Credit Corp Group

2020 ANNUAL REPORT

LEADING THE WAY

THIS IS CREDIT CORP

Credit Corp is Australia's largest provider of sustainable financial services in the credit-impaired consumer segment.

We are committed to providing sustainable and responsible financial solutions for our customers, with the goal of improving their financial situation. We aim to achieve this by applying our values.

In our debt buying business we purchase defaulted consumer debts from major banking, finance, telecommunications and utility providers. We look to provide our clients with the highest prices possible, while ensuring we will be able to produce an acceptable return on our outlay. We then work with our newly acquired customers to agree flexible repayment plans to suit their individual circumstances.

In our lending business we responsibly provide the lowest-priced finance in our segment of the market.

LEADING THE WAY

Our success and reputation as a sustainable financial services provider is based on a culture of strong compliance systems and transparency, combined with a respectful and understanding approach to our customers. Our superior analytics capabilities, advanced technology and sustainable approach are key to staying ahead of the market.

CONTENTS

OUR PURPOSE

this is why we are here

Our goal is to be the leading global provider of sustainable and responsible financial services in the credit-impaired consumer segment.

ABOUT US

OUR VALUES

this is what we believe in

discipline

Doing the right thing

Doing the right thing means setting standards and adhering to our controls to ensure that those standards are always achieved.

accountability

Making it happen

Making it happen is all about delivering the right results by taking responsibility for setting targets and measuring outcomes.

transparency

Being open and honest

Transparency means being open and honest in all that we do, drawing attention to challenges and problems in our business, so that we can overcome them.

OUR STRATEGY

this is how we get there

Superior analytics

Our businesses succeed through effectively pricing investments and managing risk. We objectively analyse large volumes of data to develop an in-depth understanding of our customers to efficiently allocate resources and ensure we deliver an acceptable return on our investments.

Operational excellence

We create business outcomes by communicating with our customers. Our ability to communicate effectively with our customers requires exceptional operational performance. We combine analytics and technology with skilful and motivated people to achieve outstanding results.

Strong compliance

The community has high expectations of financial services providers that go beyond minimum legal requirements. We are committed to meeting these expectations to ensure the success of our business and to protect our clients and other stakeholders. We take pride in providing our customers with genuine and affordable financial solutions tailored to their needs.

Sustainable & organic growth

Our industry leadership in our core debt buying business provides a platform for organic expansion. Diversification gives us the ability to continue to invest in our ongoing growth without compromising our required rate of return. We are considered in our approach to growth, developing test models and establishing pilot operations before launching new products or entering new markets. We constantly monitor performance against our expectations and adopt a patient and iterative approach towards ultimate success.

BUSINESS MODEL & GLOBAL FOOTPRINT

Credit Corp is Australia's largest provider of sustainable financial services to the credit-impaired consumer segment. We employ almost 1,908 people and have total receivables of over $10.5 billion across 1.7 million customers. Our company has been listed on the Australian Securities Exchange since 2000 and forms part of the S&P ASX 200 index.

DEBT BUYING AND COLLECTION

In our core business of debt buying we work with consumers who have, for various reasons, found themselves in default of their credit obligations. We engage with our customers to create affordable repayment plans as a pathway to debt relief and mainstream financial inclusion.

Our clients are the major banking, finance, telecommunications and utility providers. We buy defaulted consumer debts from these clients. We look to provide our clients with the highest prices possible, while ensuring we will be able to produce an acceptable return on our outlay. We then work with our newly acquired customers to agree flexible repayment plans to suit their individual circumstances. The debts we acquire are generally at least six months in arrears and have already been through a collection process both in-house with the credit issuer and with external service providers.

Our clients are looking to realise an immediate return on these defaulted debts while relieving themselves of the costs of the collection process. They also want assurance that their former customers will be treated with understanding and respect in accordance with relevant laws, standards and community expectations.

Credit Corp has an impeccable compliance record and a strong reputation as a sustainable and responsible service provider. Despite being the largest and longest-established debt purchaser in Australia, we have never been the subject of a regulatory order or undertaking and have one of the lowest rates of external dispute resolution complaints in the industry. We work closely with regulators, consumer advocates and the financial counselling industry to ensure continual improvement to our approach.

We have exported the successful model used in our Australian and New Zealand debt buying and collection business to the largest consumer credit market in the world – the United States of America. We have adapted our operational approach to ensure we grow a profitable business in this market.

LENDING

In our consumer lending business, we provide the cheapest and most sustainable loan products to consumers who have limited borrowing alternatives.

Our innovative products are the most cost-effective and flexible offerings in our segment of the market. Our aim is to assist consumers in a responsible way. All of Credit Corp's products feature interest and fee rates below the caps applicable to mainstream consumer lending. To date, Credit Corp has helped more than 200,000 Australians avoid higher cost and unsustainable products through our market-leading alternatives.

In developing our affordable and flexible loans, we have been able to leverage Credit Corp's leading position in analytics, technology and customer interaction. This has reduced our costs and resulted in one of the most automated, accurate and responsible lending processes in the industry. Credit Corp's superior collections platform ensures that credit losses are efficiently minimised.

The attractiveness of our loan product is apparent in the rapid growth of new customers and our high retention rate. Suppliers and other stakeholders have appreciated our role in helping customers avoid other high-cost products in the market. This has freed us from restrictions imposed on competitors and facilitated access to efficient conventional funding.

AGENCY COLLECTIONS

Credit Corp has always offered agency collection services to its clients who wish to outsource collection of debt prior to any decision to undertake debt sale.

The 2016 acquisition of National Credit Management, or NCML, was complemented with the acquisition of Baycorp in 2019, to form a leading agency provider across Australia and New Zealand. The combined agency business is benefitting from integration with Credit Corp's operating systems and is on a pathway of sustainable growth.

Financial difficulty

Customer
Unable to pay credit obligations

Buys debt at superior prices for clients
Credit Corp

Agrees flexible repayment plan to repay account

Customer
Improved ability to borrow through updated credit record

Offers market-leading finance products
Credit Corp

Mainstream financial inclusion

9
cities across the globe

United States 415

Philippines 383

Australia 1,013

New Zealand 97

1,908
employees

60% ---- ---- 40%

696
Career pathway programs completed

17,985
Hours of training delivered

FINANCIAL HIGHLIGHTS

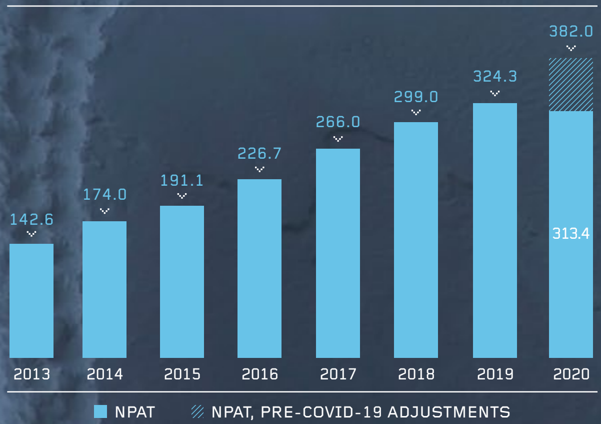
Our leadership has delivered a consistent record of success and the flexibility to act decisively when circumstances change.

