / (to) associates	2021 $'000	2020 $'000
Receivables at 30 June	20	2
Payables at 30 June	(85)	(82)
Transactions with associates		
Dividend income	95	333
Receipts for administrative services	-	2
Director fees	-	110
Payments for goods and administrative services	(1,588)	(2,124)
Finance costs paid on the finance lease portfolio	-	(2,804)
Interest income on intercompany loan	15	25

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

Elimination of transactions with associates
As outlined in Note A4, the Group incurs finance costs in relation to its finance lease portfolio. The Group eliminates a share of the downstream financing costs paid to Westlawn consistent with its ownership percentage of Westlawn; this in effect reduces interest expense on finance lease portfolio costs and decreases share of associates profit from Westlawn by corresponding amounts.

E3 SHARE CAPITAL AND RESERVES

E3.1 ORDINARY SHARES

	2021 $'000	2020 $'000	2021 No. of shares '000	2020 No. of shares '000
Shares issued and fully paid				
Balance at the beginning of the financial year	241,179	220,905	1,571,736	1,341,297
Shares issued via rights issue	-	12,420	-	137,999
Shares issued via placement (1)	2,000	7,777	33,898	86,413
Shares issued in business combinations (2)	560	556	5,191	6,027
Shares issued under DRP (3)	3,755	-	52,636	-
Costs of raising capital, net of tax	(179)	(479)	-	-
Balance at the end of the financial year	**247,315**	**241,179**	**1,663,461**	**1,571,736**

(1) On 16 November 2020 the Company issued 33,898,305 fully paid ordinary shares totalling $2,000k as part of the consideration of the acquisition of 80% of Access (see Note E1).

(2) On 31 July 2020 the Company issued 492,730 fully paid ordinary shares totalling $27.1k as part of the consideration for the acquisition of 0.2% of PCG from minority shareholders. On 2 June 2021, the Company issued 4,698,274 fully paid ordinary shares totalling $532.8k as part of the acquisition of 4.9% of Linx from minority shareholders (see Note E1).

(3) The Company issued 25,324,500 fully paid ordinary shares for $1,568k under COG's Dividend Reinvestment Plan (DRP) on 23 October 2020, and a further 13,282,654 fully paid ordinary shares for $822k on 2 November 2020 to the underwriters of the DRP shortfall, in respect of the FY20 final dividend. The Company issued 14,029,271 fully paid ordinary shares for $1,365k on 26 April 2021 under COG's DRP in respect of the FY21 interim dividend.

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E3.1 ORDINARY SHARES

At an Extraordinary General Meeting (EGM) held on 30 June 2021, the shareholders approved the consolidation of the Company's issued share capital (every 10 shares and every 10 options were consolidated into one share and one option, respectively), effective 1 July 2021. As the consolidation applies equally to all shareholders, the holdings of individual shareholders have reduced in the same ratio as the total number of shares (subject to rounding). The share capital consolidation has had no effect on the percentage interests in the Company of each shareholder and has not resulted in any change in the substantive rights and obligations of existing shareholders or the holders of options.

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 2020 and 2021:

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

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

E3.2 DIVIDENDS

On 15 October 2019, the Company adopted a dividend policy, targeting a dividend payout ratio of up to 50% of statutory net profit after tax, after non-controlling interests, per annum. The policy has since been revised to accommodate a payout ratio of up to 70% of NPATA to members.

The Company also implemented a Dividend Reinvestment Plan (DRP). The DRP rules are disclosed on the company's website www.cogfs.com.au. Under the DRP, holders of ordinary shares can elect to have all or part of their dividend entitlements satisfied by the issue of new ordinary shares rather than being paid in cash. Shares issued under the DRP may be subject to a discount of up to 5% of the market price, or a higher percentage determined by the Board.

Dividends recognised during the reporting period

Since the year ended 30 June 2020, the Board had declared a fully franked final dividend of 0.152 cents per fully paid ordinary share (2019: nil cents). The aggregate amount of the proposed dividend was paid on 23 October 2020 out of the Company's profits reserve at 30 June 2020. Due to the operation of the Company's Dividend Reinvestment Plan (DRP) and a DRP shortfall underwriting agreement, COG issued 25,324,500 fully paid shares on 23 October 2020 and 13,282,654 fully paid shares on 2 November 2020, in respect of the dividend (Note E3.1).

For the period ended 31 December 2020, the Board declared an interim dividend of 0.122 cents per fully paid ordinary share (2019: nil cents). The aggregate amount of the proposed dividend of $2,007k was paid on 26 April 2021 out of the Company's profits reserve at 31 December 2020, and was 100% franked. COG issued 14,029,271 fully paid shares on 26 April 2021 under COG's DRP in respect of the FY21 interim dividend (Note E3.1).

