

COG Financial Services Limited and its controlled entities

ABN 58 100 854 788

Appendix 4E & Preliminary Final Report

Results for announcement to the market Year ended 30 June 2022

Comparisons are to the year ended 30 June 2021

	30 June 2022 \$'000	30 June 2021 ¹ \$'000	up/down	% movement
Revenue from continuing operations	320,961	271,680	up	18%
Net profit/(loss) from continuing operations	28,550	(17,395)	up	N/A
Net profit/(loss) from continuing operations after tax, attributable to members	19,685	(26,378)	up	N/A

	30 June 2022 Cents	30 June 2021 Cents
Earnings/(loss) per share, attributable to members ²	10.92	(16.26)
	30 June 2022 \$'000	30 June 2021 \$'000
Net assets	207,615	189,661
Less: Intangible assets	(148,151)	(117,728)
Non-controlling interests	(36,669)	(37,322)
Right-of-use lease assets	(5,775)	(6,160)
Net tangible assets (NTA)	17,020	28,451
NTA per share (cents) ^{2, 3}	9.06	17.10

Commentary and explanations of the results

The financial report of the Company for the financial year ended 30 June 2022 presents the consolidated financial performance for the Group. Additional Appendix 4E disclosure requirements, commentary, and explanation of the results for the financial year are contained in the Directors' Report and the accompanying Financial Report dated 26 August 2022.

Dividends

The Board has declared a final dividend of \$9,028k (4.8 cents per fully paid ordinary share). This dividend will be paid on 21 October 2022 out of the Company's profit reserve at 30 June 2022 to all shareholders registered on the record date of 22 September 2022 and will be 100% franked. The ex-dividend date for entitlement will be 21 September 2022.

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

Notes

- (1) Prior year amounts have been reclassified to conform to the current year presentation.
- (2) (Earnings/(loss) per share, attributable to members and NTA per share are presented on a post-share consolidation basis.
- (3) The decrease in NTA per share (cents) reflects the Group's increase in participation in controlled entities during the year ended 30 June 2022, offset by the issue of new shares during the financial year, as disclosed in Note E1.
- (4) All the documents comprise the information required by listing rule 4.3A. The information should be read in conjunction with the audited 30 June 2022 annual financial report and all ASX announcements made by the Company during the year.

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Appendix 4E & Preliminary Final Report

Results for announcement to the market Year ended 30 June 2022

Dividends (continued)

The Company established a Dividend Reinvestment Plan (DRP) for its shareholders on 5 February 2020. The DRP will apply to the final dividend for the year ended 30 June 2022 and will remain in place until further notice. Participation in the DRP is optional and available to eligible shareholders of fully paid ordinary shares in the Company with a registered address in Australia or New Zealand as at the record date of 22 September 2022. Shareholders who successfully participate in the DRP for the final FY22 dividend will be issued shares at a share price determined in accordance with the DRP Rules based on the average daily volume weighted average price ("VWAP") during the period of 10 days commencing on 26 September 2022. The Board has determined that a discount of 2.5% on the Market Price will apply to new shares issued under the DRP.

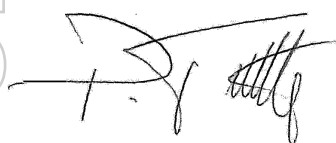
	30 June 2022 \$'000	30 June 2021 \$'000
Dividends paid or provided during the year/period		
Final 2022 fully franked ordinary dividend of 4.8 cents (2021: 6.0 cents) per fully paid ordinary share franked at the tax rate of 30% (2021: 30%)	9,028	9,981
Interim 2022 fully franked ordinary dividend of 3.5 cents (2021: 1.22 cents ¹) per fully paid ordinary share franked at the tax rate of 30% (2021: 30%)	6,527	2,007

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

¹ Adjusted to reflect the consolidation of the Company's share capital effective 1 July 2021

Changes in control and significant influence

The notes to the financial statements outline entities over whom the Group has gained control (see Note E1) or significant influence (see Note E2) during the financial year ended 30 June 2022.



Patrick Tuttle
26 August 2022



**COG Financial Services Limited
and its controlled entities**

ABN 58 100 854 788

Annual Financial Report

For the year ended 30 June 2022

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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 2022. This is my fourth 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 2022, COG has continued to successfully implement its corporate strategy of:

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

The evolving implementation of these strategies is evident in our 2022 financial performance, with underlying net profit after tax and amortisation of intangibles arising from business combinations (NPATA) attributable to COG shareholders increasing by 29% on the prior year to \$25.1m (and an increase of 41% on the prior year, ignoring government subsidies received in both years). This is a very pleasing result in view of supply chain challenges and other considerations arising from the COVID-19 pandemic.

Highlights for FY22 include:

- increase in Net Asset Finance (NAF) settled by 30% to \$6.7b, representing an estimated 21% market share¹ of broker originated NAF for commercial equipment finance;
- increase in underlying NPATA (after non-controlling interests) by 29% to \$25.1m (FY21: \$19.5m);
- declaration of a fully-franked final dividend of 4.8 cents per share (cps), which equates to an annualised total dividend yield of 5.3%;
- acquisition of an additional 24% interest in Westlawn Finance Limited (Westlawn) (now 75% owned), an additional 30% interest in Platform Consolidated Group Pty Limited (Platform) (now 100% owned) and an additional 5% interest in Linx Group Holdings Pty Limited (Linx) (now 60% owned);
- acquisition of a 70% controlling interest in Equity-One Mortgage Fund Limited (Equity-One) by Westlawn which is pivotal to the expansion of COG's suite of funds management and lending products;
- acquisition of Centrepont Finance Yeppoon by DLV (Qld) Pty Limited, a 50% owned subsidiary of COG's subsidiary QPF Holdings Pty Limited (QPF);
- acquisition of a 70% interest in Club Transport Finance Pty Limited (trading as Chevron Equipment Finance) (Chevron) by QPF on 1 July 2022;
- establishment of an alternative funding source through an unlisted Managed Investment Scheme (MIS), a scalable, capital light funding structure as compared to other non-banks;
- increase in funds under management by 189% on the prior year to of \$643m
- increase in lease and loan origination volumes (including chattel mortgages, currently offered by Westlawn and distributed through the COG broking network and other channels), with a record \$146.0m originated during FY22, an increase of 31% on the prior year;
- establishment of an acquisition finance facility of \$31.0 million with a major Australian bank;
- successful capital raise of \$20.0m via an institutional / shareholder placement;
- ongoing Management focus on cost synergies and coordinated Group support to enhance the delivery of services across COG's finance broker network; and
- continuing decisive response to the risks and challenges posed by the COVID-19 pandemic, with a core focus on employee well-being, cashflow and liquidity, cost management and customer support.

COG has rapidly built its presence through an acquisition driven strategy. From December 2015 to date, COG has acquired aggregation platforms, finance brokers, and other related lending and funds management businesses for a combined consideration of approximately \$228.7m funded by a mix of new COG shares issued (\$81.8m), cash (\$131.7m) and debt (\$15.2m).

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

¹ Derived from information contained in the Commercial & Asset Finance Brokers Association of Australia (CAFBA) Aggregator Benchmark Report 2020 and the Australian Finance Industry Association (AFIA) Annual Review FY20 and updated for actual FY22 CAPEX growth in Australia as per the Australian Bureau of Statistics (ABS).

Chairman's Letter (continued)

COG currently has an estimated market share of 21% of annual net commercial asset finance originated by finance brokers, making it Australia's largest aggregator of finance broker originated asset finance. In FY22, COG settled an aggregated \$6.7b of NAF, up 30% from \$5.2b in FY21. The asset finance broker market remains fragmented, and COG is focused on achieving a 30% market share through further targeted acquisitions and organic growth.

COG's funds management and lending business also made a significant contribution to the Group's results. Its subsidiary, Westlawn, originated a record number of new leases and loans in FY22. COG increased its ownership interest in Westlawn to 75%, and Westlawn acquired a 70% interest in Equity-One, with a view to expanding its funds management business. The ongoing development of Westlawn's business paves the way for it to become the main lender for the COG Group, via the distribution of Westlawn's lending products through COG's broker network.

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

Review of operations - Group performance

The following table provides shareholders with a summary of COG's underlying and statutory results for the year ended 30 June 2022:

Period ended 30 June	Underlying ⁽¹⁾			Statutory		
	2022	2021 ⁽⁴⁾	Change %	2022	2021 ⁽⁴⁾	Change %
Revenue ⁽²⁾	323.0	272.7	18%	321.0	271.7	18%
Finance Broking & Aggregation	274.4	229.7	19%	274.3	229.7	19%
Funds management and Lending (formerly 'Lending')	40.6	35.2	15%	41.6	35.3	18%
All Other / Intersegment	8.0	7.8	3%	5.1	6.7	-24%
EBITDA	51.3	46.8	10%	51.1	3.7	1281%
EBITDA after non-controlling interests (NCI)	36.0	29.6	22%	35.3	(13.1)	N/A
Finance Broking & Aggregation	22.9	18.8	22%	22.4	18.6	20%
Funds management and Lending (formerly 'Lending')	13.3	11.6	15%	13.8	(30.8)	N/A
All Other / Intersegment	(0.2)	(0.8)	-75%	(0.9)	(0.9)	0%
Profit after tax attributable to NCI	8.6	9.2	-7%	8.9	9.0	-1%
Profit / (loss) after tax and NCI	20.4	15.8	29%	19.7	(26.4)	N/A
NPATA ⁽³⁾ after NCI	25.1	19.5	29%	24.5	(22.7)	N/A
(-) Less government subsidies	(0.1)	(1.8)	-94%	(0.1)	(1.8)	-94%
NPATA after NCI before government subsidies	25.0	17.7	41%	24.4	(24.5)	N/A

(1) On an underlying basis excluding impairment loss (FY22: \$0.6m after tax, FY21: \$37.3m after tax), loss on deemed sale and reacquisition of investment at fair value (FY22: \$nil, FY21: \$5.0m after tax), gain from a bargain purchase (FY22: \$nil, FY21: \$0.4m after tax), transaction costs (FY22: \$0.4m after tax, FY21: \$0.1m after tax), redundancy & restructuring costs (FY22: \$0.1m after tax, FY21: \$0.2m after tax), fraud provision (FY22: \$nil, FY21: 0.2m after tax) and one-off unguaranteed residual rights recognition (FY22 \$0.7m post tax, FY21 \$nil).

(2) Underlying revenue includes share of results from associates (FY22: \$3.3m, FY21: \$1.2m) and excludes interest income (FY22: \$0.2m, FY21 \$0.2m) and one-off unguaranteed residual rights recognised during the period (FY22: \$1.0m, FY21 \$nil).

(3) Excludes amortisation of acquired intangibles of (FY22: \$4.8m after tax attributable to members, FY21: \$3.7m after tax attributable to members) in relation to intangibles recognised as part of business combinations.

(4) Amounts have been reclassified to conform with current year presentations.

The underlying results for the year ended 30 June 2022 reflect:

- Revenue of \$323.0m, an increase of 18% on the prior year;
- Earnings before interest, taxes, depreciation and amortisation (EBITDA) from core operations, and before minority interests, of \$51.3m, an increase of 10% on the prior year;
- Profit after tax, attributable to members of the Group, of \$20.4m, an increase of 29% on the prior year;
- Net profit after tax and amortisation of intangibles arising from business combinations (NPATA), attributable to members of the Group, was \$25.1m, an increase of 29% on the prior year (and an increase of 41% on the prior year, ignoring government subsidies received in both years); and
- Earnings per share adjusted for the amortisation of acquired intangibles (EPSA)¹ of 13.87 cps, an increase of 28% on the prior year (ignoring government subsidies received in both years).

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

Chairman's Letter (continued)

Depreciation and amortisation of \$12.0m is a non-cash item and increased by 5% on the prior year. This is primarily due to an increase in amortisation of acquired intangibles to \$9.1m for the period, as compared to \$8.1m in the prior year. Intangible assets recognised on the acquisition of businesses are amortised over their estimated useful life.

The Group's net asset position as at the end of the period was \$207.6m (FY21: \$189.7m).