REVENUE, PRE-COVID-19 ADJUSTMENTS

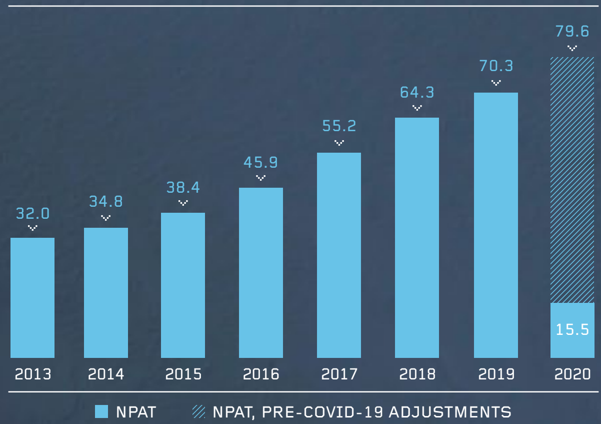
$382.0 million

18% VS. PCP

REVENUE ($M)



NPAT ($M)



INCOME GENERATING ASSETS

$559.9 million

5% VS. PCP

PRE-TAX OPERATING CASH FLOW

$394.7 million

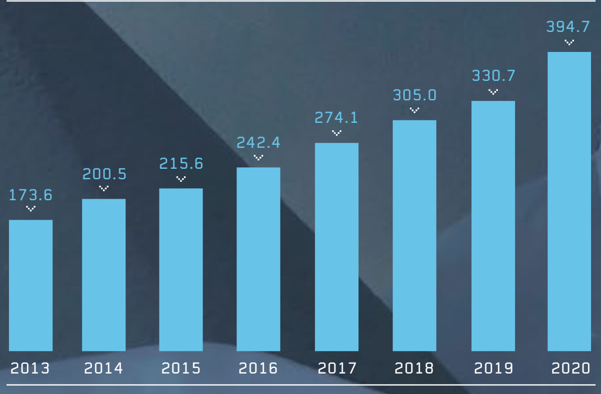
19% VS. PCP

NET PROFIT AFTER TAX, PRE-COVID-19 ADJUSTMENTS

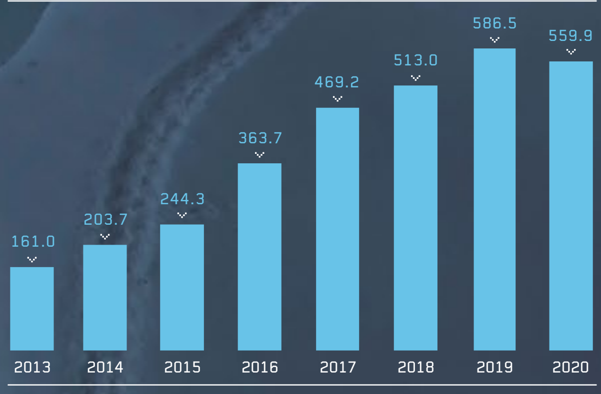
$79.6 million

13% VS. PCP

PRE-TAX OPERATING CASH FLOW ($M)



INCOME GENERATING ASSETS ($M)



CHAIRMAN'S REPORT

I am immensely proud of Credit Corp's achievements over the course of the year, including our decisive and confident response to COVID-19.

DONALD MCLAY
CHAIRMAN

At Credit Corp, leadership has always been about positioning the Company to deliver long-term performance regardless of changes in the external environment. This has involved preparing for a range of external outcomes, with the objective of developing the capacity and resilience to manage challenges and seize opportunities. This approach has delivered sustained growth over a long period and has ensured that we can be flexible and decisive in our response to industry behaviours and disruptive events. It has not, however, insulated Credit Corp from short-term periods of underperformance before commercial reality returns.

In the final analysis, 2020 was a year of underperformance. While our operating results for the year were strong, our assessment of the economic impact of COVID-19 on our assets and commitments produced a 78 per cent fall in Net Profit After Tax to just $15.5 million, breaking an uninterrupted record of strong earnings growth over the past 11 years. Shareholders did not receive a final dividend and the Company's share price finished the year below where it started.

As a fellow investor, I share the disappointment felt by all shareholders. As Chairman, however, I am immensely proud of Credit Corp's achievements over the course of the year, including our decisive and confident response to COVID-19. These moves will set us up well for the next business cycle.

Our work over many years had put Credit Corp in a strong position at the start of 2019/20. We had produced a strong record of consistent earnings growth while building solid platforms for further growth across all our businesses.

In our Australian and New Zealand debt buying businesses, we had seen off a period of excess competition and instances of unsustainable pricing by holding our discipline and reducing investment during that time. The inevitable fallout from excess competition was starting to occur, with an easing in pricing conditions and an increased focus by sellers on Credit Corp's clear leadership in compliance and reputation. As a consequence, Credit Corp was starting to gain market share and grow its purchasing.

In our United States (US) debt buying business, conditions remained stable and we had built a diversified set of purchasing relationships together with sizeable operational capacity. We were on track for a significant step-up in investment and were looking forward to realising the considerable potential of the US market.

The lending business had grown to become a large contributor to Credit Corp's earnings. The credit-impaired segment of the lending market was growing and, as the provider of the most affordable and responsible offering in the segment, we were experiencing solid volume growth.

Across all our businesses, performance for the first nine months of the year had been as strong as any period in the Company's history.

The fallout from excess competition created the opportunity to acquire the business and Purchased Debt Ledger (PDL) assets of the Australian and New Zealand arm of one our global competitors. The acquisition of Baycorp was completed at an attractive price and without goodwill. Credit Corp management worked closely with the Baycorp team to promptly realise annualised integration savings of $13 million and improve PDL returns.

The acquisition provided Credit Corp with an expanded collection services business and an enlarged presence in New Zealand. Right from the beginning, performance of the acquired assets was strong and combined with ongoing purchasing to put our core domestic PDL business on track for record segment earnings.

We were successfully expanding our workforce in the US, filling our collection facility in Utah early in the year. We opened a second US location in Washington State and were on track to grow US purchasing.

Our leadership put us in a strong position to realise opportunities in relatively favourable conditions and it has also been critical in our response to COVID-19 over the period from March 2020.

At the same time, large scale work-from-home was implemented across all our locations. More recently, we have moved into a more sustainable format of rotating teams back to our offices for one in every four weeks.

We have also worked more closely with our clients, the sellers of charged-off debts. While some clients temporarily suspended sale, they indicated that they would return and that debt sale would become an increasingly important component of their recovery process.

Understanding our customers and responding to their circumstances has been a key pillar of our success in the credit-impaired consumer segment. The first element of our pandemic response was to implement a range of temporary measures to support our customers including an interest freeze on debt purchase accounts and repayment moratoriums together with the suspension of legal and credit reporting activity.

Maintaining continuity of operations while safeguarding the welfare of our staff was also an early challenge. We implemented COVID-19-safe protocols in line with local guidelines and kept our offices functioning for as long as possible.

With a deteriorating and uncertain economic outlook, it was clear that PDL prices would need to reduce and we commenced a process to agree appropriate reductions.

Our message to our clients was that, despite the uncertain outlook, Credit Corp remained a keen buyer and would continue to make commitments to purchase debts into the future.

To address the increased risk associated with continued purchasing through a period of uncertainty and prepare for opportunity we took action to further strengthen our already conservative balance sheet.

We revised our consumer lending underwriting and implemented a range of temporary cost management measures, including significant reductions in Board and executive remuneration. These measures contributed to $110 million in free cash flow over the second half, which combined with an equity raising, leaves the Company debt free with cash and undrawn credit lines of $400 million at year-end.

Credit Corp is in a strong and confident position. We have assessed the outlook and have taken the necessary adjustments to our financial accounts in 2020. All our businesses are on track for solid profits in 2021. Our client relationships are strong and we have the financial and operating capacity to meet their needs as the ongoing economic impact of COVID-19 unfolds.

In closing my report for the year, I thank my fellow hard-working directors, our CEO Thomas Beregi and his management team for their tireless and energetic dedication to the leadership of Credit Corp. The past six months has been an extremely busy time for all and good decisions have been made. On behalf of the Board and shareholders, I also wish to thank all our employees for their flexibility, adaptation and ongoing contribution to the success of the company.

DONALD McLAY
Chairman

CEO'S REPORT

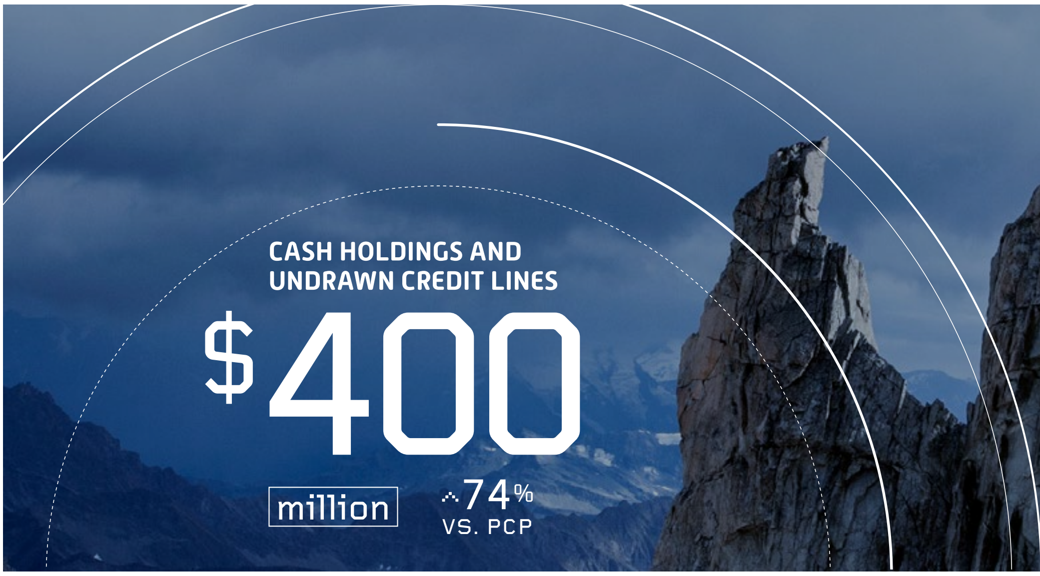
Credit Corp's leadership of the credit-impaired consumer segment has delivered a sustained period of growth and high returns. Over the years it has also provided a platform for expansion into new markets and adjacent businesses, while preparing Credit Corp to seize opportunities as they arise. In 2020 we learnt that our leadership has also given us the flexibility to act decisively when circumstances change.