Dividends not recognised at the end of the reporting period

For the year ended 30 June 2021, the Board declared a final dividend of 6.0 cents per fully paid ordinary share (0.6 cents per fully paid ordinary share, pre-consolidation) (2020: 0.152 cents per fully paid ordinary share). The aggregate amount of the proposed dividend expected to be paid on 22 October 2021 out of the Company's profit reserve at 30 June 2021, but not recognised as a liability at year end, is $9,981k.

The final dividend declared after 30 June 2021 will be fully franked out of existing franking credits, or out of franking credits arising from the payment of income tax in the year ending 30 June 2022.

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E - Group Structure (continued)

E3.2 DIVIDENDS

Franked dividends
As at the end of the financial year, the franking credits available for subsequent financial periods based on a tax rate of 30% was $11,687k (2020: $9,294k).

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

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

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

E - Group Structure (continued)

E3.3 RESERVES

The movement in reserves is as follows:

	Profits reserve $'000	Foreign currency translation reserve $'000	Equity securities at FVOCI reserve $'000	Share based payments reserve $'000	Transactions between owners' reserve $'000	Non-controlling interests reserve $'000	Total $'000
Balance at 1 July 2019	**44,889**	**(16)**	**-**	**240**	**-**	**(6,549)**	**38,564**
Adjustment on adoption of AASB 16	(222)	-	-	-	-	-	(222)
Non-controlling interest acquired	-	-	-	-	-	(144)	(144)
Share-based payments expense	-	-	-	100	-	-	100
Changes in equity securities at fair value	-	-	(13,139)	-	-	-	(13,139)
Transfer to reserves	(740)	-	-	-	-	-	(740)
Balance at 30 June 2019	**43,927**	**(16)**	**(13,139)**	**340**	**-**	**(6,693)**	**24,419**
Balance at 1 July 2020	**43,927**	**(16)**	**(13,139)**	**340**	**-**	**(6,693)**	**24,419**
Non-controlling interest acquired	-	-	-	-	-	(2,328)	(2,328)
Share-based payments expense	-	-	-	(60)	-	-	(60)
Transactions between owners	-	-	-	-	1,711	-	1,711
Changes in equity securities fair value	-	-	4,603	-	-	-	4,603
Option to acquire further interest in subsidiary	-	-	-	-	(1,132)	-	(1,132)
Dividends paid	(4,396)	-	-	-	-	-	(4,396)
Balance at 30 June 2021	**39,531**	**(16)**	**(8,536)**	**280**	**579**	**(9,021)**	**22,817**

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E3.3 RESERVES

Reserves

Profits reserve

The Profits reserve was established to accumulate profits relating to previous financial years for the purpose of facilitating the payment of dividends in future financial years.

Foreign currency translation reserve

This reserve is used to recognise exchange differences arising from translation of the financial statements of foreign operations to Australian Dollars. The reserve is recognised in profit or loss when the net investment is disposed of.

Revaluation reserve

The revaluation reserve relates to the revaluation of the FVOCI investment in Earlypay immediately before its reclassification as Investment in associate.

Equity securities at FVOCI reserve

This reserve comprises the cumulative net change in the fair value of equity securities designated at FVOCI.

Share-based payments reserve

The Share-based payment reserves is used to recognise:

- the fair values of options and rights issued to executives, and
- variances between the fair value of shares issued to executives and the value the related shares are issued for.

Non-controlling interests reserve

This reserve is used to record the differences which may arise as a result of transactions with non-controlling interests that do not result in a loss of control.

Transaction between owners' reserve

Reflects the fair value of the option held by COG to acquire an additional 24% interest in Westlawn for a total consideration of $9,324k by no later than 30 June 2023. The option has been recognised separately from the business combination transaction as a reduction to equity, in accordance with requirements of AASB 132 *Financial instruments: Presentation*, as this option takes the form of a transaction between owners.

Capital management policy

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

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

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

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

Accounting policy

Share capital

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

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E4 RELATED PARTY TRANSACTIONS

Transactions with Key Management Personnel and related parties

Key Management Personnel compensation

Key Management Personnel compensation is comprised as follows:

	2021 $	2020 $
Short-term employee benefits	1,667,527	1,321,309
Post-employment benefits	102,534	93,086
Other long-term benefits	13,827	21,591
Share-based payments	227,081	100,000
	2,010,969	**1,535,986**

Indemnification for vendor program losses

During the 2019 and 2018 financial years TL Commercial Finance undertook a number of transactions with an equipment finance vendor program partner. During the 2019 financial year the vendor partner entered into voluntary liquidation. While the Group considered the underlying lease arrangements with lessees introduced as part of the program were enforceable the Group took the action to settle these lessee obligations for a lower value than our contractual rights. Cameron McCullagh, one of the Group's Executive Directors, chose to indemnify the Group for the majority of this loss. As part of this indemnification Mr McCullagh paid an amount of $1,023,160 to the Group to offset the net cash loss incurred by the Group. During the 2021 financial year an amount of $125,692 was recovered and subsequently repaid to Mr McCullagh.