Review of operations - Segment performance

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

Finance Broking & Aggregation (FB&A)

The Finance Broking & Aggregation segment continued to grow with the net amount financed through COG's aggregation businesses totalling \$6.7b in 2022, an increase of 30% on the prior year. The higher NAF is attributable to full year contributions from 2021 acquisitions, new 2022 acquisitions, and strong performances overall from businesses in this segment. Revenues increased by 19% to \$274.4m, inclusive of government subsidies of \$nil (\$2.8m in the prior year). EBITDA contribution attributable to COG shareholders increased by 22% to \$22.9m in 2022.

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

COG continues to pursue organic growth, as well as acquiring strategic stakes in complementary businesses that include finance broking and aggregation, insurance broking, and novated leasing. During the year ended 30 June 2022, COG acquired additional interests from minority shareholders in the existing Group-controlled entities, Platform, Westlawn, and Linx. The Group also acquired the whole business as a going concern of Centrepont Finance Yeppoon through DLV (Qld) Pty Limited, a 50% owned subsidiary of COG's subsidiary QPF.

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

In addition, an internal reorganisation occurred in relation to Centrepont Finance Pty Limited (Centrepont). The Centrepont aggregation business was transferred to Consolidated Finance Group Limited on 1 July 2021, to facilitate the centralisation of the Groups aggregation function. Effective 1 July 2021, COG also disposed of its 100% equity interest in Centrepont to Westlawn.

The Group continues to focus on improving systems and processes available to all businesses within this segment, leveraging the skills and expertise of management to enhance performance across the segment. The IT platform known as, 'BROOS', along with 'Platform Connect', have been designed to interface directly with our finance partners and will continue to support management of the sales process. A project to upgrade and integrate these platforms commenced during the year to enhance the client experience and deliver process efficiencies.

Funds Management and Lending (FM&L)

The Funds Management and Lending segment delivered revenues for the year ended 30 June 2022 of \$40.6m, up 15% on the prior year. Revenues for the year are inclusive of government subsidies of \$0.1m (\$0.6m in the prior year), as well as revenue contributions from the Equity-One acquisition of \$5.1m and the Centrepont acquisition of \$4.8m (previously reported as part of the FB&A segment). This revenue growth was partially offset by a lower revenue contribution from TL Commercial Finance Pty Limited (TLC) due to the transfer of that business to Westlawn and TLC's legacy book run-off. The segment's EBITDA contribution attributable to COG shareholders increased by 15% to \$13.3m in 2022.

Chairman's Letter (continued)

Funds Management and Lending (FM&L) (continued)

Effective 1 November 2021, the Group completed the acquisition of a further 24% interest in Westlawn, taking its total interest in that entity to 75%. The acquisition of a major 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 its 'own-brand' lending book.

On 1 March 2022, the Group also acquired a 70% controlling interest in Equity-One through its subsidiary Westlawn. Equity-One is a funds management business based in Melbourne and operates a peer to peer, contributory mortgage scheme, with funds under management of approximately \$380 million. Westlawn will utilise its branch network for product distribution to accelerate Equity-One growth.

In the second half of FY21 COG launched (through its Westlawn subsidiary) an unlisted Managed Investment Scheme, which is a scalable, capital light funding structure as compared to other non-banks and over time it is expected to become the core funding vehicle for the Group's lending business. The balance of the scheme at 30 June 2022 was \$26.4m and includes senior and subordinated issuances.

The chattel mortgage lending product, now offered through Westlawn, has been well accepted by the market with a substantial increase in volumes and will continue to be expanded, via the COG owned finance broker distribution network. New loans and leases written in FY22 totalled \$146.0m, an increase of 31% on the prior year, and includes chattel mortgage and other products previously offered by Westlawn.

TLC is currently in run-off with the total lease and loan receivables of \$31.8m as at 30 June 2022 representing the present value of lease and loan instalments and related unguaranteed residual values expected to be received over the next three to four years.

The Expected Credit Loss (ECL) provision decreased to 2.3% at 30 June 2022 from 3.1% at 30 June 2021, largely due to the volume increase of the loan portfolio, which has a lower delinquency profile than the lease product, thus diluting the Group's total loss rate. From a product perspective, the ECL for finance leases increased from 5.2% to 7.2% while the ECL rate for loans remained unchanged at 0.9%.

COG is focussing on the next steps in its strategy, being the expansion of its funds management and lending activities into mid-prime products for distribution through its finance broking network. COG has set a medium term target of funding 20% of intermediated financing completed by its broking network from COG non-prime lending products. The implementation of this strategy is underway with significant progress made during 2022.

Other

Earlypay Limited

During the financial year ended 30 June 2022, the Company acquired an additional 9,164,188 shares in Earlypay Limited (ASX: EPY) for a total consideration of \$5m, taking its total interest in EPY to 19.66%.

COG's Other segment includes the Group's share of EPY results of \$2.9m for the year ended 30 June 2022, which is inclusive of cash dividends received during FY22 of \$0.8m.

IT managed services

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

Dividend

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

Since the end of the financial year the Board declared a final dividend of \$9,028k (4.8 cps). This dividend will be paid on 21 October 2022 out of the Company's profit reserve as at 30 June 2022 to all shareholders registered on the record date of 22 September 2022 and will be fully franked. The ex-dividend date for entitlement will be 21 September 2022. The dividend will be paid out of profits appropriated to the Company's profit reserve (and not offset against accumulated losses).

Chairman's Letter (continued)

Dividend (continued)

Total dividends of 8.30 cps were declared by the Company in relation to FY22, an increase of 15% on the prior year (FY21: 7.22 cps). The dividend payout ratio of 62% of NPATA to members was maintained in FY22 (FY21: 62%).

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 2022 and will remain in place until further notice. The Board has determined that a discount of 2.5% on the Market Price will apply to new shares issued under the DRP.

Strategic Objectives

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

Our strategic objectives are to:

1. ***Establish a leading position in the asset finance broking market***

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

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

2. ***Expand in-house Lending products and operational capability***

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

3. ***Introduce and grow new sources of diversified, low cost funding***

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

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

Chairman's Letter (continued)

Director and Key Management Personnel changes

On 7 February 2022, Mark Dal Pozzo was appointed as the Group Chief Information Officer. Mark is a senior information technology professional with extensive experience in the commercial application of technology in finance, operations, marketing, and business development.

Finally, on behalf of the Board, I would like to thank our staff, partners, funders, customers, and shareholders for your continued support. It is genuinely appreciated and never taken for granted. I would also like to record my thanks to our Board of Directors and our Management team, led by our CEO, Andrew Bennett, for their tremendous passion, commitment and hard work in FY22. We remain highly focused on continuing the successful execution of the Group's strategy, managing growth, and delivering enhanced value to all key stakeholders in the year ahead.

Yours sincerely,



Patrick Tuttle

Chairman

26 August 2022

Directors' Report (continued)

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 2022.

Director details

The following persons were Directors of the Company during or since the end of the financial year:

Patrick Tuttle - Chairman

Steve White - Non-executive Director

Peter Rollason - Non-executive Director

Cameron McCullagh - Executive Director

Mark Crain - Executive Director

Directors' biographies

Patrick Tuttle

BEc (Accounting and Finance), CA

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

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

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

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

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

Steve White

M.Mngt, GAICD

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

Directors' Report (continued)

Steve White

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

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

Cameron McCullagh

FCA, B. Bus

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

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

- Other current Directorships: Hospitality Employers Mutual Limited (APRA licensed insurer)
- Previous Directorships: None
- Interest in COG shares: 37,592,800 shares

Peter Rollason

B.Sc (Hons), ACA, MAICD

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

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

Directors' Report (continued)

Peter Rollason

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

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

Mark Crain

B. International Bus, Diploma Finance & Mortgage Broking Management

- Executive Director
- Director since 2019

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

- Other Directorships: None
- Previous Directorships: None
- Interests in COG shares: 1,315,635 shares

Company Secretary

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

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

Principal activities

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

Review of operations and financial results

The financial report for the year ended 30 June 2022 presents the consolidated financial performance for the Group.

Profit after tax, attributable to members of the Group for the year ended 30 June 2022 was a profit of \$19.7m (2021: loss of \$26.4m). Earnings/(loss) per share, attributable to members from continuing operations was 10.92 cents per share (cps) for the year (2021: 16.26 loss cps).

The Group's net asset position as at the end of the financial year was \$207.6m (2021: \$189.7m).

Directors' Report (continued)

Likely developments

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

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

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

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

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

Dividends

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

For the period ended 31 December 2021, the Board declared a fully franked interim dividend of 3.5 cps (2020: 1.22 cps - post share capital consolidation). The aggregate amount of the interim dividend of \$6,527k was paid on 28 April 2022 out of the Company's profits reserve at 31 December 2021. The Company's DRP applied to the interim dividend.

Since the end of the financial year the Board has declared a final dividend of \$9,028k (4.8 cps). This dividend will be paid on 21 October 2022 out of profits appropriated to the Company's profit reserve (and not offset against accumulated losses) at 30 June 2022 to all shareholders registered on the record date of 22 September 2022 and will be 100% franked. The ex-dividend date for entitlement will be 21 September 2022.

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 2022 and will remain in place until further notice. The Board has determined that a discount of 2.5% on the Market Price will apply to new shares issued under the DRP.

Events subsequent to reporting date

Effective 1 July 2022, QPF Holdings Pty Limited (QPF) (a 57% owned subsidiary of COG) acquired a 70% controlling interest in Club Transport Finance Pty Limited (trading as Chevron Equipment Finance) (Chevron) for a total cash consideration of \$7 million. Chevron specialises in arranging asset finance for commercial clients. Its client base consists of SMEs predominantly operating in the transport and earthmoving sectors Australia wide. QPF funded the acquisition of Chevron through a \$4.2m external borrowing and a \$2.8m capital raising. In relation to the QPF capital raising, COG and other QPF minority shareholders contributed capital pro rata to their existing shareholdings and consequently the ownership interest of each QPF shareholder, post capital raise, remains unchanged. COG has funded its subscription for shares in QPF of \$1.6m through a drawdown of its acquisition finance facility.

Apart from the matter disclosed above, and the final dividend declared on 26 August 2022, no other matter or circumstance has arisen since 30 June 2022 that would materially affect the Group's reported results or would require disclosure in this report.

Directors' Report (continued)

Directors' meetings

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

Director	Board Meetings ¹		Audit and Risk Committee		Nomination and Remuneration Committee	
	A	B	A	B	A	B
Patrick Tuttle	7	7	4	4	3	3
Steve White	7	6	4	3	3	2
Cameron McCullagh	7	7	N/A	N/A	N/A	N/A
Peter Rollason	7	7	4	4	3	3
Mark Crain	7	5	N/A	N/A	N/A	N/A

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

Where:

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

Remuneration report - audited

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

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

- Principles of compensation
- Remuneration structure
- Company performance and shareholder wealth
- KMP remuneration
- KMP share and option transactions
- Service agreements
- Other KMP transactions

a. Principles of compensation

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

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

The principles of COG's executive incentive programs are:

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

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

Directors' Report (continued)

Remuneration report - audited

b. Remuneration structure

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.

The STI Scheme for Andrew Bennett (CEO) 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 2022 being \$190,000 and \$50,000, 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:

Grant date	Expiry date	Exercise price ²	Granted (Number)	Exercised (Number)	Expired/ Forfeited / Cancelled ¹ (Number)	Balance at 30 June 2022 ¹ (Number)
25 July 2018	30 June 2021	\$1.05	685,714	-	(685,714)	-
25 July 2019	30 June 2022	\$1.05	322,581	-	(322,581)	-
23 December 2020	30 June 2023	\$0.49	418,410	-	-	418,410
Total			1,426,705	-	(1,008,295)	418,410

(1) At an Extraordinary General Meeting (EGM) held on 30 June 2021, shareholders approved the consolidation of the Company's issued share capital (every 10 shares and every 10 options were consolidated into one share and one option, respectively), effective 1 July 2021, and the cancellation of 685,714 and 322,581 unlisted options issued to Andrew Bennett in exchange for payments to him of \$127,081 and \$100,000, respectively. The remaining 418,410 options will lapse if not exercised on the earlier of the date of termination of Andrew Bennett's employment, and the date three years subsequent to the option grant date.

(2) On a post share consolidation basis.