Leadership is founded on sustainable advantage and results in a strong business capable of generating acceptable returns and cash flows while maintaining a conservative balance sheet. Both the underlying advantage and financial outcomes were evident in Credit Corp's performance for the period up to the commencement of COVID-19 isolation measures from late March 2020.

Our core Australian and New Zealand debt buying business was producing record results. For the nine months to March 2020 collections were up by 9 per cent over the prior year and the face value of accounts under arrangement had grown to $1.4 billion.

The Baycorp acquisition was completed early in the year and was already on track to achieve expectations. Achieving targeted returns from the transaction required timely execution of an ambitious integration plan to reduce costs, improve Purchased Debt Ledger (PDL) performance and ensure that the acquired Australian and New Zealand agency operations were running profitably. All major elements of the plan were completed ahead of schedule. By February 2020 Baycorp was on track to exceed our ingoing expectation of an incremental contribution to Net Profit After Tax (NPAT) of $6 million for the year and was driving performance in our core debt buying business.

Our differentiated position on compliance and reputation was enhanced, cementing Credit Corp's standing as a trusted provider of debt purchase services to its blue chip client base. Ongoing improvements to our control framework and supporting culture were producing strong customer outcomes. Reporting for the first half of the year from our external dispute resolution provider, the Australian Financial Complaints Authority, showed a further reduction in the incidence of complaints and extension of our industry leadership. Feedback from important stakeholders in the Australian not-for-profit financial counselling sector gathered during the first half of the year rated Credit Corp's response to consumer hardship as the highest of any financial services provider in the country.



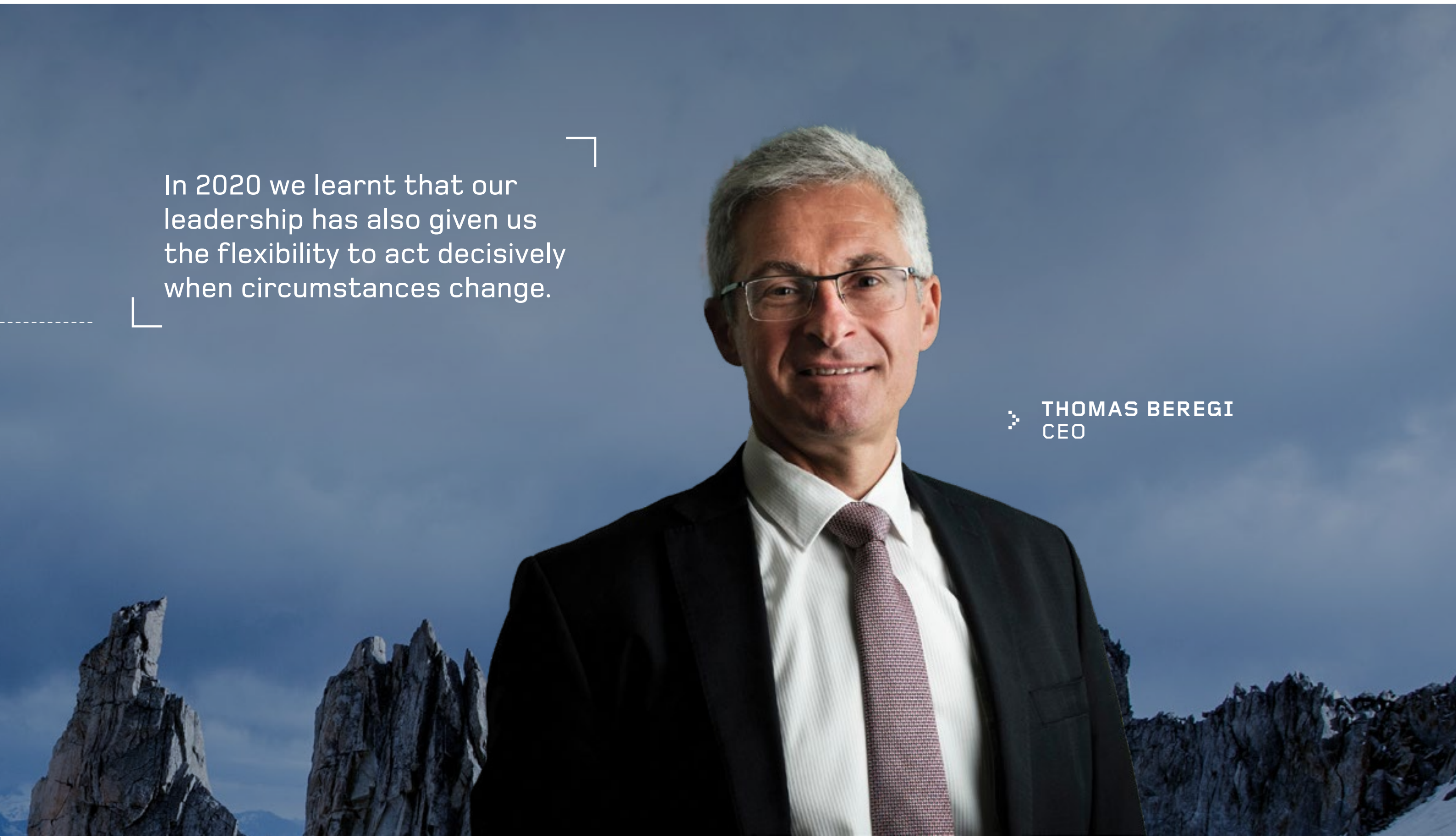
Our US debt purchase business was growing rapidly and profitably. For the nine months to March 2020 collections were up 57 per cent over the same period in the prior year and the face value of accounts under arrangement had grown to $0.3 billion. We had started purchasing from new clients and had grown our share of purchasing from several existing clients. Despite rapid workforce growth, productivity was solid and we were on track to achieve strong US segment earnings growth.

Our consumer lending business was also growing strongly, with loan volumes for the nine months to March 2020 up by 12 per cent over the same period in the prior year. The position of our Wallet Wizard cash loan as the cheapest and most sustainable offering in our segment of the market was continuing to drive strong rates of new customer acquisition and existing customer retention.

Leadership had delivered strong performance, status as a trusted service provider to our clients and a conservative balance sheet by the time that COVID-19 isolation measures were implemented in late March 2020. This position afforded us with a range of alternatives for managing through a deteriorating and uncertain environment. We opted for a long-term approach based on a considered assessment of the ongoing economic impact on our credit-impaired customer base.

Taking a long-term approach involved looking beyond temporary distortions and confronting the reality of the medium-term economic consequences of COVID-19.

From the outset, our customers had been less prepared to agree and maintain longer-term repayment plans. This initially produced a sharp decline in collections and rising loan book arrears. Later, an increased willingness to make one-off repayments brought collections back to pre-COVID-19 levels and restored loan book arrears.



In 2020 we learnt that our leadership has also given us the flexibility to act decisively when circumstances change.

THOMAS BEREGI
CEO

Our assessment was that we were experiencing an unemployment rate in excess of 10 per cent, after adjusting for changes in workforce participation, and the temporarily offsetting impact of government support, stimulus measures and private sector forbearance (temporary support). We came to the view that unemployment would persist at elevated levels, the impact of which would be more severe for our credit-impaired customers, who are more exposed to the risk of unemployment for a prolonged period. As temporary support reduced, we expected PDL collections to fall and loan book arrears to rise.

Our long-term approach to COVID-19 has elevated the needs of our credit-impaired customers and our valued clients, the sellers of PDLs.