Loans from Key Management Personnel and their related entities

During 2021, KMP invested $nil (2020: $450,000) in fixed interest debentures issued by Secured Finance Limited (SFL), a COG controlled entity. Interest is payable on an arms-length basis ranging from 8% to 10% (2020: 8% to 10%) per annum and the loans are repaid in cash on average 17 months after the issue date. The interest and principal repayments on debenture investments during the year are outlined in the table below. As outlined below all balances are nil and this debenture has discontinued.

Transactions with Key Management Personnel and related parties - Fixed interest debentures

KMP (and related entities)	Balance at 1 July 2020 $	Amount advanced during the year $	Commission received $	Interest payment $	Principal repayment $	Balance at 30 June 2021 $
Bruce Hatchman [3]	85,331	-	-	3,997	85,331	-
Cameron McCullagh	65,802	-	-	3,873	65,802	-
Steve White	376,286	-	-	19,426	376,286	-
Andrew Bennett[1]	508,701	-	-	30,056	508,701	-
John McRae	-	-	-	-	-	-
Total	**1,036,120**	**-**	**-**	**57,352**	**1,036,120**	**-**

KMP (and related entities)	Balance at 1 July 2019 $	Amount advanced during the year $	Commission received $	Interest payment $	Principal repayment $	Balance at 30 June 2020 $
Bruce Hatchman[3]	63,243	100,000	-	8,600	77,912	85,331
Cameron McCullagh	2,486,711	-	-	119,318	2,420,909	65,802
Steve White	139,852	350,000	-	29,252	113,566	376,286
Andrew Bennett[1]	594,000	-	-	54,210	85,299	508,701
John McRae [2]	-	-	-	-	-	-
Total	**3,283,806**	**450,000**	**-**	**211,380**	**2,697,686**	**1,036,120**

(1) Andrew Bennett commenced as a KMP on 1 July 2018. (3) Bruce Hatchman ceased to be a KMP on 8 September 2020.
(2) John McRae commenced as a KMP on 1 July 2019.

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E - Group Structure (continued)

E4 RELATED PARTY TRANSACTIONS

Key Management Personnel share and option transactions

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

KMP shareholdings	30 June 2020 No. of shares	On market purchase No. of shares	On market sale No. of shares	Off market transfer No. of shares	KMP change[1] No. of shares	30 June 2021[2] No. of shares
Executive Directors						
Cameron McCullagh	296,484,461	33,609,492	-	-	-	330,093,953
Mark Crain [5]	13,156,349	-	-	-	-	13,156,349
Non-executive Directors						
Patrick Tuttle [3]	2,650,046	-	-	-	-	2,650,046
Bruce Hatchman	729,166	-	-	-	(729,166)	-
Steve White	3,757,083	-	-	-	-	3,757,083
Peter Rollason	-	-	-	-	-	-
Senior Management						
Andrew Bennett [4]	700,000	-	-	-	-	700,000
John McRae	-	-	-	-	-	-
	317,477,105	**33,609,492**	**-**	**-**	**(729,166)**	**350,357,431**

KMP shareholdings	30 June 2019 No. of shares	On market purchase No. of shares	On market sale No. of shares	Off market transfer No. of shares	KMP change[1] No. of shares	30 June 2020[2] No. of shares
Executive Directors						
Cameron McCullagh	252,906,800	43,577,661	-	-	-	296,484,461
Rohan Ford	56,599,748	-	-	-	(56,599,748)	-
Mark Crain[5]	-	-	-	-	13,156,349	13,156,349
Non-executive Directors						
Patrick Tuttle [3]	2,271,468	378,578	-	-	-	2,650,046
Bruce Hatchman	625,000	104,166	-	-	-	729,166
Steve White	3,643,750	308,333	(195,000)	-	-	3,757,083
Senior Management						
Andrew Bennett[4]	700,000	-	-	-	-	700,000
John McRae	-	-	-	-	-	-
	316,746,766	**44,368,738**	**(195,000)**	**-**	**(43,443,399)**	**317,477,105**

(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) Patrick Tuttle commenced as a KMP on 3 October 2018.
(4) Andrew Bennett commenced as a KMP on 1 July 2018.
(5) Mark Crain commenced as a KMP on 15 November 2019.

Key Management Personnel option transactions

Andrew Bennett

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

E5 PARENT ENTITY DISCLOSURES

E5.1 SUMMARY FINANCIAL INFORMATION

As at, and throughout, the financial year ended 30 June 2021 the ultimate parent company of the Group was COG Financial Services Limited.