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

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

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

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

Directors' Report (continued)

Remuneration report - audited

b. Remuneration structure

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

FY21 long-term incentive:

Andrew Bennett's allocation and associated vesting conditions under the LTI Plan are as follows:

- (a) Tranche 1: 102,814 performance rights, convertible into 102,814 ordinary shares upon vesting, with 40% vesting on being employed at 30 June 2021 and 60% vesting on being employed and achieving normalised earnings per share (EPS) Compound Annual Growth Rate (CAGR) on 30 June 2021;
- (b) Tranche 2: 102,814 performance rights, convertible into 102,814 ordinary shares upon vesting, with 40% vesting on being employed at 30 June 2022 and 60% vesting on being employed and achieving normalised EPS Compound Annual Growth Rate (CAGR) on 30 June 2022;
- (c) Tranche 3: 102,814 performance rights, convertible into 102,814 ordinary shares upon vesting, with 40% vesting on being employed at 30 June 2023 and 60% vesting on being employed and achieving normalised EPS Compound Annual Growth Rate (CAGR) on 30 June 2023;

The vesting conditions:

- reflect the following CAGR requirements:

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

- will be assessed no later than 15 September each year; and
- where vesting conditions of Tranche 1 or Tranche 2 are not met, the performance rights will roll forward to the next Tranche.

Tranche 1 has been assessed by the Board as meeting the vesting requirements as Andrew Bennett was employed at vesting date and the Company achieved a normalised EPS CAGR for the year ended 30 June 2021 of 177%. Therefore, 102,814 shares were issued to Andrew Bennett on 11 August 2022 in lieu of Tranche 1.

FY22 long-term incentive:

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

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

Non-executive Director remuneration

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

Directors' Report (continued)

Remuneration report - audited

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

	1 July 2021 to 30 June 2022 ¹
	\$
Base fees	
Chairman	150,000
Other directors	75,000
Additional fees	
Audit & Risk Committee and Remuneration Committee - Chairman	10,000

(1) Annualised

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

Target remuneration structure

The table below represents the target remuneration mix for KMP as at 30 June 2022.

	Fixed remuneration %	Variable remuneration short-term %	Variable remuneration long-term %
Executive Directors			
Cameron McCullagh - Executive Director	100%	nil	nil
Mark Crain - Executive Director	70%	30%	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	41%	16%	43%
John McRae - Group Chief Financial Officer	87%	13%	nil

Directors' Report (continued)

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:

	2022 ¹	2021 ¹	2020 ¹	2019 ^{1, 2}	2018 ^{1, 2}
Net profit/(loss) after tax (\$'000)	19,685	(26,378)	(10,046)	4,300	3,833
Dividends declared (cps) ²	4.8	6.0	1.52	-	-
Share price at 30 June (\$) ²	1.58	1.35	0.56	0.96	1.00
EPS (cps) ²	10.92	(16.26)	(6.83)	3.23	3.68
Total KMP Remuneration (\$'000)	2,382	2,122	1,536	1,646	1,564

(1) COG's financial performance in 2022 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 2022 results are therefore not directly comparable to prior years.

(2) On a post share consolidation basis.

Directors' Report (continued)

Remuneration report - audited

d. Key Management Personnel remuneration

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

		Fixed remuneration ¹ \$	Short-term benefits STI cash bonus \$	Non-cash benefits \$	Post- employment benefits ¹ \$	Other long- term benefits ² \$	Share-based payments (equity) \$	Total \$	Performance based remuneration %
Executive Directors									
Cameron McCullagh	2022	68,182	-	-	6,818	1,030	-	76,030	0.0%
	2021	65,483	-	-	5,482	944	-	71,909	0.0%
Mark Crain	2022	269,069	87,511	-	33,699	5,195	-	395,474	22.1%
	2021	267,906	101,054	-	35,026	4,228	-	408,214	24.8%
Non-executive Directors ³									
Patrick Tuttle	2022	145,454	-	-	14,545	-	-	159,999	0.0%
	2021	142,978	-	-	13,583	-	-	156,561	0.0%
Steve White	2022	68,182	-	-	6,818	-	-	75,000	0.0%
	2021	62,329	-	-	5,921	-	-	68,250	0.0%
Peter Rollason	2022	77,273	-	-	7,727	-	-	85,000	0.0%
	2021	54,004	-	-	5,130	-	-	59,134	0.0%
Senior executives									
Andrew Bennett ⁴	2022	483,685	190,000	1,299	21,000	6,977	497,620	1,200,581	57.3%
	2021	459,759	190,000	749	21,347	5,931	227,081	904,867	46.1%
John McRae	2022	309,277	50,000	-	27,500	3,317	-	390,094	12.8%
	2021	337,219	75,000	-	25,000	2,723	-	439,942	17.0%
Former KMP									
Bruce Hatchman ⁵	2021	12,100	-	-	1,150	-	-	13,250	0.0%
Total	2022	1,421,122	327,511	1,299	118,107	16,519	497,620	2,382,178	34.6%
Total	2021	1,401,778	366,054	749	112,639	13,826	227,081	2,122,127	28.0%

(1) Post-employment benefits are wholly comprised of superannuation.

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

(3) Total remuneration paid to COG Non-executive Directors in FY2022 amounts to \$319,999 and is within the cap of \$400,000 per annum.

(4) Share-based payments in FY2022 reflects the grant of FY2021 long-term incentive, as announced on ASX on 11 August 2022, calculated on a pro-rata basis with reference to the respective service (vesting) periods.

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

Directors' Report (continued)

Remuneration report - audited

e. Key Management Personnel share and option transactions

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

Number of shares	1 July 2021	On market purchase	KMP change ¹	30 June 2021 ²	On market purchase	On market sale	KMP change ¹	30 June 2022
Executive Directors								
Cameron McCullagh	29,648,446	3,360,949	-	33,009,395	5,471,204	(887,799)	-	37,592,800
Mark Crain	1,315,635	-	-	1,315,635	-	-	-	1,315,635
Non-executive Directors								
Patrick Tuttle	265,005	-	-	265,005	-	-	-	265,005
Steve White	375,708	-	-	375,708	-	(5,833)	-	369,875
Peter Rollason	-	-	-	-	-	-	-	-
Senior Management								
Andrew Bennett	70,000	-	-	70,000	4,982	-	-	74,982
John McRae	-	-	-	-	-	-	-	-
Former KMPs								
Bruce Hatchman	72,917	-	(72,917)	-	-	-	-	-
	31,747,711	3,360,949	(72,917)	35,035,743	5,476,186	(893,632)	-	39,618,297

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

(2) On a post share consolidation basis.

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).

There were no shares issued on the exercise of options granted as remuneration during the financial year (2021: nil).

Directors' Report (continued)

Remuneration report - audited

f. Service agreements

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

Name	Fixed Remuneration per annum ¹	Term of agreement	Notice period ²	Termination payment ³
Cameron McCullagh	\$75,000	No set term	12 weeks	12 weeks
Mark Crain	\$223,568	No set term	2 months	2 months
Andrew Bennett ⁵	\$475,000	No set term	3 months	3 months ⁴
John McRae	\$323,568	No set term	3 months	3 months ⁴

(1) Fixed Remuneration includes statutory superannuation contributions

(2) Notice periods are consistent for both COG personnel and the KMP

(3) Termination payment in lieu of notice period is calculated as a proportion of the KMP's fixed remuneration. Summary termination with no payment is enforceable for gross misconduct or gross negligence

(4) In the event of redundancy due to a take-over or merger of COG, a severance package of 12 months base salary including notice period and any redundancy entitlements will apply

(5) Effective 1 July 2022, Andrew Bennett's fixed annual remuneration has been increased to \$500,000, inclusive of superannuation contributions.

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

f. Other Key Management Personnel transactions

Indemnification for vendor program losses

During the 2019 and 2018 financial years TL Commercial Finance undertook a number of transactions with an equipment finance vendor program partner. During the 2019 financial year the vendor partner entered into voluntary liquidation. While the Group considered the underlying lease arrangements with lessees introduced as part of the program were enforceable the Group took the action to settle these lessee obligations for a lower value than its contractual rights. Cameron McCullagh, one of the Group's Executive Directors, chose to indemnify the Group for the majority of this loss. As part of this indemnification Cameron McCullagh paid an amount of \$1,023,160 to the Group to offset the net cash loss incurred by the Group. During the 2022 financial year an amount of \$68,233 (FY21: \$125,692) was recovered and subsequently repaid to Cameron McCullagh.

End of audited remuneration report.

Directors' Report (continued)

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 and officers which indemnify them to the extent permitted by Sections 199A, 199B and 199C of the *Corporations Act 2001*.

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

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

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

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

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

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 24 of this financial report and forms part of this Directors' Report.

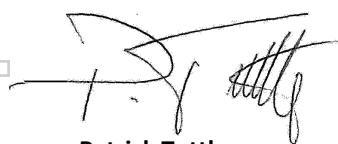
Proceedings on behalf of COG

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.

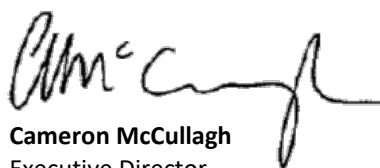
Rounding of amounts

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 26 August 2022.



Patrick Tuttle
Chairman



Cameron McCullagh
Executive Director

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

As lead auditor of COG Financial Services Limited for the year ended 30 June 2022, I declare that, to the best of my knowledge and belief, there have been:

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

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

A handwritten signature in black ink, appearing to read 'Tim Aman'.

Tim Aman
Director

BDO Audit Pty Ltd

Sydney, 26 August 2022

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 2022 is dated 26 August 2022 and was approved by the Board on that date. The Corporate Governance Statement is available on COG's website at www.cogfs.com.au.

For personal use only

Consolidated Statement of Comprehensive Income

For the year ended 30 June 2022

	Notes	2022 \$'000	2021 \$'000
Revenue from continuing operations	A2	320,961	271,680
Cost of sales		(74,241)	(68,754)
Commissions paid		(129,188)	(95,395)
Employee benefits expense	A3	(49,507)	(42,272)
Administration expenses		(12,952)	(10,903)
Occupancy expenses		(1,292)	(1,634)
Finance costs	A4.1	(607)	(1,050)
Funding costs (Funds Management and Lending)	A4.2	(4,358)	(7,018)
Depreciation and amortisation		(11,958)	(11,360)
Acquisition-related expenses		(483)	(163)
Impairment	B1,B2	(583)	(37,767)
Loss on deemed sale & reacquisition of investment at fair value		-	(4,590)
Other expenses		(339)	(488)
Share of results from associates	E2	3,285	1,223
Profit/(loss) before income tax		38,738	(8,491)
Income tax expense	A5.1	(10,188)	(8,904)
Profit/(loss) after tax for the year		28,550	(17,395)
Other comprehensive income/(loss):			
<i>Items that may be reclassified subsequently to the statement of profit or loss:</i>			
Gain on the revaluation of land and buildings, net of tax		427	-
Gain on the revaluation of equity instruments at FVOCI, net of tax		15	5,677
Total comprehensive income/(loss) for the year		28,992	(11,718)
Profit/(loss) after tax attributable to:			
Members of COG Financial Services Limited		19,685	(26,378)
Non-controlling interests		8,865	8,983
Total profit/(loss) after tax for the year		28,550	(17,395)
Total comprehensive income/(loss) attributable to:			
Members of COG Financial Services Limited		20,016	(21,775)
Non-controlling interests		8,976	10,057
Total comprehensive income/(loss) for the year		28,992	(11,718)
Basic earnings/(loss) per share from continuing operations, attributable to members (cents) ¹	A6	10.92	(16.26)
Diluted earnings/(loss) per share from continuing operations, attributable to members (cents) ¹	A6	10.91	(16.26)