No expedient options have been taken in the settings adopted for our interactions with customers. All our existing protocols to ensure an appropriate response to financial hardship have remained in place and have been supplemented with additional measures. For our lending customers it has been necessary to look past the impact of temporary support in order to make a responsible assessment of ongoing capacity to meet repayments and this has impacted loan volumes.

The interests of our clients have guided much of our response to the pandemic. Our initial priority in discussions with clients was to agree more sustainable pricing, better reflecting the outlook for collections from freshly purchased PDLs.

As part of these discussions, clients expressed increased interest in debt sale and emphasised the importance of being able to agree firm purchasing commitments into the future, with the capacity to accommodate increased volumes, as part of their own response to ongoing economic uncertainty.

Meeting the expectations of our clients would require more than appropriately adjusted PDL pricing. While our balance sheet was already the most conservative of any major debt buying industry participant, making commitments into the future in circumstances of heightened risk and preparing for increased volumes would require further strengthening of our financial position.

We used our flexibility to rapidly build cash. Temporary cost reductions combined with reduced lending volumes and solid operating performance over the last quarter of the year to generate substantial free cash flow. This was supplemented with an equity raising to leave Credit Corp with a combination of cash holdings and undrawn credit lines totalling $400 million.

Readily confronting the likely ongoing impact of COVID-19 on our business has not been without significant short-term cost. Consistent with our approach to pricing PDL acquisitions and approving loan applications we have had to adjust our estimates of the timing and amount of future cash flows arising from our existing PDL and loan books together with our ongoing purchasing arrangements. This has given rise to substantial adjustments in our 2020 financial results, reducing NPAT to just $15.5 million for the year.

Our actions to date have established a strong platform for a return to growth. We have completed our assessment of the future and we are making purchasing commitments and lending decisions at adjusted settings. Our operations have adapted to COVID-19 protocols with a combination of work-from-home and office-based activity producing strong results. We expect solid profitability in 2021 together with further growth and increased returns in the years to come.

In closing my report for 2020 I want to thank all of Credit Corp's 1,908 people for the leadership, flexibility and commitment they have shown in unusual circumstances. I am excited about the prospect of working with them to meet the challenges and opportunities which lie ahead.

THOMAS BEREGI
Chief Executive Officer

BOARD OF DIRECTORS

Donald McLay

Chairman, Non-Executive Director

Board Committee memberships

- Audit & Risk Committee
- Remuneration & HR Committee

Date appointed

Appointed as a Non-Executive Director in March 2008 and Chairman on 30 June 2008.

Skills and experience

Don has more than 40 years' experience in financial markets, investment banking and broad business services. He has previously held executive roles at a number of local and overseas investment management and investment banking organisations, working in London, Singapore, Auckland and Sydney.

Directorships and other current appointments

Currently, Don is Chairman of Torres Industries Pty Ltd, an unlisted investment group. Don was appointed Chairman of Clime Investment Management Limited on 1 March 2015 and as Chairman of Registry Direct Limited on 30 May 2016.

Qualifications

Don holds a Bachelor of Commerce degree, and is a Chartered Accountant, a Chartered Secretary and a Senior Fellow of the Financial Services Institute of Australasia.

John Nesbitt

Non-Executive Director

Board Committee memberships

- Chairman of the Audit and Risk Committee

Date appointed

Appointed as a Non-Executive Director in September 2019.

Skills and experience

John had an extensive career as a senior executive in listed entities across the financial services, property and construction sectors. Past roles included Global Chief Financial Officer of Bovis Lend Lease (ASX: LLC), Group Chief Financial Officer of both Perpetual Limited (ASX: PPT) and Suncorp Group Limited (ASX: SUN). His final executive appointment was as Chief Executive Officer of the Banking and Wealth Division of Suncorp Group (ASX: SUN).

Directorships and other current appointments

John's current Board roles include a Non-Executive Director of Members Equity Bank Limited (ME Bank), General Reinsurance Australia Group and Evolve Housing Limited (a not-for-profit in the Social and Affordable Housing sector). Past Board roles include Non-Executive Chairman of AMP Capital Holdings Limited.

Qualifications

John is a Fellow of Chartered Accountants Australia & New Zealand and a member of the Australian Institute of Company Directors.

Trudy Vonhoff

Non-Executive Director

Board Committee memberships

- Remuneration & HR Committee

Date appointed

Appointed as a Non-Executive Director in September 2019.

Skills and experience

Trudy is an experienced Non-Executive Director and has over 20 years' experience in retail and business banking, corporate banking, financial markets and strategy. Past executive roles include General Manager, Operations and General Manager of Commercial and Agribusiness Banking for Westpac Banking Corporation (ASX: WBC) and Chief Financial Officer of AMP Bank Limited.

Directorships and other current appointments

Previous Board roles include Non-Executive Director of AMP Bank Limited, Cabcharge Australia (ASX: A2B), Ruralco Holdings (ASX:RHL) and Tennis NSW. Her current Board roles include Iress Limited (ASX:IRE) and Cuscal Limited.

Qualifications

Trudy has a Bachelor of Business (Hons) from the Queensland University of Technology, a Master of Business Administration from the University of Technology, Sydney and has completed Executive Development courses at Harvard Business School. She is a graduate member of the Australian Institute of Company Directors and a Senior Fellow of FINSIA.

The Credit Corp Board of Directors is committed to strong corporate governance policies and practices and guides the business and affairs of the Group on behalf of shareholders.

Our Board members have a diversity of experience and knowledge that enables them to guide the strategic management of the Company and ensure that controls are in place to meet standards of performance set by shareholders, clients and the community.

Leslie Martin

Non-Executive Director

Board Committee memberships

> Audit & Risk Committee

Date appointed

Appointed as a Non-Executive Director in March 2014.

Skills and experience

Leslie has 30 years' experience in commercial banking in several countries and is a specialist in payments and corporate cash management. She has been in the start-up phase of businesses with Chase Manhattan (now JP Morgan Chase) in New York and Hong Kong. She joined Westpac in 1994 as a General Manager to establish its transaction banking capability and later led the Working Capital Services business at the Commonwealth Bank.

Directorships and other current appointments

Currently, Leslie is a Director of IMA Asia, an independent economics advisory firm. She has held Board positions with subsidiaries of the Commonwealth Bank and a variety of payment industry bodies.

Qualifications

Leslie holds a Bachelor of Arts degree, a Master of Business Administration degree, and is a Fellow of the Australian Institute of Company Directors.

Richard Thomas

Non-Executive Director

Board Committee memberships

> Audit & Risk Committee

Date appointed

Appointed as a Non-Executive Director in September 2006.

Skills and experience

Richard brings over 50 years' management experience in banking, finance and related industry sectors to Credit Corp's Board. Richard is a professional Company Director and has previously held senior executive roles including Group Executive, Australian Banking Services with Westpac, Managing Director of AGC Limited and Executive Vice President of US-based Avco Financial Services.

Directorships and other current appointments

Richard was Acting Chairman between 11 February and 30 June 2008.

Qualifications

Richard is a Fellow of the Australian Institute of Company Directors.

Eric Dodd

Non-Executive Director

Board Committee memberships

> Chairman of the Remuneration & HR Committee

Date appointed

Appointed as a Non-Executive Director in July 2009.