	2021 $'000	2020 $'000
Results of parent entity		
Profit/(loss) for the year after tax	(24,807)	(5,762)
Other comprehensive income/(loss)	4,532	(13,139)
Total comprehensive income/(loss) for the year	**(20,275)**	**(18,901)**
Financial position of the ultimate parent company at year end		
Current assets	8,257	8,829
Non-current assets	175,856	194,252
Total assets	**184,113**	**203,081**
Current liabilities	4,324	4,390
Non-current liabilities	2,423	2,729
Total liabilities	**6,747**	**7,119**
Net assets of the ultimate parent company at year end	**177,366**	**195,962**
Total equity of the ultimate parent company comprising of:		
Share capital	247,315	241,179
Accumulated losses	(106,941)	(82,133)
Reserves	36,992	36,916
Total equity	**177,366**	**195,962**

Parent entity contingencies and commitments are outlined in Note F1.

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E5.2 INTERESTS IN OTHER ENTITIES

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

Name of entity[1]	Direct equity interest	Indirect equity interest[2]
Consolidated Finance Group Pty Limited	100%	
CFG (Qld) Pty Limited		100%
QPFCFG Pty Limited		100%
Hal Group Pty Limited	100%	
Number Rentals Pty Limited		100%
TL Commercial Finance Pty Limited (Formerly TL Rentals Pty Limited)		100%
TL Rentals SPV NO 1 Pty Limited		100%
Centrepoint Finance Pty Limited	100%	
EF Systems Pty Limited		100%
Finance 2 Business Pty Limited		100%
Platform Consolidated Group Pty Limited	70%	
Advance Car Loans Pty Limited		70%
Beinformed Group (VIC) Pty Limited		70%
Melbourne Finance Broking Pty Limited		70%
Mildura Finance Pty Limited		70%
Platinum Direct Finance Australia Pty Limited		70%
Platinum Direct Finance (Central Coast) Pty Limited		35%
Platinum Fleet Pty Limited		49%
Platform Equipment Finance Pty Limited		70%
Consolidated Platform Aggregation Pty Limited		52%
Consolidated Platform Aggregation Unit Trust		52%
Fleet Avenue Pty Limited		35%
Fleet Network Pty Limited		67%
Vehicle and Equipment Finance Pty Limited		35%
Geelong Financial Group Vehicle and Equipment Finance Pty Limited		17%
QPF Holdings Pty Limited	57%	
Qld Pacific Finance Pty Limited		57%
QPF Insurance Pty Limited		46%
QPF Mortgages Pty Limited		57%
Security Allied Finance Pty Limited		57%
DLV (QLD) Pty Limited		28%
Access Capital Pty Limited		46%
Linx Group Holdings Pty Limited	55%	
Linx Finance Australia Pty Limited		55%
Linx Insurance Australia Pty Limited		55%
Linx Mortgage Australia Pty Limited		55%
Linx HF Pty Limited		55%
Linx HC Pty Limited		55%
Heritage Finance Management Pty Limited		35%
Heritage Finance Partnership		35%
Heritage Corporate Management Pty Limited		35%
Heritage Corporate Partnership		35%
Sovereign Tasmania Pty Limited		30%

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E5.2 INTERESTS IN OTHER ENTITIES

Name of entity[1]	Direct equity interest	Indirect equity interest[2]
Westlawn Finance Limited	51%	
North State Finance Pty Ltd		51%
Westlawn Insurance Brokers Pty Ltd		51%
Grafton Investments Pty Ltd		51%
Westlawn Financial Services Limited		51%
Westlawn Insurance Brokers (Coffs) Pty Ltd		41%
Westlawn Insurance Brokers (Vic) Pty Ltd		51%

(1) Excludes entities that were dormant during the year ended 30 June 2021.
(2) Indirect equity interests represent the beneficial interest in entities which are non-wholly owned but are controlled entities of direct equity interests.

E6 FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	2021 $'000	2020 $'000
Non-current assets		
Listed securities		
Earlypay Limited	-	8,876
Steadfast Limited	879	-
Unlisted securities		
Units in unlisted unit trusts	29	-
	908	**8,876**
Reconciliation of carrying amount		
Opening fair value	8,876	-
Increase due to Westlawn acquisition	3,137	-
Additions	-	-
Disposals	(8,953)	-
Reclassified to investment in associate	(8,876)	
Revaluation increments	6,724	-
Revaluation decrements	-	-
Closing fair value	**908**	**8,876**

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

Financial assets at fair value through other comprehensive income

In January 2020 COG acquired 37,770,423 ordinary shares in Earlypay Limited (EPY), at a cost of $22,030k (inclusive of brokerage and GST). COG's investment in EPY represents a 16.59% interest in that company as at 30 June 2021. The Group made an irrevocable election on initial recognition and designated the investment in EPY at fair value through other comprehensive income (FVOCI).