¹ On a post share consolidation basis

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

Consolidated Statement of Financial Position

As at 30 June 2022

	Notes	2022 \$'000	2021 \$'000
Assets			
Current			
Cash and cash equivalents	A7	76,107	94,514
Trade and other receivables	C1	18,861	18,175
Contract assets	C3	2,881	2,787
Financial assets - lease receivables	D1	20,323	42,463
Financial assets - loans	D2	52,968	46,377
Other financial assets	C4	1,835	1,334
Inventories		288	72
Total current assets		173,263	205,722
Non-current			
Contract assets	C3	7,897	7,085
Financial assets - lease receivables	D1	27,175	50,576
Financial assets - loans	D2	114,766	52,543
Other financial assets	C4	7,230	10,835
Financial assets at fair value through other comprehensive income	E6	171	908
Equity accounted associates	E2	25,588	18,404
Property, plant and equipment		8,208	6,729
Intangible assets	B1	148,151	117,728
Right-of-use lease assets	B3	5,775	6,160
Total non-current assets		344,961	270,968
Total assets		518,224	476,690
Liabilities			
Current			
Trade and other payables	C2	32,195	27,416
Customer salary packaging liability		6,338	6,800
Interest bearing liabilities	D3	195,717	183,473
Current tax liabilities		5,103	7,432
Provisions		7,857	6,640
Other liabilities		283	327
Lease liabilities	D5	1,787	1,495
Total current liabilities		249,280	233,583
Non-current			
Trade and other payables	C2	1,888	2,915
Interest bearing liabilities	D3	41,179	35,704
Deferred tax liabilities	A5.2	12,326	8,438
Lease liabilities	D5	4,590	5,269
Provisions		1,346	1,120
Total non-current liabilities		61,329	53,446
Total liabilities		310,609	287,029
Net assets		207,615	189,661
Equity			
Share capital	E3	275,512	247,315
Accumulated losses		(117,793)	(117,793)
Reserves	E3.3	13,227	22,817
Non-controlling interests		36,669	37,322
Total equity		207,615	189,661

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

Consolidated Statement of Changes in Equity

For the year ended 30 June 2022

Notes	Share capital \$'000	Accumulated losses \$'000	Reserves \$'000	Non-controlling interests \$'000	Total equity \$'000
Balance at 1 July 2021	247,315	(117,793)	22,817	37,322	189,661
Net profit for the year, after tax	-	-	19,685	8,865	28,550
Gain on the revaluation of land and buildings, net of tax	-	-	320	107	427
Gain on the revaluation of equity instruments at FVOCI, net of tax	-	-	11	4	15
Total comprehensive income for the year	-	-	20,016	8,976	28,992
Transactions with owners:					
Share based payment expense	-	-	26	-	26
Disposal of part interest in subsidiary	-	-	734	246	980
Non-controlling interests acquired	-	-	(13,858)	(13,114)	(26,972)
Non-controlling interest recognised through business combinations	-	-	-	10,874	10,874
Non-controlling interest acquisition contribution	-	-	-	107	107
Dividends	-	-	(16,508)	(7,742)	(24,250)
Issue of share capital	29,025	-	-	-	29,025
Costs of raising capital, net of tax	(828)	-	-	-	(828)
Balance at 30 June 2022	275,512	(117,793)	13,227	36,669	207,615
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	247,315	(117,793)	22,817	37,322	189,661

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 2022

	Notes	2022 \$'000	2021 \$'000
Cash flows from operating activities			
Receipts from customers		519,439	456,036
Payments to suppliers and employees		(292,427)	(250,376)
Dividends received		970	735
Finance costs paid		(5,373)	(8,285)
Income taxes paid		(14,415)	(7,260)
Net cash inflow from operating activities	A7	208,194	190,850
Cash flows from investing activities			
Net cash (outflow)/inflow on acquisitions, net of cash acquired		(47,569)	33,024
Net cash (outflow) on investment in associates		(5,035)	-
Payments for deferred consideration		(197)	(3,370)
Payments for equipment - finance leases		(5,633)	(760)
Loans advanced		(146,298)	(111,459)
Payments for property, plant and equipment		(1,756)	(1,765)
Payments for intangible assets		(707)	(1,135)
Payments for investments		(1,847)	-
Proceeds from sale of treasury shares		-	4,996
Proceeds from sale of property, plant and equipment and investments		6,495	3,854
Loan repayments received		506	308
Net cash (outflow) from investing activities		(202,041)	(76,307)
Cash flows from financing activities			
Proceeds from issue of shares		29,025	6,315
Costs of raising capital		(828)	(179)
Proceeds from interest bearing liabilities		7,500	5,000
Repayments of interest bearing liabilities		(33,977)	(50,469)
Repayment of lease liabilities - right-of-use lease assets		(2,137)	(2,169)
Dividends paid		(16,508)	(4,396)
Dividends paid by subsidiaries to non-controlling interests		(7,742)	(10,024)
Non-controlling interest acquisition contribution		107	1,202
Net cash (outflow) from financing activities		(24,560)	(54,720)
Net (decrease)/increase in cash and cash equivalents		(18,407)	59,823
Cash and cash equivalents, beginning of the financial year		94,514	34,691
Cash and cash equivalents, end of the financial year	A7	76,107	94,514
Non-cash investing and financing activities:			
Scrip consideration issued for acquisitions of investments		-	560

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

Preface to the Notes to the Financial Statements

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

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

The financial statements have been approved and authorised for issue by the Board of Directors on 26 August 2022.

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 2022 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 2022 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 of prior year balances

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

- Consolidated Statement of Comprehensive Income
- Consolidated Statement of Cash Flows
- A1 Operating segments
- A2 Revenue
- A4 Finance costs
- A5 Taxation
- A7 Reconciliation of cash flows from operating activities
- D3 Interest bearing liabilities
- F2 Financial risk management

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 2022, the Group's current assets of \$173,263k are \$76,017k lower than current liabilities of \$249,280k due to COG's subsidiary Westlawn Finance Limited (Westlawn), which funds a substantial part of its operations through the issue of short-term unsecured notes. Whilst the carrying value of those notes has been presented in the balance sheet in accordance with their maturity profile, historically there has been a consistently high reinvestment rate by investors, who choose not to withdraw their funds at the maturity of the note term, and roll their funds into a new unsecured note. On this basis, the mismatch between current assets and current liabilities is not indicative of any going concern or liquidity issue.

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

A - Financial Performance

A1 OPERATING SEGMENTS

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

The Group's reportable segments are as follows:

- *Finance Broking and Aggregation* activities comprise business units focused on the aggregation of broker volumes to maximise profitability through scale, and finance broking focused on a range of finance products and asset types;
- *Funds Management and Lending* activities are focused on the management of investment funds and providing financing arrangements to commercial customers for essential business assets; and
- *All Other / Intersegment* activities, which include: (i) managed IT services provided by Hal Group Pty Limited, (ii) equity investment of 19.66% in the associate Earlypay Limited, and (iii) corporate office function provided by the ultimate parent entity.

	Finance Broking and Aggregation \$'000	Funds Management and Lending ¹ \$'000	All Other / Intersegment \$'000	Total \$'000
30 June 2022				
Revenue ²	274,366	40,655	8,003	323,024
Underlying EBITDA from core operations ³	34,772	16,771	(233)	51,310
Impairment	(498)	(85)	-	(583)
One-off unguaranteed residual rights recognition	-	1,040	-	1,040
Acquisition related expenses	(13)	(4)	(466)	(483)
Redundancy and restructuring costs	-	-	(163)	(163)
Statutory EBITDA from core operations	34,261	17,722	(862)	51,121
Interest income				182
Depreciation and amortisation				(11,958)
Finance costs				(607)
Profit before tax				38,738
Income tax expense				(10,188)
Profit after tax				28,550
Non-controlling interests				(8,865)
Profit after tax, attributable to members				19,685
	Finance Broking and Aggregation \$'000	Funds Management and Lending ¹ \$'000	All Other / Intersegment \$'000	Total \$'000
30 June 2021⁴				
Revenue ²	229,729	35,235	7,760	272,724
Underlying EBITDA from core operations ³	31,814	15,813	(797)	46,830
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)
Acquisition related expenses	(157)	-	(6)	(163)
Redundancy and restructuring costs	(149)	(37)	(80)	(266)
Statutory EBITDA from core operations	31,508	(26,870)	(898)	3,740
Interest income				179
Depreciation and amortisation				(11,360)
Finance costs				(1,050)
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)

(1) Funds Management and Lending (formerly the 'Lending' segment) includes Westlawn Finance Limited.

(2) Revenue includes share of results from associates (FY22: \$3,285k, FY21: \$1,223k) and excludes interest income (FY22: \$182k, FY21 \$179k) and one-off unguaranteed residual rights recognised during the period (FY22: \$1,040k, FY21 \$nil).

(3) Excludes non-recurring items.

(4) Amounts have been reclassified to conform to the current year presentation as follows: (i) 'Dividend income', 'Interest income' & 'Funding costs' pertaining to the 'Funds Management and Lending' business, and 'Share of results from associates' have been moved above the 'Underlying EBITDA from core operations'; and (ii) 'Acquisition-related expenses' have been moved above the 'Statutory EBITDA from core operations'.

A - Financial Performance (continued)

A2 REVENUE

Key judgement - Trail commissions

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

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

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

	2022 \$'000	2021 \$'000
Commission, trail, fee, and volume bonus income	213,243	162,620
Sale of goods	79,076	74,291
Finance lease income	12,394	19,807
Finance income - loans	8,840	6,531
Interest income	182	179
Government grants	189	3,911
Dividend income	4	735
Other operating revenue	7,033	3,606
	320,961	271,680

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 depicts 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.

A - Financial Performance (continued)

A2 REVENUE

Accounting policy

Revenue recognition

Commission, fee, and volume bonus income

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

Trail income

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

Sale of goods

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

Government grants

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

Finance lease income

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

Dividend income

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

A3 EMPLOYEE BENEFITS EXPENSE

	Note	2022 \$'000	2021 \$'000
Salaries and wages expense		41,222	35,297
Superannuation expense		4,209	3,433
Equity-settled share-based payments expense	A3.1	26	167
Payroll tax		2,249	1,876
Other employee benefits expense		1,801	1,499
		49,507	42,272

A - Financial Performance (continued)

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 2018. These share options, which were issued as part of Andrew Bennett's remuneration package, entitle him to acquire one share in COG at the option strike price at any time between the grant and expiry dates, as set out below:

Grant date	Expiry date	Exercise price ²	Granted (Number)	Exercised (Number)	Expired/ Forfeited / Cancelled ¹ (Number)	Balance at 30 June 2022 ¹ (Number)
25 July 2018	30 June 2021	\$1.05	685,714	-	(685,714)	-
25 July 2019	30 June 2022	\$1.05	322,581	-	(322,581)	-
23 December 2020	30 June 2023	\$0.49	418,410	-	-	418,410
Total			1,426,705	-	(1,008,295)	418,410

(1) At an Extraordinary General Meeting (EGM) held on 30 June 2021, the shareholders approved the consolidation of the Company's issued share capital (every 10 shares and every 10 options were consolidated into one share and one option, respectively), effective 1 July 2021, and the cancellation of 685,714 and 322,581 unlisted options issued to Andrew Bennett in exchange for payments to him of \$127,081 and \$100,000, respectively. The remaining 418,410 options will lapse if not exercised on the earlier of the date of termination of Andrew Bennett's employment, and the date three years subsequent to the option grant date.

(2) On a post share consolidation basis.

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

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

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

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

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

FY21 long-term incentive:

Andrew Bennett's allocation and associated vesting conditions under the LTI Plan are as follows:

- Tranche 1: 102,814 performance rights, convertible into 102,814 ordinary shares upon vesting, with 40% vesting on being employed at 30 June 2021 and 60% vesting on being employed and achieving normalised earnings per share (EPS) Compound Annual Growth Rate (CAGR) on 30 June 2021;
- Tranche 2: 102,814 performance rights, convertible into 102,814 ordinary shares upon vesting, with 40% vesting on being employed at 30 June 2022 and 60% vesting on being employed and achieving normalised EPS Compound Annual Growth Rate (CAGR) on 30 June 2022;
- Tranche 3: 102,814 performance rights, convertible into 102,814 ordinary shares upon vesting, with 40% vesting on being employed at 30 June 2023 and 60% vesting on being employed and achieving normalised EPS Compound Annual Growth Rate (CAGR) on 30 June 2023;

A - Financial Performance (continued)

A3.1 SHARE BASED PAYMENTS

In respect of the vesting conditions:

- these will be assessed no later than 15 September of the subject year end;
- where vesting conditions of Tranche 1 or Tranche 2 are not met, the performance rights roll forward to the next Tranche; and
- CAGR requirements are:

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

Tranche 1 has been assessed by the Board as meeting the vesting requirements as Andrew Bennett was employed at vesting date and the Company achieved a normalised EPS CAGR for the year ended 30 June 2021 of 177%. Therefore, 102,814 shares were issued to Andrew Bennett on 11 August 2022 in lieu of Tranche 1.