Skills and experience

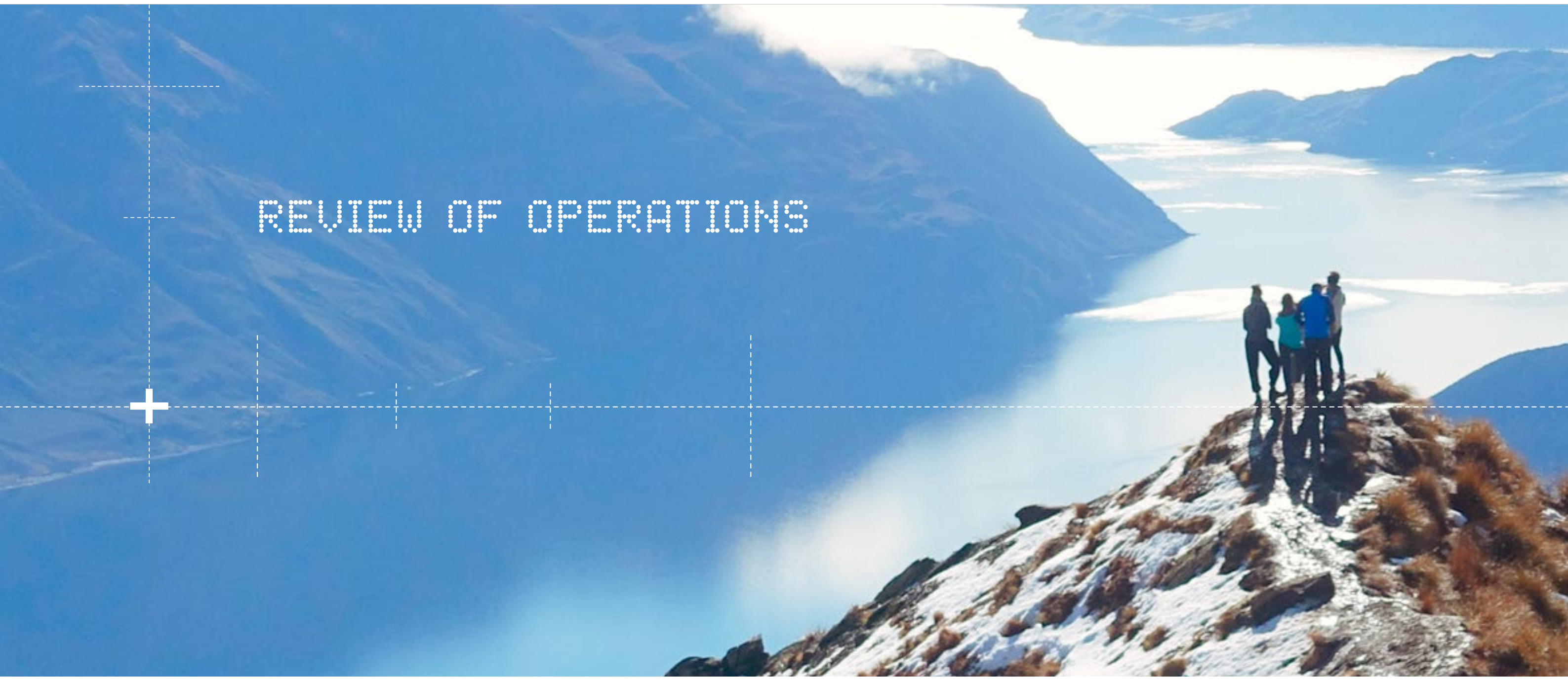
Eric has extensive experience in the insurance, finance and banking sectors. Eric previously held the position of CEO of Insurance Australia Group and Director and CEO of MBF Australia Limited for a six-year period, before being appointed as Managing Director of the combined organisation when MBF merged with BUPA Australia in June 2008. Eric is also a past Managing Director and CEO of NRMA Insurance Limited and has held numerous senior positions within the financial services industry.

Directorships and other current appointments

Currently, Eric is Chairman of First American Title Insurance Company of Australia Pty Limited.

Qualifications

Eric holds a Bachelor of Economics degree, is a Fellow of the Institute of Chartered Accountants and is a Fellow of the Australian Institute of Company Directors.



REVIEW OF OPERATIONS

OVERVIEW

2020 was a year of strong operational performance across all segments as well as strong pre-COVID-19 investment. From the onset of COVID-19, the focus was on rapidly pivoting to a primarily work-from-home operational model and building financial capacity to support ongoing investment during a period of elevated volatility and prepare for future opportunity.

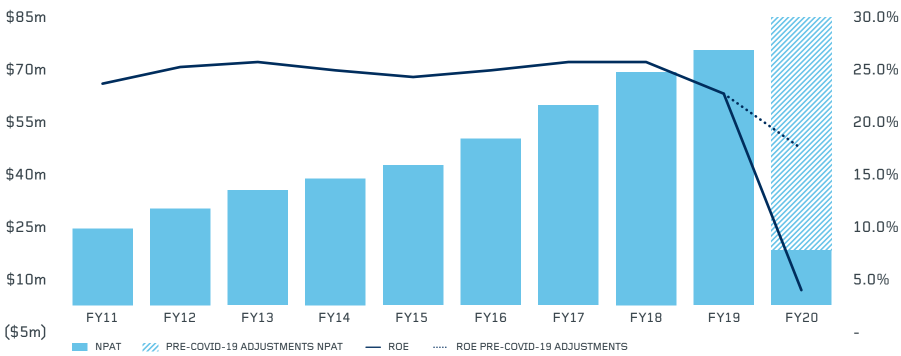
Net profit after tax (NPAT), pre-COVID-19 related adjustments, was $79.6 million, 13 per cent higher than 2019 and consisted of strong growth in all segments. The organically-developed consumer lending and US debt buying divisions contributed almost 40 per cent of this NPAT, up from 33 per cent in 2019.

COVID-19-related adjustments were made to the carrying values of Purchased Debt Ledgers (PDLs) and consumer loan provisioning to reflect Credit Corp's assessment of the medium-term economic outlook. An extended period of high unemployment, in excess of 10 per cent, is anticipated which will detrimentally impact forecast PDL collections.

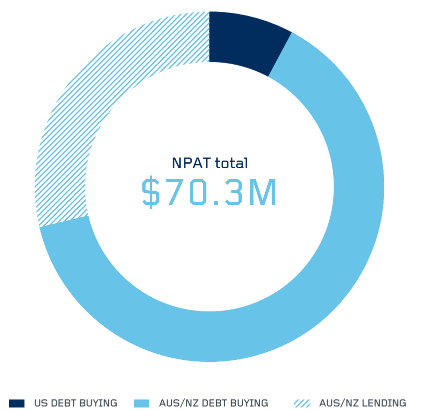
Early in 2020 the acquisition of the Baycorp business was closed. The transaction included a large secondary PDL book as well as an agency business operating in both Australia and New Zealand. Baycorp was acquired for the value of its net assets without incurring any goodwill. On a pre-COVID-19 basis, incremental NPAT from Baycorp was more than $6 million in 2020, exceeding the acquisition pro-forma, after a significant integration program.

Although recent PDL investment and net lending has been lower than pre-COVID-19 levels due to reduced demand and adjusted risk settings, Credit Corp has the financial and operational capacity to invest as opportunities emerge that meet its hurdle Return on Equity (ROE).

NPAT AND RETURN ON EQUITY ($M)

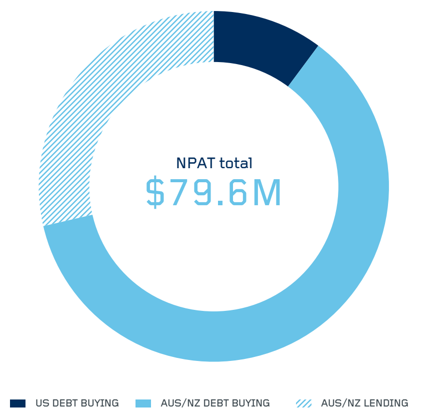


FY19



FY20

PRE-COVID-19 RELATED ADJUSTMENTS



REVIEW OF OPERATIONS (CONTINUED)

2020 was a year of strong operational performance, despite the impact of the COVID-19 pandemic. Credit Corp is well positioned to benefit from investment opportunities that emerge from this period.

AUSTRALIAN AND NEW ZEALAND DEBT BUYING

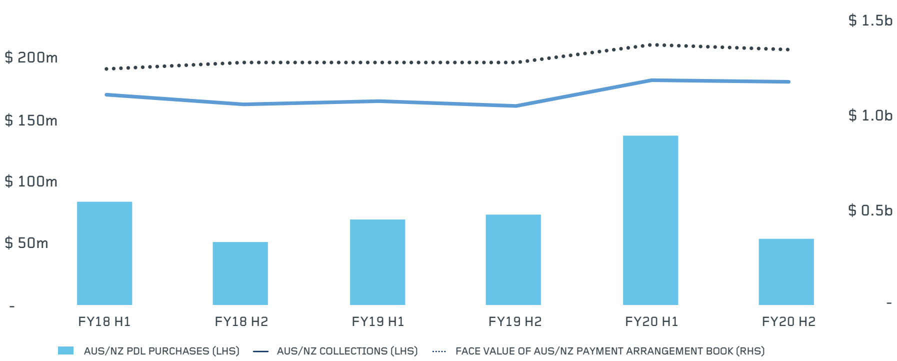
Despite reduced investment in the latter part of 2020, PDL collections increased by 12 per cent over 2019 levels. Strong operational performance was underpinned by the payment arrangement book, which grew by 5 per cent over the year, despite some COVID-19-related degradation late in the year.