On 19 November 2020, Steve White, a non-executive director of COG, was appointed a non-executive director of EPY. COG's representation on the EPY Board, in combination with COG's voting rights in EPY, resulted in the COG gaining significant influence in EPY, and has therefore adopted the equity method of accounting for its EPY investment effective from 19 November 2020. Consequently, the Group's proportionate share of EPY's financial position and performance are included in *Equity accounted associates* in the Consolidated Statement of Financial Position and *Share of results from associates* in the Consolidated Statement of Comprehensive Income outlined in Note E2.

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F - Other

F1 CONTINGENCIES AND COMMITMENTS

Commitments

The Group has commitments to acquire contributed equity of various subsidiaries. The following estimated commitments, which may vary in terms of percentage and timing, are based upon multiples of future financial years' normalised EBITDA and include an option for a one-year deferral by either party:

- Fleet Network Pty Limited (4.2% of contributed equity in the year ended 30 June 2021),
- Linx Group Holdings Pty Limited (7.7% of contributed equity to be acquired by the Group between the years ending 30 June 2021 and 2024),
- Platform Consolidated Group Pty Limited (5.8% of contributed equity to be acquired by the Group between the years ending 30 June 2021 and 2022),
- QPF Holdings Pty Limited (10.2% of contributed equity to be acquired by the Group between the years ending 30 June 2021 and 2024), and
- Vehicle and Equipment Finance Pty Limited (25% of contributed equity to be acquired by the Group between the years ending 30 June 2021 and 2024).

Contingencies

Secured Finance Limited – Debenture Funding

The Secured Finance Limited (SFL) debenture program was discontinued and all outstanding debentures repaid in full during the financial year ended 30 June 2021. SFL was deregistered on 14 July 2021.

Westlawn Finance Limited - Guarantee

COG has provided a guarantee to Westlawn in relation to finance lease and chattel mortgage loan funding arrangements provided to TLC. Amounts owed under this arrangement are included in Finance lease funding and other interest bearing liabilities disclosed in Note D3.

Westlawn Financial Services Pty Limited – Letter of financial support

COG has provided a letter of financial support to Westlawn Financial Services Limited (WFS) whereby it has agreed to provide on a pro rata basis with other Westlawn shareholders, such financial support as may be necessary to enable WFS to meet its financial commitments as the responsible entity for the Westlawn Income Fund (WIF), a registered managed investment scheme administered by WFS. COG's commitment to WFS is currently limited to its 51.02% ownership interest in Westlawn.

Hal Group Pty Limited

General security interest

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

Letter of financial support

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

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

F2 FINANCIAL RISK MANAGEMENT

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

Credit risk:

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

Liquidity risk:

- Note C2 Trade and other payables
- Note D3 Interest bearing liabilities

F2 FINANCIAL RISK MANAGEMENT

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

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

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

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

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

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

Recurring fair value measurements 30 June 2021	**Level 1 $'000**	**Level 2 $'000**	**Level 3 $'000**	**Total $'000**
Financial assets				
Financial assets at FVOCI	879	-	29	908
Non-current assets classified as held for sale	-	110	-	110
Land and buildings	-	4,105	-	4,105
Total	**879**	**4,215**	**29**	**5,123**

Recurring fair value measurements 30 June 2020	**Level 1 $'000**	**Level 2 $'000**	**Level 3 $'000**	**Total $'000**
Financial assets				
Financial assets at FVOCI	8,876	-	-	8,876
Total	**8,876**	**-**	**-**	**8,876**

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

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

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

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

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F2 FINANCIAL RISK MANAGEMENT

Level 3 financial assets and financial liabilities

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

	Financial assets at fair value through OCI $'000	Total $'000
At 1 July 2020	-	-
Acquired through business combinations (Westlawn acquisition)	122	-
Disposals	(93)	-
At 30 June 2021	**29**	**-**

Maturity analysis

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

	At call $'000	0 to 3 months $'000	3 to 12 months $'000	1 to 5 years $'000	Over 5 years $'000	No specified maturity $'000	Total $'000
30 June 2021							
Cash and cash equivalents	37,104	57,410	-	-	-	-	94,514
Trade and other receivables	-	18,175	-	-	-	-	18,175
Other financial assets	-	26	2,290	3,311	-	6,542	12,169
Financial assets at FVOCI	-	-	-	-	-	908	908
Financial assets - lease receivables	-	10,813	30,440	56,915			98,168
Financial assets - loans	-	13,837	30,446	55,565	7		99,855
Trade and other payables	-	(7,734)	(19,765)	(2,832)	-	-	(30,331)
Interest-bearing liabilities	(15,692)	(59,896)	(89,254)	(54,334)	(1)	-	(219,177)
Lease liabilities	-	(148)	(1,494)	(5,074)	(48)	-	(6,764)
Net mismatch	**21,412**	**32,483**	**(47,337)**	**53,551**	**(42)**	**7,450**	**67,517**
30 June 2020							
Cash and cash equivalents	-	34,691	-	-	-	-	34,691
Trade and other receivables	-	17,973	-	-	-	-	17,973
Other financial assets	-	-	289	4,242	-	-	4,531
Financial assets at FVOCI	-	-	-	-	-	8,876	8,876
Financial assets - lease receivables	-	340	12,229	81,062	-	-	93,631
Financial assets - loans	-	-	-	2,384	-	-	2,384
Trade and other payables	-	(19,436)	-	(1,381)	-	-	(20,817)
Interest-bearing liabilities	-	(143)	(33,336)	(57,554)	-	-	(91,033)
Lease liabilities	-	-	(1,616)	(4,401)	-	-	(6,017)
Net mismatch	**-**	**33,425**	**(22,434)**	**24,352**	**-**	**8,876**	**44,219**