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

FY22 long-term incentive:

The Board has awarded 100% of the maximum entitlement, being \$237,500 and subject to a 3-year vesting period, on similar terms to the ones described above.

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

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.

A - Financial Performance (continued)

A4 FINANCE & FUNDING COSTS

A4.1 FINANCE COSTS

	2022 \$'000	2021 \$'000
Interest on corporate facility	61	530
Other finance costs	546	520
	607	1,050

The Group's finance costs include:

- *Interest expense on corporate facility*; 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.

A4.2 FUNDING COSTS (FUNDS MANAGEMENT AND LENDING)

	2022 \$'000	2021 \$'000
Interest on finance lease and loans portfolios	4,358	7,018
	4,358	7,018

The Group's funding costs include:

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

A - Financial Performance (continued)

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 2022 the Group had a deferred tax asset of \$6k recognised in relation to historical tax losses (2021: \$76k). 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 2022 the Group had \$6,626k of gross unrecognised tax losses (\$1,988k tax effected), (2021: \$9,433k of gross unrecognised tax losses (\$2,830k 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:

	2022 \$'000	2021 \$'000
Accounting profit/(loss) before income tax	38,738	(8,491)
Prima facie tax payable on profit/(loss) before income tax at 30% (2021: 30%)	11,621	(2,547)
<i>Add/(deduct):</i>		
Impairment expense	1	10,990
Loss on deemed sale & reacquisition of investment at fair value	-	1,147
Gain from a bargain purchase	-	(110)
Franking credits applied	(7,542)	(7,094)
Other non-deductible expenses	148	633
Other assessable income	7,177	6,742
(Over)/under provision from prior years	(280)	25
Allowable deduction for capital raising costs recognised in equity	(95)	(144)
Utilisation of tax losses not previously brought to account	(842)	(737)
Other items	-	(1)
	10,188	8,904

A5.2 DEFERRED TAX LIABILITIES

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

	2022 \$'000	2021 \$'000
Property, plant, and equipment	(6)	14
Lease receivables	(2,758)	(4,436)
Loans	(653)	2,108
Contract assets	(4,333)	(4,197)
Intangible assets	(12,290)	(10,329)
Employee benefits	2,355	2,322
Tax losses	6	76
Other items	5,353	6,004
	(12,326)	(8,438)

A - Financial Performance (continued)

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.

	2022	2021
Profit/(loss) after income tax, attributable to members (\$'000)	19,685	(26,378)
Basic earnings/(loss) per share (cents) ¹	10.92	(16.26)
Diluted earnings/(loss) per share (cents) ¹	10.91	(16.26)
Weighted average number of ordinary shares outstanding during the year used in calculating basic and diluted earnings per share ('000) ¹	180,223	162,272
Closing number of ordinary shares on issue at the end of the year ('000) ¹	187,911	166,346

¹ On a post share consolidation basis

A - Financial Performance (continued)

A6 EARNINGS PER SHARE

Except for the options issued to Andrew Bennett, there are no other outstanding securities that if they were able to be exercised by the holders as at 30 June 2022 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

	2022 \$'000	2021 \$'000
Profit/(loss) from ordinary activities after income tax	19,685	(26,378)
<i>Adjustments for non-cash items included in profit or loss:</i>		
Depreciation and amortisation	11,958	11,360
Impairment	583	37,767
Loss on deemed sale & reacquisition of investment at fair value	-	4,590
Share based payment	(26)	60
Share consideration	-	(560)
Profit on sale of property, plant and equipment	(410)	-
Share of equity accounted results (adjusted for dividend received)	3,438	1,318
Profit after tax attributable to non-controlling interests	8,865	8,983
Finance lease income - unguaranteed secondary income	(2,869)	(1,889)
<i>Changes in assets and liabilities:</i>		
Movement in trade and other receivables	(247)	421
Movement in contract assets	(906)	(768)
Movement in other financial assets	3,889	2,379
Movement in inventories	216	21
Movement in trade and other payables	4,863	9,429
Movement in current and deferred tax liabilities	(4,018)	1,486
Movement in other liabilities	2,023	1,276
Movement in provisions	(1,333)	(677)
Movement in financial assets - lease receivables	58,093	19,438
Movement in financial assets - loans	104,390	122,594
Net cash inflow from operating activities	208,194	190,850

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 \$11,759k (2021: \$10,549k) which are funds held by the Group on behalf of its novated leasing customers, and insurance broking trust accounts (representing the unpaid insurance premiums due to insurers and refunds due to customers) and are not available for general use.

Financial exposures - Credit risk

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

B - Intangibles and Lease Assets

B1 INTANGIBLE ASSETS

Reconciliation of carrying amount

Carrying amount	Goodwill \$'000	Software \$'000	Customer relationships \$'000	Supplier agreements \$'000	Other \$'000	Total \$'000
Balance at 1 July 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
Balance at 1 July 2021	82,090	1,449	26,457	6,868	864	117,728
Acquisition through business combinations	20,508	49	17,151	-	1,388	39,096
Additions	-	707	-	-	-	707
Disposals	-	-	-	-	-	-
Impairment	-	-	-	-	-	-
Amortisation	-	(637)	(7,066)	(1,551)	(126)	(9,380)
Balance at 30 June 2022	102,598	1,568	36,542	5,317	2,126	148,151

Accounting policy

Goodwill

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

Other intangible assets

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

Impairment

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

Amortisation

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

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

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

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

B - Intangibles and Lease Assets (continued)

B2 IMPAIRMENT OF INTANGIBLE ASSETS

Key judgement - Impairment

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

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

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

Impairment testing is complex and involves the following key judgements:

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

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

Goodwill is allocated to the following CGUs at 30 June 2022:

	2022 \$'000	2021 \$'000
Cash Generating Unit		
Finance Broking and Aggregation	82,575	82,090
Funds Management and Lending	20,023	-
	102,598	82,090

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 2022.
- EBITDA multiples ranging from 9.0x to 9.5x for arms-length transactions of businesses of similar size and nature to the CGU within recent financial periods (based on information provided by external experts).

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.

Funds Management and Lending segment CGU

The value of goodwill for the Funds Management and Lending CGU relates to goodwill recognised on a provisional basis in relation to the acquisition of Equity-One Mortgage Fund Limited (Equity-One) by the Group's subsidiary Westlawn, effective 1 March 2022.

During the year ended 30 June 2022, the Group has an impairment expense relating to the write down of \$0.1m in corporate bonds and write-off of \$0.5m in trail commission receivables due to a financier contract renegotiation.

B - Intangibles and Lease Assets (continued)

B3 RIGHT-OF-USE LEASE ASSETS

	2022 \$'000	2021 \$'000
Right-of-use lease assets - at cost	10,583	9,723
Less: Accumulated depreciation	(4,808)	(3,563)
Net carrying amount	5,775	6,160

Reconciliation of carrying amount

Carrying amount	Office premises \$'000	Motor Vehicles \$'000	Total \$'000
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
Balance at 1 July 2021	6,048	112	6,160
Additions	1,322	55	1,377
Disposals	(267)	(68)	(335)
Depreciation	(1,413)	(14)	(1,427)
Balance at 30 June 2022	5,690	85	5,775

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.

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.

	2022 \$'000	2021 \$'000
Current		
Terminated lease receivable	13,091	18,390
Less: Allowance for doubtful debts	(9,390)	(11,620)
	3,701	6,770
 Trade receivables	4,261	6,562
Less: Allowance for doubtful debts	(18)	(199)
	4,243	6,363
 Accrued income and other debtors	10,925	5,208
 Other receivables	323	70
Provision for clawbacks	(331)	(236)
	18,861	18,175

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:

	2022 \$'000	2021 \$'000
Trade receivables		
Neither past due nor impaired	2,097	6,076
Past due 1 - 30 days	1,110	405
Past due 31 - 90 days	408	26
Past due 91 - 120 days	167	5
Past due 121+ days	479	50
Total	4,261	6,562

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 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
Terminated and provided for during the year less write-offs	(181)	(2,230)	95
Balance at 30 June 2022	18	9,390	331

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

	2022 \$'000	2021 \$'000
Current		
Trade payables	10,864	8,924
Deferred consideration ¹	247	746
Salaries and bonuses	1,762	1,342
GST and other taxes	4,346	5,046
Other payables and accruals	14,976	11,358
	32,195	27,416
Non-current		
Trade payables	140	337
Deferred consideration ¹	285	-
GST and other taxes	1,463	2,578
	1,888	2,915

- (1) Deferred consideration relates to the purchase of Centrepoin Finance Yeppoon by DLV (Qld) Pty Limited (COG's indirect subsidiary) on 1 July 2021 (\$294k) and purchase of a 5% interest in Linx Group Holdings Pty Limited from non-controlling shareholders on 1 April 2022 (\$238k) (2021: relates to the purchase of a 5.6% interest in QPF Holdings Pty Limited from non-controlling shareholders on 30 June 2019, and was 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.

C - Working Capital (continued)

C3 CONTRACT ASSETS

Key judgement - Contract asset (trail commissions)

See key judgment in A2.

	2022 \$	2021 \$
Current		
Trail receivable	2,881	2,787
	2,881	2,787
Non-current		
Trail receivable	7,897	7,085
	7,897	7,085

Accounting policy

See Accounting policy in Note A2.

C4 OTHER FINANCIAL ASSETS

	2022 \$'000	2021 \$'000
Corporate bonds - at amortised cost	1,420	767
Less: Provision for impairment	(1,097)	(110)
	323	657
Investments - at amortised cost ¹	5,347	7,500
Others	3,395	4,012
	9,065	12,169
Current	1,835	1,334
Non-current	7,230	10,835
	9,065	12,169

¹ Investment in unlisted notes

Reconciliation of carrying amount

Balance at 1 July	12,169	4,531
Additions	1,642	9,012
Disposals	(4,506)	(1,222)
Amortisation of corporate bonds	(6)	(42)
Impairment of asset	(187)	(110)
Write-off	(47)	-
Balance at 30 June	9,065	12,169

Accounting policy

See Accounting policy in Note D4.

D - Financial Instruments

D1 FINANCIAL ASSETS - LEASE RECEIVABLES

Key judgement - Secondary income

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

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

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

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

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

Key judgement - Expected credit loss provision

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

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

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

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

D - Financial Instruments (continued)

D1 FINANCIAL ASSETS - LEASE RECEIVABLES

Key judgement - Expected credit loss provision

Key inputs to the ECL provision calculation for 30 June 2022 that reflect some level of variation on the criteria adopted in the previous year include:

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

As at 30 June 2022 the ECL provision represents 7.2% (2021: 5.2%) of gross finance lease receivables.

Finance lease receivables are comprised as follows:

	2022 \$'000	2021 \$'000
Current	20,323	42,463
Non-current	27,175	50,576
	47,498	93,039

Gross investment in finance lease receivables:

Less than one year	14,847	42,829
Between one and five years	26,952	47,172
Unguaranteed secondary income	11,727	16,746
Gross investment	53,526	106,747
Unearned finance income	(2,347)	(8,579)
Net investment in finance leases	51,179	98,168
Less: expected credit loss provision	(3,681)	(5,129)
	47,498	93,039

The present value of minimum lease payment is as follows:

Less than one year	14,494	40,524
Between one and five years	26,310	27,485
	40,804	68,009

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 2022 \$'000	Carrying amount 2021 \$'000	Allowance for ECL 2022 \$'000	Allowance for ECL 2021 \$'000
Impaired leases (including non-accrual leases)				
Not in arrears (but impaired)	181	3,142	(92)	(2,854)
More than 30 days in arrears	1,387	3,297	(205)	(233)
More than 60 days in arrears	849	464	(163)	(72)
More than 90 days in arrears	920	1,045	(757)	(563)
	3,337	7,948	(1,217)	(3,722)

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:

	2022 \$'000	2021 \$'000
Lease portfolio by security type		
Plant, equipment & chattels	42,334	82,636
Registered second mortgages	5,109	10,163
Unsecured	55	240
Total	47,498	93,039

	2022 \$'000	2021 \$'000
Lease portfolio by geographic region		
NSW	19,032	43,885
Queensland	16,633	23,838
Victoria	8,301	17,667
Western Australia	1,793	4,115
South Australia	1,097	2,238
Northern Territory	262	601
ACT	162	339
Tasmania	218	356
Total	47,498	93,039

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 2022 the ECL provision represents 0.9% (2021: 0.9%) of gross finance loans receivable.