Our clients, who include the largest financial institutions in Australia and New Zealand, continue to have a strong appetite for debt sale. Whilst the economic proposition of debt sale for our clients is strong, brand protection is of critical importance. This has assumed even greater significance post-COVID-19 as greater numbers of consumers are likely to experience hardship.

Credit Corp continues to have industry leading compliance metrics and was recently ranked by Financial Counselling Australia as having the best hardship response of any financial services organisation in Australia. It is this superior compliance record that underpins the relationships Credit Corp has with its debt sale clients and their willingness to continue with debt sale in the present environment.

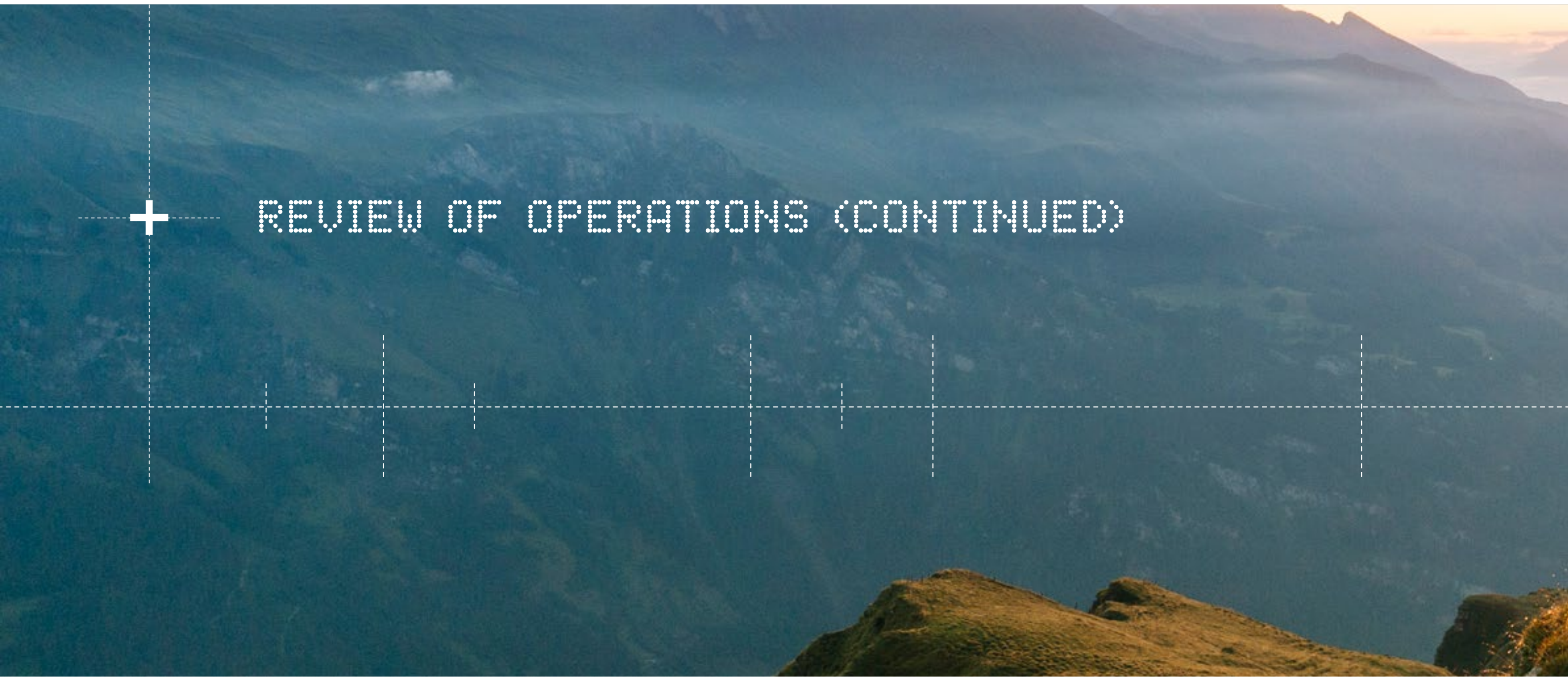
These relationships have enabled over 90 per cent of the pre-COVID-19 PDL forward flow contracts extending into 2021 to be re-negotiated at prices that reflect the anticipated lower liquidations as a result of the pandemic. It is expected there will be opportunities to add to the Australian and New Zealand PDL investment pipeline in the first half of 2021.

AUS/NZ PDL COLLECTIONS AND PAYMENT ARRANGEMENT BOOK ($M)



Operational capacity increased by 8 per cent during 2020 and has been maintained post-COVID-19 with staff working predominantly from home without any impact on productivity. This productive capacity will support increased PDL investment as opportunities arise.

The Baycorp acquisition contributed both to investment volume and earnings, accounting for $6.4 million of NPAT in 2020 on a pre-COVID-19 basis. Baycorp's purchasing relationships helped produce record purchasing from New Zealand clients during the year.



REVIEW OF OPERATIONS (CONTINUED)

US DEBT BUYING

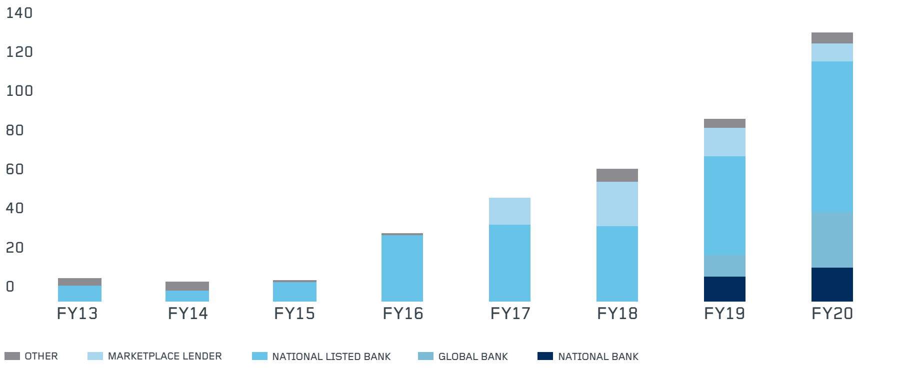
Prior to the COVID-19 pandemic the US debt buying operation was on a strong growth trajectory. PDL investment was 46 per cent higher than in 2019 and ledger collections were 55 per cent higher. A second operational site was opened during the year in Washington State, adding another 180 seats to the 430 seats in the existing Utah site, allowing for substantially increased operational capacity.

During 2020 Credit Corp also diversified its purchasing relationships, purchasing from six different issuers including national banks, marketplace lenders and finance companies. Credit Corp is on the buying panels of all but one of the major sellers, maximising the breadth of investment opportunity.

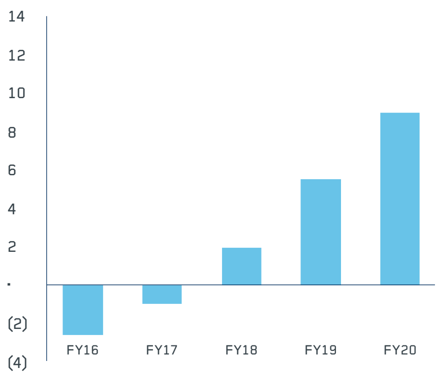
In our view, US PDL pricing has not yet adjusted adequately for the anticipated lower returns in the post-COVID-19 environment. As a result, there is an uncertain investment outlook in the US in the short-to medium-term. Some credit issuers, though, are anticipating significant increases in volumes of charged-off debts offered for sale which could prove to be a catalyst for PDL pricing levels to moderate. This may lead to additional investment opportunities later in 2021.

Having invested strongly in 2020, Credit Corp is on track to grow profits from its US debt buying operation in 2021. Operational capacity will be maintained during 2021 to enable full participation in the market as and when pricing levels make investment viable in the current environment.