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F2 FINANCIAL RISK MANAGEMENT

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

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

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

	2021 Weighted average interest rate %	2021 Balance $'000	2020 Weighted average interest rate %	2020 Balance $'000
Cash and cash equivalents	0.1%	94,514	0.2%	34,691
Financial assets - leases	13.1%	93,039	13.0%	89,384
Financial assets - loans	6.5%	98,920	10.1%	2,294
Interest-bearing liabilities	(1.6%)	(219,177)	(8.6%)	(91,032)
Net exposure to cash flow interest rate risk		**67,296**		**35,337**

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

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

	2021 $'000	2020 $'000
Change in profit after tax		
Increase in interest rate by 100 basis points	673	353
Decrease in interest rate by 100 basis points	(673)	(353)
Change in equity		
Increase in interest rate by 100 basis points	673	353
Decrease in interest rate by 100 basis points	(673)	(353)

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

F3 SUBSEQUENT EVENTS

At the end of the financial year, Management became aware of a potential fraud relating to a portfolio of equipment lease receivables arranged by Forum Finance under a Principal & Agency (P&A) agreement with Westlawn. Full provision has been made for all contracts that are potentially fraudulent, and subsequent to 30 June 2021 a replacement P&A agreement was put in place with a new service provider. The Group, and Westlawn's minority shareholder, have also acquired a 51.02% and 48.98% interest respectively in the receivables portfolio and its residual rights from secondary income.

Apart from the matters disclosed above and elsewhere in this report, no other matter or circumstance has arisen since 30 June 2021 that would materially affect the Group's reported results or would require disclosure in this report.

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F - Other (continued)

F4 AUDITOR'S REMUNERATION

	2021 $	2020 $
Auditors of the Group - BDO and related network firms		
Audit and review of financial statements		
Group	119,775	123,900
Controlled entities	297,025	414,500
	416,800	**538,400**
Non-audit services		
BDO East Coast Partnership - financial model review	-	-
	-	**-**
Total services provided by BDO	**416,800**	**538,400**
Other auditors and their related network firms		
Audit and review of financial statements		
Controlled entities	106,717	22,550
Total services provided by other auditors (excluding BDO)	**106,717**	**22,550**

F5 NEW OR AMENDED ACCOUNTING STANDARDS AND INTERPRETATIONS ADOPTED

The Group has adopted all of the new or amended Accounting Standards and Interpretations issued by the Australian Accounting Standards Board that are mandatory for the current reporting period.

The adoption of these Accounting Standards and Interpretations did not have any significant impact on the financial performance or position of the Group during the financial year ended 30 June 2021.

The Group has adopted AASB 16 *Leases* in the previous financial year, consistent with the mandatory adoption date of 1 July 2019.

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Directors' Declaration

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

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

      i. giving a true and fair view of the Group's financial position as at 30 June 2021 and of its performance for the financial year ended on that date; and

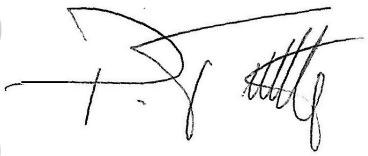
      ii. complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and

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

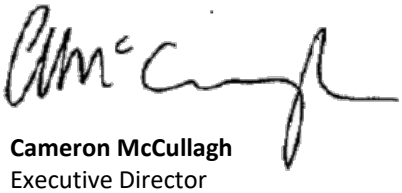
2. The basis of preparation confirms that the financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board.