D - Financial Instruments (continued)

D2 FINANCIAL ASSETS - LOANS

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

Finance loans receivable are as follows:

	2022 \$'000	2021 \$'000
Current	52,968	46,377
Non-current	114,766	52,543
Total	167,734	98,920
Loans	169,203	99,855
Less: expected credit loss provision	(1,469)	(935)
Total	167,734	98,920

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 2022 \$'000	Carrying amount 2021 \$'000	Allowance for ECL 2022 \$'000	Allowance for ECL 2021 \$'000
Impaired loans (including non-accrual loans)				
Not in arrears (but impaired)	386	27	(84)	(27)
More than 30 days in arrears	28	52	(7)	(15)
More than 60 days in arrears	276	1	(59)	-
More than 90 days in arrears	600	254	(296)	(163)
	1,290	334	(446)	(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 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
New and increased provisions (net of releases)	(137)	(41)	712	534
Balance at 30 June 2022	590	(29)	908	1,469

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

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

D - Financial Instruments (continued)

D2 FINANCIAL ASSETS - LOANS

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

	2022 \$'000	2021 \$'000
Loan portfolio by security type		
Plant, equipment & chattels	128,150	46,820
Registered first mortgages - non development loans	23,153	28,048
Registered first mortgages - development loans	1,400	8,766
Insurance policies (premium funding)	5,367	5,120
Security interests over shares and assets	4,803	5,022
Registered second mortgages	4,617	4,726
Unsecured	242	380
Other	2	38
Total	167,734	98,920

	2022 \$'000	2021 \$'000
Loan portfolio by geographic region		
NSW	78,480	64,394
Queensland	40,890	22,432
Victoria	25,871	6,023
Western Australia	11,736	3,720
South Australia	7,620	1,996
Northern Territory	838	263
Tasmania	1,374	69
ACT	925	23
Total	167,734	98,920

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.

D - Financial Instruments (continued)

D3 INTEREST BEARING LIABILITIES

	2022 \$'000	2021 \$'000
Current		
Corporate facility - Bendigo Bank Limited ¹	-	1,500
Corporate facility - CommBank Limited ²	1,500	-
Funding liabilities - Finance leases and loans ³	107	1,173
Unsecured notes - variable ⁴	21,235	15,692
Unsecured notes - fixed ⁴	171,908	164,290
Other interest bearing liabilities	967	818
	195,717	183,473
Non-current		
Corporate facility - CommBank Limited ²	6,000	-
Funding liabilities - Finance leases and loans ³	-	86
Unsecured notes - fixed ⁴	31,305	32,044
Other interest bearing liabilities	3,874	3,574
	41,179	35,704

(1) Facility repaid in full on 19 July 2021.

(2) During the financial year, the Group secured a bank facility with Commonwealth Bank of Australia (CommBank), which includes the following key terms:

- Limit: \$31m (utilised amount as at 30 June 2022 is \$7.5m),
- Term: 5 years
- Revolving with draw-downs amortising across the Term,
- Other covenants: Standard for a facility of this kind including a first ranking general security interest over the assets and undertaking of COG.

(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. 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 2022						
Trade and other payables	34,083	(34,281)	(32,353)	(1,928)	-	-
Corporate facility	7,500	(7,809)	(1,561)	(3,124)	(3,124)	-
Finance lease funding	107	(119)	(99)	(20)	-	-
Unsecured notes - variable	21,235	(21,235)	(21,235)	-	-	-
Unsecured notes - fixed	203,213	(221,695)	(188,306)	(33,386)	-	(3)
Other	4,841	(5,317)	(1,009)	(1,009)	(2,972)	(327)
	270,979	(290,456)	(244,563)	(39,467)	(6,096)	(330)
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)	-	-	-
Finance lease funding	1,259	(1,461)	(688)	(773)	-	-
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	(250,490)	(210,349)	(27,292)	(11,736)	(1,113)

D - Financial Instruments (continued)

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 2022.

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 <i>Leases</i> , there has been no material changes that have resulted since the 30 June 2019 financial report, other than the change in accounting estimate included in Note D1. Lease asset derecognition and impairment requirements are addressed under the requirements of AASB 9.
Financial liabilities at amortised cost	These liabilities are subsequently measured at amortised cost using the effective interest method. Interest expense is recognised in profit or loss with any gain or loss on derecognition is recognised in profit or loss.

D - Financial Instruments (continued)

D4 FINANCIAL INSTRUMENTS

Impairment

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

Loss allowances are measured on either of the following bases:

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

Recognition and Measurement

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

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

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

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.

D - Financial Instruments (continued)

D4 FINANCIAL INSTRUMENTS

Classification of financial instruments

The Group classifies its financial instruments as follows:

Financial instrument	AASB 9 classification
Cash and cash equivalents	Amortised cost
Trade and other receivables	
- Trail income receivable	Accounted for under AASB 15 <i>Revenue</i> as a contract asset
- All other trade and other receivables	Amortised cost
Financial assets - lease receivables	Accounted for under AASB 16 <i>Leases</i>
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

	2022 \$'000	2021 \$'000
Lease liabilities	6,377	6,764
Maturity analysis		
Current	1,787	1,495
Non-current	4,590	5,269
	6,377	6,764

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

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

Accounting policy

Recognition and measurement

Group as lessee

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

D - Financial Instruments (continued)

D5 LEASE LIABILITIES

Accounting policy

Recognition and measurement

Group as lessee

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

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

Accounting policy

Recognition and measurement

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

The Group has elected to apply the practical expedient not to recognise ROU lease assets and lease liabilities for short term leases that have a lease term of 12 months or less and leases of low-value assets. The lease payments associated with these leases are recognised as an expense on a straight-line basis over the lease term with an aggregate expense of \$1,292k being recognised during the year.

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

Non-lease components of property leases

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

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

E - Group Structure

E1 BUSINESS COMBINATIONS

Key judgement - fair value of assets acquired

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

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

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

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

Acquisition values

During the year ended 30 June 2022 the Group executed the following acquisitions:

- effective 1 July 2021, DLV (Qld) Pty Limited (DLV) acquired as a going concern, the business known as Centrepoint Finance Yeppoon, operated by Another Day In Paradise Pty Limited. DLV is a 50% owned subsidiary of COG's subsidiary QPF Holdings Pty Limited,
- effective 1 March 2022, acquired 70% of Equity-One through its 75% owned subsidiary Westlawn.

In addition to the above, effective 1 July 2022, QPF Holdings Pty Limited (QPF) (a 57% owned subsidiary of COG) acquired a 70% controlling interest in Club Transport Finance Pty Limited (trading as Chevron Equipment Finance) (Chevron) for a total cash consideration of \$7 million. Chevron specialises in arranging asset finance for commercial clients. Its client base consists of SMEs predominantly operating in the transport and earthmoving sectors Australia wide. QPF funded the acquisition of Chevron through a \$4.2m external borrowing and a \$2.8m capital raising. In relation to the QPF capital raising, COG and other QPF minority shareholders contributed capital pro rata to their existing shareholdings and consequently the ownership interest of each QPF shareholder, post capital raise, remains unchanged. COG has funded its subscription for shares in QPF of \$1.6m through a drawdown on its acquisition finance facility.

E - Group Structure (continued)

E1 BUSINESS COMBINATIONS

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

	Centrepont Finance Yeppoon ¹ \$'000	Equity- One Mortgage Fund Limited ² \$'000	Chevron Equipment Finance ³ \$'000
Purchase consideration			
Cash consideration	500	23,672	7,000
Deferred consideration	489	1,118	100
Less: Cash and cash equivalents acquired	-	(2,711)	(106)
	989	22,079	6,994
Fair value of net assets (liabilities) acquired			
Contract assets	507	62	-
Property, plant and equipment	-	17	40
Intangible assets	-	18,588	2,820
Trade and other receivables	-	370	642
Right-of-use lease assets	336	-	732
Trade and other payables	-	(664)	(757)
Lease liabilities	(336)	-	(754)
Deferred tax liabilities	-	(5,440)	(846)
Non-controlling interests	-	(10,624)	(3,043)
Provisions	(3)	(253)	(129)
	504	2,056	(1,295)
To be recognised as goodwill	485	20,023	8,289

¹ Recognised as at 1 July 2021. Deferred consideration is payable over a 36-month period commencing on the acquisition date.

² Recognised as at 1 March 2022 on a provisional basis.

³ Recognised as at 1 July 2022 on a provisional basis.

Acquisition values

For the acquisition outlined above:

- goodwill associated with the acquisition primarily relates to synergies due to scale and operational efficiencies through the sharing of operational expertise throughout the Group and is not expected to be tax deductible,
- non-controlling interests are measured at their proportion of ownership of the fair value of net assets at acquisition date, and
- acquisition accounting for Equity-One remains provisional.

E - Group Structure (continued)

E1 BUSINESS COMBINATIONS

Transactions between owners

During the year ended 30 June 2022, the Group acquired additional interests from minority shareholders in the following entities, which were already controlled by the Group:

- **Westlawn Finance Limited (Westlawn)**
On 1 November 2021, the Group exercised its option to acquire 3,553,409 Westlawn shares (representing an additional interest of 24%) for a total cash consideration of \$9,324k. As a consequence, COG's controlling interest in Westlawn increased from 51.0% to 75.0%.
- **Platform Consolidated Group Pty Limited (Platform)**
On 1 November 2021, the Group exercised its option to acquire 15,689,234 Platform shares (representing an additional interest of 30.05%) for a total cash consideration of \$14,703k. As a consequence, COG's controlling interest in Platform increased from 69.9% to 99.94% on 31 December 2021. The remaining 33,414 Platform shares (representing 0.06%) were acquired by COG on 1 January 2022 for a consideration of \$32k. COG's ownership of PCG is now 100%, effective 1 January 2022.
- **Linx Group Holdings Pty Limited (Linx)**
Effective 1 April 2022, the Group exercised its option to acquire 1,486,525 Linx shares (representing an additional interest of 4.9%) for a cash consideration of \$2,676k, plus a purchase price true up calculation, based on actual FY22 audited results to occur in August 2022. This amount is currently estimated to be approximately \$265k. As a consequence, COG's controlling interest in Linx increased from 54.9% to 59.8% on 1 April 2022.

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.

In addition to the above, the following internal restructure occurred, effective 1 July 2021:

- **Centrepont Finance Pty Limited (Centrepont) and its controlled entities**
 - The aggregation business of Centrepont (known as the relationship between Centrepont and its Business Partners) and its related assets and liabilities as well as a 100% of the shares in EF Systems Pty Ltd (owner of the proprietary system BROOS) were sold by Centrepont to Consolidated Finance Group Limited (CFG) for a cash consideration of \$1 (both wholly-owned entities of COG).
 - The Group disposed of its 100% equity interest in Centrepont to Westlawn for a total cash consideration of \$6,225k plus a deferred consideration payable within 12 months based on future performance.

As the Group already controls the entities above, the additional acquisitions as well as the internal restructure relating to Centrepont 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.

E - Group Structure (continued)

E1 BUSINESS COMBINATIONS

Accounting policy

Principles of consolidation

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.

E - Group Structure (continued)

E2 EQUITY ACCOUNTED ASSOCIATES

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

	2022	2021
Year ended 30 June	\$'000	\$'000
Earlypay	2,894	1,075
Other equity accounted associates	391	148
Group's share of total comprehensive income	3,285	1,223
As at 30 June	2022	2021
	\$'000	\$'000
Earlypay	24,784	17,613
Other equity accounted associates	804	791
Carrying amount of interests in associates	25,588	18,404

Earlypay Limited

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

COG's investment in EPY represents a 19.66% interest in that company as at 30 June 2022. The carrying amount of equity-accounted investment in EPY has changed as follows in the year ended 30 June 2022:

	30 June 2022 \$'000
Balance at the beginning of the year	17,613
Additional investment in EPY ¹	5,036
Share of results from associates ²	2,894
Cash dividend received	(759)
Balance at the end of the year ³	24,784

(1) During the financial year ended 30 June 2022, the Company acquired an additional 9,164,188 shares in EPY for \$5,036k.

(2) Share of results from associates includes share of results in Riverwise Pty Limited of \$215k, reflecting a cash dividend payment received during the period (the carrying value of the investment remains at \$nil) and results from other non-material associates of \$176k.