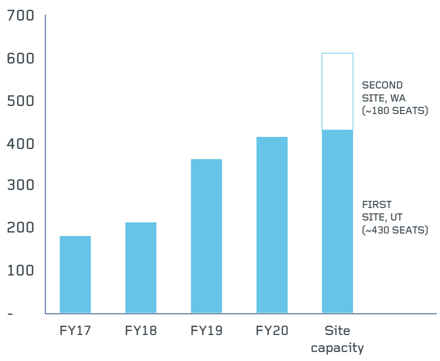
US PURCHASING (A$M)

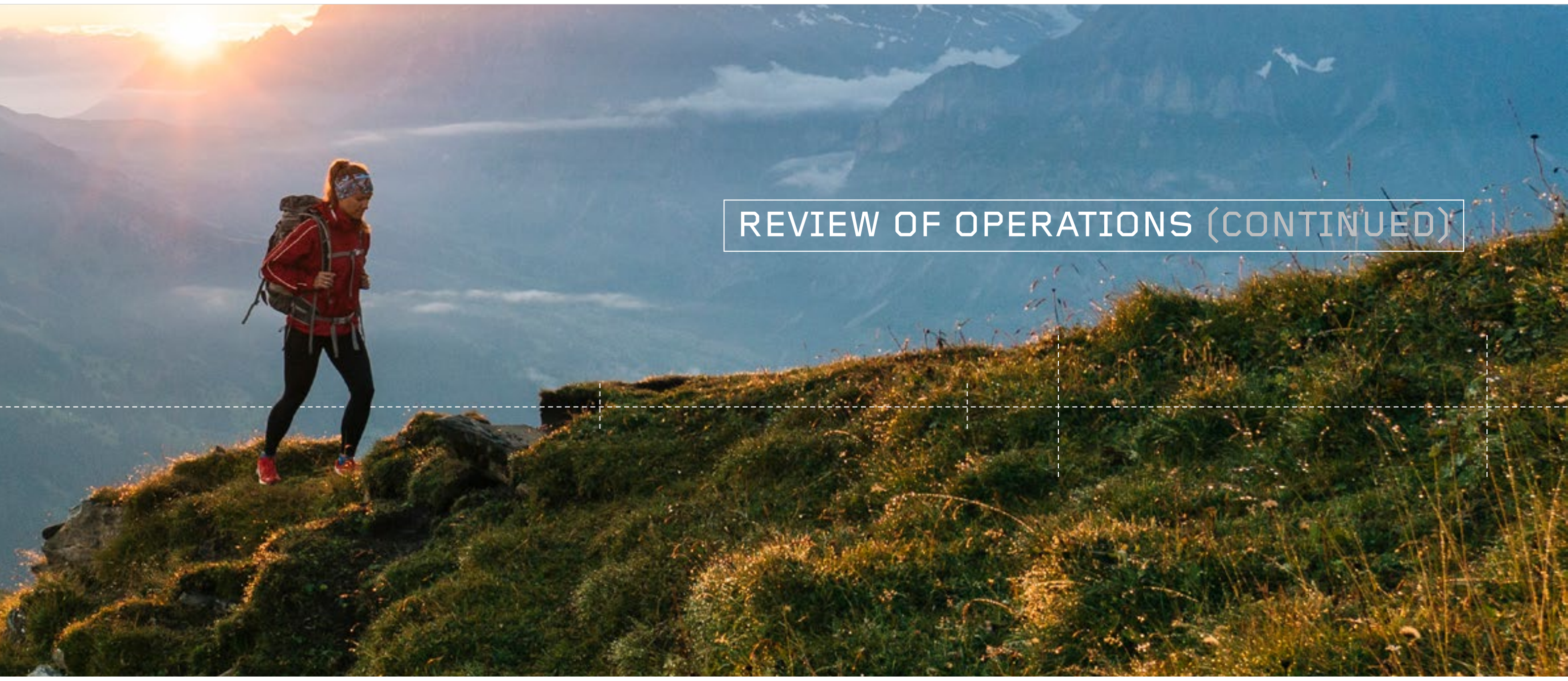


US NPAT (A$M)



US HEADCOUNT





REVIEW OF OPERATIONS (CONTINUED)

CONSUMER LENDING

Whilst lending volumes and arrears and delinquency performance were strong pre-COVID-19, the pandemic reduced consumer demand and necessitated an adjustment to credit risk settings which adversely impacted settled volumes of Wallet Wizard cash loans.

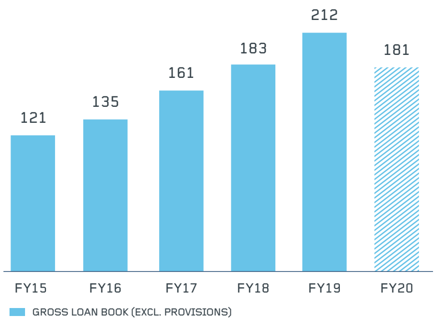
This resulted in the consumer loan book running-off, generating substantial free cash flow late in 2020. Following further review of the credit risk settings and some anticipated increased demand, volumes are expected to improve in 2021 which will result in the loan book stabilising in the second half of the year.

The Wallet Wizard cash loan continues to be the most sustainable loan product in its segment. It is not only the cheapest but the most flexible. The absence of any up-front or ongoing fees mean that it can be repaid at any time.

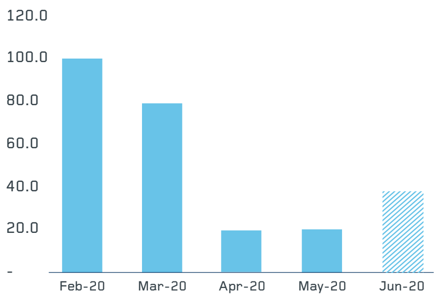
Arrears and losses continue to perform within pre-COVID-19 pro-forma levels but some deterioration is expected in delinquency in 2021. As a result, provisions were increased from 19 per cent loss to 24 per cent of the pre-provision carrying value at the end of 2020.

Credit risk settings will be subject to ongoing review and consumer lending volumes in 2021 will be maximised within those parameters. Although the consumer lending business is producing the hurdle investment return, earnings are expected to decline in 2021 in line with the diminished book size.

CONSUMER LENDING BOOK ($M)



LENDING VOLUME INDEX TO PRE-COVID-19 EXPECTATION (%)



CAPITAL MANAGEMENT

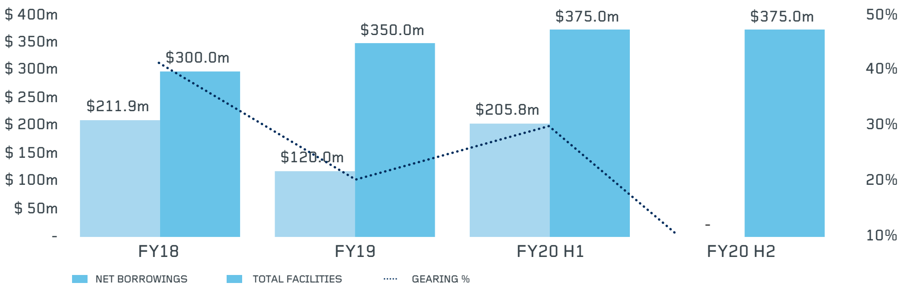
Credit Corp completed an equity raising late in 2020 which was strongly supported by its institutional and retail shareholders. The raising was to ensure the Company was in the strongest possible capital position to enable continued investment during a period of heightened uncertainty and to prepare for investment opportunity arising from the economic impact of the COVID-19 pandemic.

After the equity raising, Credit Corp enters 2021 with over $400 million of cash and undrawn credit lines available for investment. This will be supplemented with substantial free cash flow in 2021 to create formidable investment capacity.

This puts the Company in a strong position to maximise investment as opportunities arise and reduces the risk that investment capital will need to be rationed. In deploying this capital, Credit Corp will maintain its disciplined and returns-focused investment approach, continuing to target its hurdle ROE of 16-18 per cent.

Credit Corp's undrawn banking facilities of $375 million mature in 2022 and 2023.

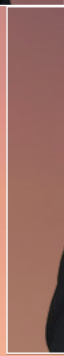
FACILITY HEADROOM AND GEARING



OUR PEOPLE

MATT ANGELL
CHIEF OPERATING OFFICER

MICHAEL EADIE
CHIEF FINANCIAL OFFICER



TIM CULLEN
CHIEF INFORMATION OFFICER

STEPHANIE PALMER
HEAD OF HUMAN RESOURCES

MARTIN WU
HEAD OF ANALYTICS

CHRISTOPHER MIDLAM
HEAD OF CLIENT SERVICES

DAVID BRAND
HEAD OF MARKETING AND PRODUCT DEVELOPMENT

ADAM CARPENTER
HEAD OF LEGAL COMPLIANCE AND OPERATIONAL STRATEGY

DAVID ACHEATEL
CHIEF OPERATING OFFICER OF USA

MATT STOKES
HEAD OF COLLECTIONS

Our people are the cornerstone of our success and we are committed to providing them with the ability to succeed in their roles and develop their careers.