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

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



Patrick Tuttle
Chairman



Cameron McCullagh
Executive Director

1 September 2021

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Tel: +61 2 9251 4100
Fax: +61 2 9240 9821
www.bdo.com.au

Level 11, 1 Margaret St
Sydney NSW 2000
Australia

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INDEPENDENT AUDITOR'S REPORT

To the members of COG Financial Services Limited

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of COG Financial Services Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 30 June 2021, 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 2021and of its financial performance for the year ended on that date; and

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

Basis for opinion

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

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

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

Key audit matters

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

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Financial assets - lease receivables

Key audit matter	*How the matter was addressed in our audit*
AASB 16 *Leases* requires finance leases to be recognised as a receivable at an amount equal to the net investment in the lease. There are a number of critical judgements and estimates required in determining the cash flows of the leases including the timing and amount of secondary income, terminations and losses. Further to this, the requirements of AASB 9 *Financial Instruments* involve significant judgements and estimates in assessing future losses to be incurred based on past performance, the current economic environment, as well as expectations around future conditions. The disclosure and management's key estimates in relation to lease receivables can be found in D1. The carrying value of lease receivables is a key audit matter due to the complexity involved in the lease calculations and judgements made by Management.	Our procedures included but were not limited to: • Understanding and testing the internal control environment around the initial recognition and measurement of lease receivables. • Reviewing the lease contracts and right of recovery to underlying assets • Testing a sample of lease receivables to ensure that the balance at year end complies with the requirements of AASB 16 *Leases*. • Performing analytical procedures to understand movements and trends in lease receivables over the financial year. • Assessing the appropriateness of capitalised direct costs as well as the secondary income assumed to be earned at the end of the lease based on available historical data, as well as present economic conditions. • Critically evaluating whether the expected credit loss model prepared by Management complies with the requirements of AASB 9 *Financial Instruments*. • Evaluating the completeness and accuracy of the historical data used in calculating the underlying historical loss rate. • Assessing the reasonableness of key judgements and estimates applied to the model which account for the current uncertainty resulting from the COVID-19 outbreak, as well as expectations of future economic conditions.

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	• We also assessed the adequacy of the Group's disclosures in relation to lease receivables.

Accounting for the acquisition of Westlawn Finance Limited

Key audit matter	*How the matter was addressed in our audit*
As disclosed in note E1 of the financial report, the company acquired 19.2% controlling equity interest of Westlawn Finance Limited effective 1 July 2020. The audit of the accounting for this acquisition is a key audit matter due to the significant judgment and complexity involved in accounting for the stepped-acquisition and determining the fair value of identifiable intangible assets.	Our procedures included but were not limited to: • Review of the purchase and sale agreements to understand the terms and conditions of the acquisitions and evaluating management's application of the relevant accounting standards • Evaluating the assumptions and methodology in management's determination of the fair value of assets and liabilities acquired • Obtaining a copy of the external valuation report to critically assess the determination of the fair values of the identifiable intangible assets associated with the acquisition • Engaged with BDO Corporate Finance to critically assess the assumptions in the external valuation report • Reviewed and assessed the calculations and journal entries to record the stepped acquisition of Westlawn Finance Limited for compliance with AASB 3 *Business Combinations* • Assessing the adequacy of the Group's disclosures of the acquisition

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Carrying value of intangibles

Key audit matter	*How the matter was addressed in our audit*
As required by AASB 136 *Impairment of Assets*, indefinite life intangible assets are required to be valued and assessed by Management for impairment annually. Impairment testing requires significant judgment and estimation by Management, in the determination of Cash Generating Units, forecast cash flows, growth rates and discount rates. The critical assumptions used by Management are disclosed in note B2. The assumptions and complexity of the calculations, along with the quantum of the balance, 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: • Evaluating the appropriateness of Management's identification of the Group's cash generating units. • Critically evaluating whether the models prepared by Management comply with the requirements of AASB 136 Impairment of Assets. • 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. • Assessing the competency of management's experts. • Applying a sensitivity analysis to Management's key assumptions and estimates. • We also assessed the adequacy of the Group's disclosures in relation to Goodwill and Impairment.

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Other information

The directors are responsible for the other information. The other information comprises the information in the Group's annual report for the year ended 30 June 2021, but does not include the financial report and the auditor's report thereon.

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

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

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

Responsibilities of the directors for the Financial Report

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

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

Auditor's responsibilities for the audit of the Financial Report

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

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

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

This description forms part of our auditor's report.

Report on the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in the directors' report for the year ended 30 June 2021.

In our opinion, the Remuneration Report of COG Financial Services Limited, for the year ended 30 June 2021, complies with section 300A of the *Corporations Act 2001*.

Responsibilities

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

BDO Audit Pty Ltd



Gareth Few
Director

Sydney, 1 September 2021

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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 18 August 2021.

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

Shareholder	Form Lodged	No. of ordinary shares [1]	% of Total
NAOS ASSET MANAGEMENT LIMITED	7 July 2021	50,144,423	30.23%
GEGM INVESTMENTS PTY LIMITED	7 July 2021	33,009,396	19.84%
SANDON CAPITAL INV LTD A/C	1 June 2021 [3]	95,917,445	9.20%
THORNEY OPPORTUNITIES LTD [2]	17 November 2020 [3]	136,053,453	8.27%
TIGA TRADING PTY LTD [2]	17 November 2020 [3]	136,053,453	8.27%

Distribution of equity securities
There were 110 holders of less than a marketable parcel of ordinary shares.