(3) Equity accounted associates in the Consolidated Statement of Financial Position includes investment in other non-material associates of \$804k.

E - Group Structure (continued)

E2 EQUITY ACCOUNTED ASSOCIATES

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

	2022 \$'000	2021 \$'000
Current assets	365,592	282,981
Non-current assets	127,238	93,449
Current liabilities	(256,809)	(243,797)
Non-current liabilities	(150,926)	(74,209)
Net assets (100%)	85,095	58,424
Group's share of net assets 19.66% (2021: 16.59%)	16,730	9,693
Fair value adjustment on initial recognition	7,920	7,920
Other adjustments	134	-
Carrying amount of investment in associate	24,784	17,613
Revenue	53,801	43,865
Profit from continuing operations (100%)	15,290	10,320
Other comprehensive income/(loss) (100%)	-	-
Total comprehensive income (100%)	15,290	10,320
Total comprehensive income 19.66% (2021: 16.59% ¹)	2,974	1,151
Adjustment on finalisation of associate's results	(80)	(76)
Group's share of total comprehensive income/(loss)	2,894	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:

Related party transactions with associates

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

	2022 \$'000	2021 \$'000
Amounts owing by / (to) associates		
Receivables at 30 June	-	20
Payables at 30 June	(30)	(85)
Transactions with associates		
Dividend income	815	95
Payments for goods and administrative services	(1,973)	(1,588)
Interest income on intercompany loan	10	15

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.

E - Group Structure (continued)

E3 SHARE CAPITAL AND RESERVES

E3.1 ORDINARY SHARES

	2022 \$'000	2021 \$'000	2022 No. of shares '000	2021 No. of shares '000
Shares issued and fully paid				
Balance at the beginning of the financial year ¹	247,315	241,179	166,346	157,173
Shares issued via placement ²	20,000	2,000	14,815	3,390
Shares issued in business combinations	-	560	-	519
Shares issued under DRP ³	9,025	3,755	6,750	5,264
Costs of raising capital, net of tax	(828)	(179)	-	-
Balance at the end of the financial year	275,512	247,315	187,911	166,346

- (1) At an Extraordinary General Meeting (EGM) held on 30 June 2021, the shareholders approved the consolidation of the Company's issued share capital (every 10 shares was consolidated into one share), effective 1 July 2021. Prior year comparatives have been adjusted to reflect the post-consolidation position.
- (2) On 21 October 2021 the Company issued 11,874,994 fully paid ordinary shares under an institutional investment offer, raising \$16,031k. On 1 December 2021 the Company issued 2,939,821 fully paid ordinary shares to an existing shareholder, raising \$3,969k. On 16 November 2020 the Company issued 3,389,831 fully paid ordinary shares totalling \$2,000k as part of the consideration of the acquisition of 80% of Access Capital Pty Limited.
- (3) On 28 April 2022 the Company issued 1,425,378 fully paid ordinary shares totalling \$2,063k as part of the COG's Dividend Reinvestment Plan (DRP). On 22 October 2021 the Company issued 5,324,885 fully paid ordinary shares totalling \$6,962k as part of COG's Dividend Reinvestment Plan (DRP). 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.

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 2021 and 2022:

- 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.

E - Group Structure (continued)

E3.2 DIVIDENDS

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

The Company has a Dividend Reinvestment Plan (DRP). The DRP rules are disclosed on the Company's website www.cogfs.com.au. Under the DRP, holders of ordinary shares can elect to have all or part of their dividend entitlements satisfied by the issue of new ordinary shares rather than being paid in cash. Shares issued under the DRP may be subject to a discount of up to 2.5% of the market price, or a higher percentage determined by the Board.

Dividends recognised during the reporting period

Since the year ended 30 June 2021, the Board declared a final dividend of 6.0 cents per share (cps) (2020: 1.52 cps post share consolidation). The aggregate amount of the proposed dividend was paid on 22 October 2021 out of the Company's profit reserve at 30 June 2021, and was 100% franked. COG issued 5,324,885 fully paid shares on 22 October 2021 under its DRP in respect of the FY21 final dividend (Note E3.1).

For the period ended 31 December 2021, the Board declared an interim dividend of 3.5 cents per fully paid ordinary share (2020: 1.22 cents post consolidation). The aggregate amount of the proposed dividend of \$6,527k was paid on 28 April 2022 out of the Company's profits reserve at 31 December 2021, and was 100% franked. COG issued 1,425,378 fully paid shares on 28 April 2022 under COG's DRP in respect of the FY22 interim dividend (Note E3.1).

Dividends not recognised at the end of the reporting period

For the year ended 30 June 2022, the Board declared a final dividend of 4.8 cps (2021: 6.0 cps). The aggregate amount of the proposed dividend expected to be paid on 21 October 2022 out of the Company's profit reserve at 30 June 2022, but not recognised as a liability at year end, is \$9,028k.

The final dividend declared after 30 June 2022 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 2023.

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 \$10,499k (2021: \$11,687k).

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

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

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

E - Group Structure (continued)

E3.3 RESERVES

The movement in reserves is as follows:

	Profits reserve \$'000	General reserve \$'000	Foreign currency translation reserve \$'000	Equity securities at FVOCI reserve \$'000	Revaluation reserve \$'000	Share based payments reserve \$'000	Transactions between owners' reserve \$'000	Non- controlling interests reserve \$'000	Total \$'000
Balance at 1 July 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
Balance at 1 July 2021	39,531	-	(16)	(8,536)	-	280	579	(9,021)	22,817
Non-controlling interest acquired	-	-	-	-	-	-	-	(13,858)	(13,858)
Share-based payments expense	-	-	-	-	-	26	-	-	26
Transactions between owners	793	(9,323)	-	8,620	(90)	-	-	-	-
Gain on the revaluation of land and buildings, net of tax	-	-	-	-	320	-	-	-	320
Gain on the revaluation of equity instruments at FVOCI, net of tax	-	-	-	11	-	-	-	-	11
Disposal of part interest in subsidiary	734	-	-	-	-	-	-	-	734
Transfer to reserves (profit for the period)	19,685	-	-	-	-	-	-	-	19,685
Dividends paid	(16,508)	-	-	-	-	-	-	-	(16,508)
Balance at 30 June 2022	44,235	(9,323)	(16)	95	230	306	579	(22,879)	13,227

E - Group Structure (continued)

E3.3 RESERVES

Reserves

Profits reserve

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

Foreign currency translation reserve

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

Revaluation reserve

The revaluation reserve relates to the revaluation of land and buildings.

Equity securities at FVOCI reserve

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

Share-based payments reserve

The Share-based payment reserves is used to recognise:

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

Non-controlling interests reserve

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

Transaction between owners' reserve

Reflects the 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. The option was exercised by the Group during the financial year.

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.

E - Group Structure (continued)

E4 RELATED PARTY TRANSACTIONS

Transactions with Key Management Personnel and related parties

Key Management Personnel compensation

Key Management Personnel compensation is comprised as follows:

	2022 \$	2021 \$
Short-term employee benefits	1,749,932	1,768,581
Post-employment benefits	118,107	112,639
Other long-term benefits	16,519	13,826
Share-based payments	497,620	227,081
	2,382,178	2,122,127

Indemnification for vendor program losses

During the 2019 and 2018 financial years TL Commercial Finance undertook a number of transactions with an equipment finance vendor program partner. During the 2019 financial year the vendor partner entered into voluntary liquidation. While the Group considered the underlying lease arrangements with lessees introduced as part of the program were enforceable the Group took the action to settle these lessee obligations for a lower value than its contractual rights. Cameron McCullagh, one of the Group's Executive Directors, chose to indemnify the Group for the majority of this loss. As part of this indemnification Cameron McCullagh paid an amount of \$1,023,160 to the Group to offset the net cash loss incurred by the Group. During the 2022 financial year an amount of \$68,233 (FY21: \$125,692) was recovered and subsequently repaid to Cameron McCullagh.

Key Management Personnel share and option transactions

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

	30 June 2021 ² 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 2022 No. of shares
KMP shareholdings						
Executive Directors						
Cameron McCullagh	33,009,395	5,471,204	(887,799)	-	-	37,592,800
Mark Crain	1,315,635	-	-	-	-	1,315,635
Non-executive Directors						
Patrick Tuttle	265,005	-	-	-	-	265,005
Steve White	375,708	-	(5,833)	-	-	369,875
Peter Rollason	-	-	-	-	-	-
Senior Management						
Andrew Bennett	70,000	4,982	-	-	-	74,982
John McRae	-	-	-	-	-	-
	35,035,743	5,476,186	(893,632)	-	-	39,618,297

E - Group Structure (continued)

E4 RELATED PARTY TRANSACTIONS

	30 June 2020 ² No. of shares	On market purchase ² No. of shares	On market sale ² No. of shares	Off market transfer ² No. of shares	KMP change ^{1, 2} No. of shares	30 June 2021 ² No. of shares
KMP shareholdings						
Executive Directors						
Cameron McCullagh	29,648,446	3,360,949	-	-	-	33,009,395
Mark Crain	1,315,635	-	-	-	-	1,315,635
Non-executive Directors						
Patrick Tuttle	265,005	-	-	-	-	265,005
Steve White	375,708	-	-	-	-	375,708
Peter Rollason	-	-	-	-	-	-
Senior Management						
Andrew Bennett	70,000	-	-	-	-	70,000
John McRae	-	-	-	-	-	-
Former KMPs						
Bruce Hatchman	72,917	-	-	-	(72,917)	-
	31,747,711	3,360,949	-	-	(72,917)	35,035,743

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

(2) KMP shareholdings remain consistent at annual report issue date.

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.

E - Group Structure (continued)

E5 PARENT ENTITY DISCLOSURES

E5.1 SUMMARY FINANCIAL INFORMATION

As at, and throughout, the financial year ended 30 June 2022 the ultimate parent company of the Group was COG Financial Services Limited.

	2022 \$'000	2021 \$'000
Results of parent entity		
Profit/(loss) for the year after tax	10,798	(24,807)
Other comprehensive income/(loss)	-	4,532
Total comprehensive income/(loss) for the year	10,798	(20,275)
 Financial position of the ultimate parent company at year end		
Current assets	17,502	8,257
Non-current assets	196,675	175,856
Total assets	214,177	184,113
 Current liabilities	6,645	4,324
Non-current liabilities	7,653	2,423
Total liabilities	14,298	6,747
 Net assets of the ultimate parent company at year end	199,879	177,366
 Total equity of the ultimate parent company comprising of:		
Share capital	275,512	247,315
Accumulated losses	(106,941)	(106,941)
Reserves	31,308	36,992
Total equity	199,879	177,366

Parent entity contingencies and commitments are outlined in Note F1.

E - Group Structure (continued)

E5.2 INTERESTS IN OTHER ENTITIES

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

Name of entity ¹	Direct equity interest	Indirect equity interest ²
Consolidated Finance Group Pty Limited	100%	
CFG (Qld) Pty Limited		100%
EF Systems Pty Limited		100%
Hal Group Pty Limited	100%	
Number Rentals Pty Limited		100%
TL Commercial Finance Pty Limited		100%
Platform Consolidated Group Pty Limited	100%	
Advance Car Loans Pty Limited		100%
Beinformed Group Pty Limited		100%
Beinformed Group (VIC) Pty Limited		80%
Melbourne Finance Broking Pty Limited		100%
Mildura Finance Pty Limited		100%
Platinum Direct Finance Australia Pty Limited		100%
Platinum Direct Finance (Central Coast) Pty Limited		50%
Platinum Fleet Pty Limited		70%
Platform Equipment Finance Pty Limited		100%
Consolidated Platform Aggregation Pty Limited		75%
Consolidated Platform Aggregation Unit Trust		75%
Fleet Avenue Pty Limited		50%
Fleet Network Pty Limited		96%
Vehicle and Equipment Finance Pty Limited		50%
Geelong Financial Group Vehicle and Equipment Finance Pty Limited		25%
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	60%	
Linx Finance Australia Pty Limited		60%
Linx Insurance Australia Pty Limited		60%
Linx Mortgage Australia Pty Limited		60%
Linx HF Pty Limited		60%
Linx HC Pty Limited		60%
Heritage Finance Management Pty Limited		38%
Heritage Finance Partnership		38%
Heritage Corporate Management Pty Limited		38%
Heritage Corporate Partnership		38%
Sovereign Tasmania Pty Limited		32%

E - Group Structure (continued)

E5.2 INTERESTS IN OTHER ENTITIES

Name of entity ¹	Direct equity interest	Indirect equity interest ²
Westlawn Finance Limited	75%	
Centrepnt Finance Pty Limited		75%
Finance 2 Business Pty Limited		75%
North State Finance Pty Ltd		75%
Westlawn Insurance Brokers Pty Ltd		68%
Grafton Investments Pty Ltd		75%
Westlawn Financial Services Limited		75%
Westlawn Insurance Brokers (Coffs) Pty Ltd		60%
Westlawn Insurance Brokers (Vic) Pty Ltd		75%
Equity-One Mortgage Fund Limited		53%

(1) Excludes entities that were dormant during the year ended 30 June 2022.

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

E6 FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	2022 \$'000	2021 \$'000
Non-current assets		
<i>Listed securities</i>		
Steadfast Limited	169	879
<i>Unlisted securities</i>		
Units in unlisted unit trusts	2	29
	171	908
Reconciliation of carrying amount		
Opening fair value	908	8,876
Increase due to Westlawn acquisition	-	3,137
Disposals	(758)	(8,953)
Reclassified to investment in associate	-	(8,876)
Revaluation increments	21	6,724
Closing fair value	171	908

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. COG's investment in EPY represents a 19.66% interest in that company as at 30 June 2022. 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.

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 2022),
- Linx Group Holdings Pty Limited (7.7% of contributed equity to be acquired by the Group between 1 July 2021 and 30 June 2024);
- QPF Holdings Pty Limited (10.2% of contributed equity to be acquired by the Group between 1 July 2021 and 30 June 2024);
- Vehicle and Equipment Finance Pty Limited (25% of contributed equity to be acquired by the Group between 1 July 2021 and 30 June 2024);
- Access Capital Pty Limited (20% of contributed equity to be acquired by the Group between 1 July 2022 and 30 June 2025);
- Equity-One (30% of contributed equity to be acquired by the Group between 1 September 2024 and 1 September 2027); and
- Chevron Equipment Finance (30% of contributed equity to be acquired by the Group between 1 July 2025 and 1 July 2027).

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.

Westlawn Financial Services Pty Limited - Letter of financial support

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

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 2022	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
Financial assets				
Financial assets at FVOCI	169	-	2	171
Non-current assets classified as held for sale	-	-	-	-
Land and buildings	-	4,690	-	4,690
Total	169	4,690	2	4,861

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

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

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

Valuation techniques used to determine fair values measurements categorised within level 2 and level 3

Specific valuation techniques used to value financial instruments include:

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

F - Other (continued)

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 2021	29	29
Disposals	(27)	(27)
At 30 June 2022	2	2

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 2022							
Cash and cash equivalents	32,751	43,356	-	-	-	-	76,107
Trade and other receivables	-	18,861	-	-	-	-	18,861
Other financial assets	-	117	1,718	605	-	6,625	9,065
Financial assets at FVOCI	-	-	-	-	-	171	171
Financial assets - lease receivables	-	5,356	14,967	27,175	-	-	47,498
Financial assets - loans	-	19,239	33,729	114,763	3	-	167,734
Trade and other payables	-	(9,378)	(22,817)	(1,888)	-	-	(34,083)
Interest bearing liabilities	(17,762)	(56,168)	(121,787)	(41,176)	(3)	-	(236,896)
Lease liabilities	-	(47)	(1,740)	(4,590)	-	-	(6,377)
Net mismatch	14,989	21,336	(95,930)	94,889	-	6,796	42,080
30 June 2021							
Cash and cash equivalents	37,104	57,410	-	-	-	-	94,514
Trade and other receivables	-	18,175	-	-	-	-	18,175
Other financial assets	-	7	1,327	828	-	10,007	12,169
Financial assets at FVOCI	-	-	-	-	-	908	908
Financial assets - lease receivables	-	10,721	31,742	50,576	-	-	93,039
Financial assets - loans	-	13,015	33,362	52,536	7	-	98,920
Trade and other payables	-	(5,992)	(21,424)	(2,915)	-	-	(30,331)
Interest bearing liabilities	(11,615)	(44,339)	(127,519)	(35,703)	(1)	-	(219,177)
Lease liabilities	-	(195)	(1,300)	(5,221)	(48)	-	(6,764)
Net mismatch	25,489	48,802	(83,812)	60,101	(42)	10,915	61,453

F - Other (continued)

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:

	2022 Weighted average interest rate %	2022 Balance \$'000	2021 Weighted average interest rate %	2021 Balance \$'000
Cash and cash equivalents	0.1%	76,107	0.1%	94,514
Financial assets - leases	13.0%	47,498	13.1%	93,039
Financial assets - loans	6.5%	167,734	6.5%	98,920
Interest bearing liabilities	(1.4%)	(236,896)	(1.6%)	(219,177)
Net exposure to cash flow interest rate risk		54,443		67,296

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:

	2022 \$'000	2021 \$'000
Change in profit after tax		
Increase in interest rate by 100 basis points	544	673
Decrease in interest rate by 100 basis points	(544)	(673)
Change in equity		
Increase in interest rate by 100 basis points	544	673
Decrease in interest rate by 100 basis points	(544)	(673)

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

F3 SUBSEQUENT EVENTS

Apart from the acquisition of Chevron Equipment Finance on 1 July 2022 as disclosed in note E1, and the final dividend declared on 26 August 2022, no other matter or circumstance has arisen since 30 June 2022 that would materially affect the Group's reported results or would require disclosure in this report.

F - Other (continued)

F4 AUDITOR'S REMUNERATION

	2022 \$	2021 \$
Auditors of the Group - BDO and related network firms		
Audit and review of financial statements		
Group	141,525	119,775
Controlled entities	202,925	297,025
Total services provided by BDO	344,450	416,800
Other auditors and their related network firms		
Audit and review of financial statements		
Controlled entities	241,995	145,874
Total services provided by other auditors (excluding BDO)	241,995	145,874

F5 NEW OR AMENDED ACCOUNTING STANDARDS AND INTERPRETATIONS ADOPTED

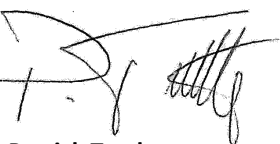
The Group has adopted all of the new or amended Accounting Standards and Interpretations issued by the Australian Accounting Standards Board that are mandatory for the current reporting period.

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 2022.

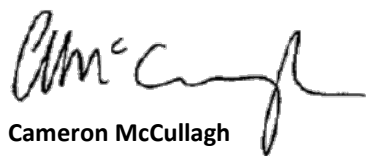
Directors' Declaration

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 2022 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

26 August 2022

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 2022, the consolidated statement of 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 2022 and of its financial performance for the year ended on that date; and
- (ii) Complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for opinion

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

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

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

Key audit matters

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

Financial assets - lease and loan receivables

Key audit matter	How the matter was addressed in our audit
AASB 16 <i>Leases</i> 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. AASB 9 <i>Financial Instruments</i> requires financial assets to be recognised at their fair value plus any directly attributable transaction costs. Further to this, the requirements of AASB 9 <i>Financial Instruments</i> 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 and loan receivables can be found in D1. The carrying value of lease and loan receivables is a key audit matter due to the complexity involved in the 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 and loan receivables. • Testing a sample of lease and loan receivables to ensure that the balance at year end complies with the requirements of AASB 16 <i>Leases</i> or AASB 9 <i>Financial Instruments</i>. • Performing analytical procedures to understand movements and trends in lease and loan 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 <i>Financial Instruments</i>. • 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 interest rates

and inflation, as well as expectations of future economic conditions.

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

Accounting for the acquisition of Equity-One Mortgage Fund Limited

<i>Key audit matter</i>	<i>How the matter was addressed in our audit</i>
As disclosed in note E1 of the financial report, the company acquired a 70% controlling equity interest of Equity-One Mortgage Fund Limited effective 1 March 2022. 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 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 acquisition for compliance with AASB 3 <i>Business Combinations</i> • Assessing the adequacy of the Group's disclosures of the acquisition

Other information

The directors are responsible for the other information. The other information comprises the information in the Group's annual report for the year ended 30 June 2022, 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 2022.

In our opinion, the Remuneration Report of COG Financial Services Limited, for the year ended 30 June 2022, complies with section 300A of the *Corporations Act 2001*.

Responsibilities

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

BDO Audit Pty Ltd

BDO

A handwritten signature in black ink, appearing to read 'Tim Aman'.

Tim Aman
Director

Sydney, 26 August 2022

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 10 August 2022.

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	28 April 2022	37,592,800	20.01
SANDON CAPITAL INV LTD A/C	6 July 2022	18,201,707	9.60
THORNEY OPPORTUNITIES LTD ²	10 January 2022	13,385,542	7.18
TIGA TRADING PTY LTD ²	10 January 2022	13,385,542	7.18

Distribution of equity securities

There were 107 holders of less than a marketable parcel of ordinary shares.

Range	No. of ordinary shares	%	No. of holders	%
Above 100,000	176,689,149	93.98	1110	10.24
Above 10,000 up to and including 100,000	9,516,347	5.06	278	24.71
Above 5,000 up to and including 10,000	864,135	0.46	112	9.96
Above 1,000 up to and including 5,000	800,401	0.43	300	26.67
Above 0 up to and including 1,000	144,060	0.08	325	28.89
Total	187,911,278	100.00	1,035	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 1,000 up to and including 5,000	0	0.00	0	0.00
Above 0 up to and including 1,000	0	0.00	0	0.00
Total	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.

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		56,237,629	29.91
2	GEGM INVESTMENTS PTY LTD		33,561,228	17.85
3	UBS NOMINEES PTY LTD		13,022,357	6.93
4	CITICORP NOMINEES PTY LIMITED		9,428,277	5.01
5	ONE MANAGED INVT FUNDS LTD	<SANDON CAPITAL INV LTD A/C>	7,269,616	3.87
6	ONE FUND SERVICES LTD	<SANDON CAPITAL ACTIVIST A/C>	6,229,431	3.31
7	LINX HOLDINGS TRUST	<LINX HOLDINGS A/C>	5,736,473	3.05
8	BNP PARIBAS NOMS PTY LTD	<GLOBAL MARKETS DRP>	3,363,726	1.76
9	JASMIN LITSTER & IAN LITSTER		2,128,828	1.13
9	C-FLAG PTY LTD		1,861,541	0.99
11	FIDUCIO PTY LTD	<LE A/C>	1,628,945	0.87
12	KAI LANI MACKEREL PTY LTD	<THE MCCULLAGH SUPER FUND A/C>	1,550,659	0.82
13	MOAT INVESTMENTS PTY LTD	<MOAT INVESTMENT A/C>	1,480,000	0.79
14	AUSTRALIAN EXECUTOR TRUSTEES LIMITED	<NO 1 ACCOUNT>	1,277,656	0.68
15	LEZAK NOMINEES PTY LTD	<LEZAK NOMINEES S/F A/C>	1,174,289	0.62
16	MATTSALL PTY LTD	<MATTSALL A/C>	1,027,500	0.55
17	WESTLAWN HOLDINGS PTY LTD		1,000,000	0.53
18	ONE MANAGED INVT FUNDS LTD	<1 A/C>	985,809	0.52
19	A & M CRAIN SUPER PTY LTD	<CRAIN SUPER FUND A/C>	870,783	0.46
20	ACRES HOLDINGS PTY LTD	<NOEL EDWARD KAGI FAMILY A/C>	813,113	0.43
Total			150,647,860	80.13
Balance of register			37,366,232	19.87
Grand total			188,014,092	100.00

Option holders greater than 20%

Andrew Bennett

No. of options held	% of total
418,410	100.00

Securities exchange

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

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 29 November 2022. 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 23 September 2022.

Directors

Patrick Tuttle
Chairman

Peter Rollason
Non-executive Director

Steve White
Non-executive Director

Cameron McCullagh
Executive Director

Mark Crain
Executive Director

Chief Executive Officer
Andrew Bennett

Chief Financial Officer
John McRae

Company Secretary
David Franks

Registered Office

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

Share Registry

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

External Auditors

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

Securities Exchange

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

ASX: COG

KEY DATES

Annual General Meeting Date: 29 November 2022