Range	No. of ordinary shares	%	No. of holders	%
Above 100,000	155,494,838	93.48	100	10.16
Above 10,000 up to and including 100,000	9,118,317	5.48	266	27.03
Above 5,000 up to and including 10,000	903,721	0.54	116	11.79
Above 5,000 up to and including 10,000	726,958	0.44	263	26.73
Above 0 up to and including 1,000	102,366	0.06	239	24.29
Total	**166,346,200**	**100.00**	**984**	**100.00**

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

Range	No. of options	%	No. of holders	%
Above 100,000	418,410	100.00	1	100.00
Above 10,000 up to and including 100,000	0	0.00	0	0.00
Above 5,000 up to and including 10,000	0	0.00	0	0.00
Above 5,000 up to and including 10,000	0	0.00	0	0.00
Above 0 up to and including 1,000	0	0.00	0	0.00
Total	**418,410**	**100.00**	1	**100.00**

Options do not carry the right to vote or to dividends until exercised.

(1) All information as provided by shareholder in the Substantial Shareholder lodgement notices.
(2) Relevant interest of each party noted on each other's Substantial Shareholder lodgement notices.
(3) Last Substantial Shareholder notice lodged prior to shares consolidation in July 2021.

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ASX Additional Information (continued)

Twenty largest holders of quoted equity securities

Rank	Twenty largest shareholders	A/C designation	No. of shares held	% of total
1	NATIONAL NOMINEES LIMITED		51,607,587	31.02
2	GEGM INVESTMENTS PTY LTD		29,427,474	17.69
3	UBS NOMINEES PTY LTD		13,426,190	8.07
4	ONE MANAGED INVT FUNDS LTD	<SANDON CAPITAL INV LTD A/C>	8,869,427	5.33
5	LINX HOLDINGS PTY LTD	<LINX HOLDINGS A/C>	5,736,473	3.45
6	ONE FUND SERVICES LTD	<SANDON CAPITAL ACTIVIST A/C>	5,425,286	3.26
7	CITICORP NOMINEES PTY LIMITED		3,782,315	2.27
8	C-FLAG PTY LTD		1,737,837	1.04
9	AUSTRALIAN EXECUTOR TRUSTEES LIMITED	<NO 1 ACCOUNT>	1,667,657	1.00
10	FIDUCIO PTY LTD	<LE A/C>	1,628,945	0.98
11	KAI LANI MACKEREL PTY LTD	<THE MCCULLAGH SUPER FUND A/C>	1,447,614	0.87
12	LEZAK NOMINEES PTY LTD	<LEZAK NOMINEES S/F A/C>	1,096,255	0.66
13	MATTSALL PTY LTD	<MATTSALL A/C>	1,027,500	0.62
14	WESTLAWN HOLDINGS PTY LTD		1,000,000	0.60
15	MR IAN JAMES LITSTER & MRS JASMIN ZHENG-MIN LITSTER		980,000	0.59
16	A & M CRAIN SUPER PTY LTD	<CRAIN SUPER FUND A/C>	954,783	0.57
17	MR IAN JAMES LITSTER		938,594	0.56
18	ONE MANAGED INVT FUNDS LTD	<1 A/C>	932,608	0.56
19	ACRES HOLDINGS PTY LTD	<NOEL EDWARD KAGI FAMILY A/C>	813,113	0.49
20	MARKSUE CRAIN PTY LTD	<MARKSUE CRAIN SUPER FUND A/C>	800,000	0.48
		Total	**133,299,658**	**80.13**
		Balance of register	**33,046,542**	**19.87**
		Grand total	**166,346,200**	**100.00**

Option holders greater than 20%	No. of options held	% of total
Andrew Bennett	418,410	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 12 November 2021. Further to these Listing Rules and Clause 6.3 of the Company's Constitution, nominations for election of directors at the AGM must be received not less than 40 Business Days before the meeting, being no later than Friday 17 September 2021.

Directors

Patrick Tuttle
Chairman

Bruce Hatchman
Non-executive Director (resigned 8 September 2020)

Peter Rollason
Non-executive Director (appointed 17 September 2020)

Steve White
Non-executive Director

Cameron McCullagh
Executive Director

Mark Crain
Executive Director (appointed 15 November 2019)

Chief Executive Officer

Andrew Bennett

Chief Financial Officer

John McRae

Company Secretary

David Franks

KEY DATES

Annual General Meeting Date: 12 November 2021

Registered Office

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

Share Registry

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

External Auditors

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

Securities Exchange

http://cogfs.com.au is a public company listed with the Australian Securities Exchange Limited

ASX: COG

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