DANIEL TODD
HEAD OF CONTINGENT COLLECTIONS

JAMES TRELOAR
HEAD OF LENDING

SEAN EGAN
HEAD OF COLLECTIONS – USA

CUSTOMER STORIES

FRANK
AUS

Every customer has a story. Credit Corp listens.

Some names and identifying details have been changed to protect the privacy of individuals

MEET FRANK

Frank found himself in a difficult financial situation a few years ago when he was overwhelmed by several debts. He reached the point where he had accumulated so much debt that he decided to sell his property by the hope of repaying his creditors and regaining financial stability. After repaying his mortgage, the sale proceeds were insufficient to clear all that was owed, so he accepted Credit Corp's offer of an affordable repayment arrangement to clear his account over time.

More recently, Frank has suffered from ill-health and has been unable to work, causing him to fall behind in his repayments. Frank appointed his father to speak with Credit Corp on his behalf. His father wanted to help Frank resolve the debt and contacted the Company.

Credit Corp's customer relationship manager, David, listened to Frank's father and provided some flexible alternatives that responded to the circumstances described. David was able to tailor a solution to resolve the account.

Frank was relieved the matter was sorted out so professionally and he emailed Credit Corp to express his appreciation:

"My Dad has been helping out with my repayments while I have been unwell and unable to work for 12 months. COVID-19 has made things worse, with my Dad now losing his job.

David listened to our story and came up with a great way to finalise the account. I was uncomfortable about my Dad having to deal with this for me, especially when he was also suffering. But from what I have heard, David was fantastic and made it all easy. He was compassionate and understanding.

This was important to us and it is greatly appreciated, particularly during these difficult times. It doesn't go unnoticed. Keep up the great work, David."

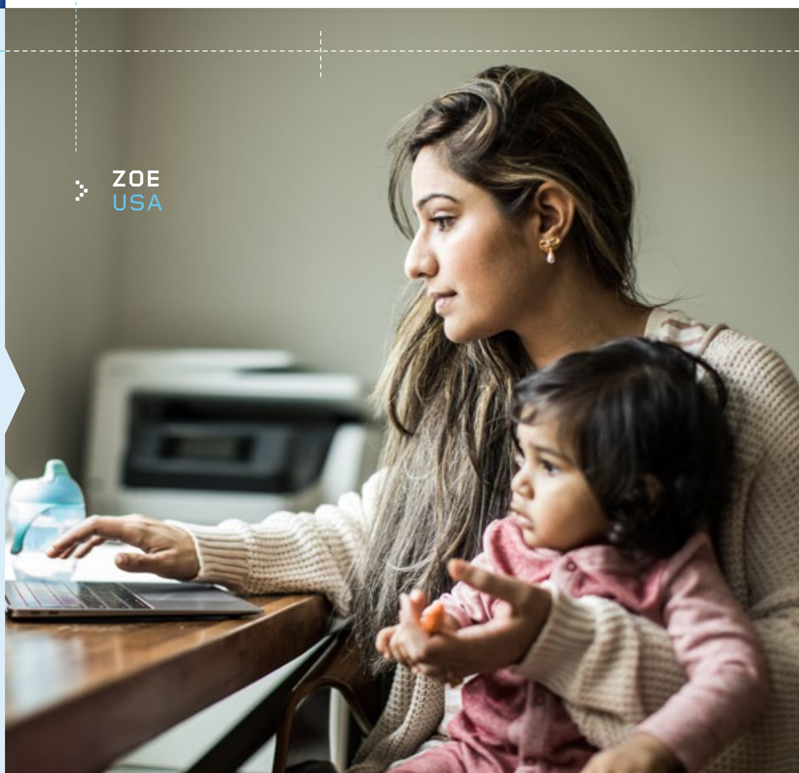
MEET ZOE

Zoe had been through a difficult time in her life and was only just starting to recover. She wanted to get her financial affairs in order but was apprehensive about speaking to her creditors.

When Zoe contacted Credit Corp, she wanted to know her options for resolving her account. Zoe's Credit Corp customer relationship manager, Alex, listened to the description of her circumstances and suggested an affordable repayment arrangement.

There was still some uncertainty about Zoe's future financial situation so Alex suggested an initial monthly repayment amount, while they continue to work on agreeing a repayment plan when there is more certainty. Zoe and Alex now speak each month to agree the right repayment amount.

Zoe recently emailed Credit Corp to express her appreciation: "I have enjoyed working with Alex. He has made me feel comfortable to share my story as I was embarrassed by my situation."



ZOE
USA

EMPLOYEE STORIES

MEET DELLA

Della has been with Credit Corp since joining as a Customer Service Officer in the lending business in February 2018. She is now a Senior Customer Service Operator, having been promoted in May 2019.

Della previously worked in hospitality and completed a business degree, majoring in hotel management, in 2014. Della has applied her passion for customer service to succeed at Credit Corp.

Della's next goal is to progress to the role of Team Leader, to gain valuable leadership experience in the financial services industry.

According to Della, Credit Corp is a great place to work and stands out as a leading employer. She says, "Credit Corp truly is the land of opportunity for all its people. Having worked at many organisations, I was astounded at how clearly Credit Corp lay out the path for career development and advancement. All the managers I have worked with are great role models with a strong work ethic. It is the quality of its leadership that sets Credit Corp apart."

MEET JACK

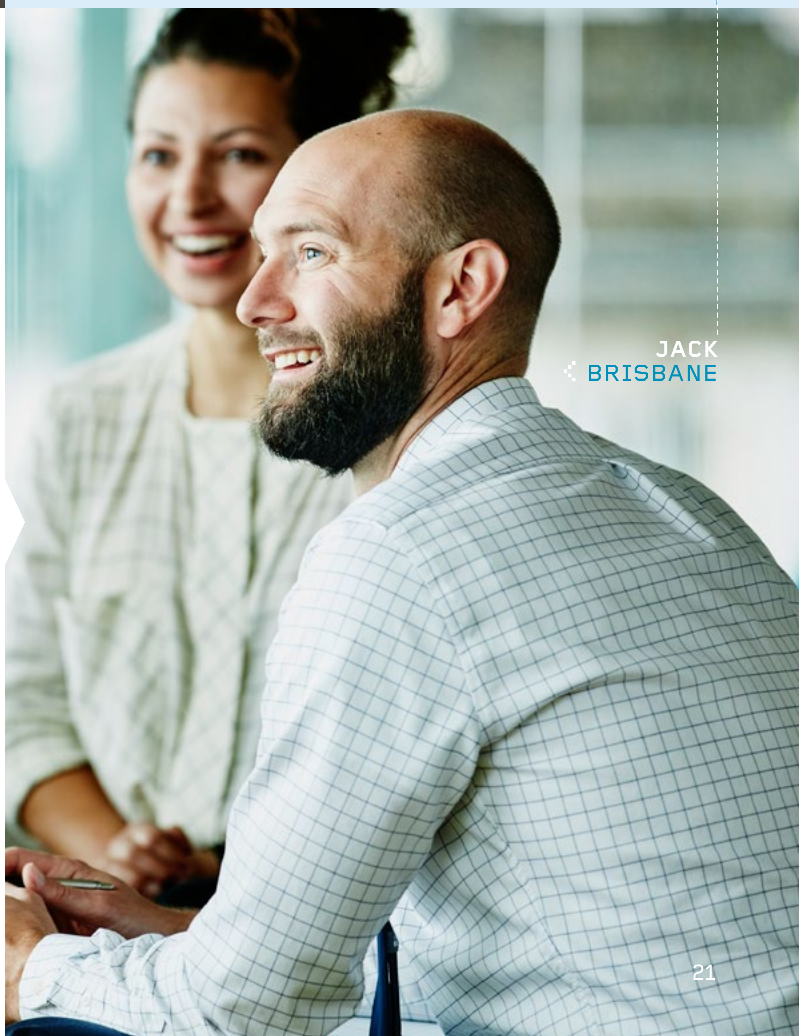
Jack started at Credit Corp in February 2016 and now works in leadership, as a Team Performance Manager.

Jack grew up in a small country town, playing sport on the weekend and working on his family's farm. He quickly learnt the importance of hard work and being able to communicate with people from different walks of life. He credits his upbringing for developing the confidence that any challenge can be overcome if you work hard and help others along the way.

Before starting at Credit Corp, Jack qualified as a carpenter and moved to Brisbane where he worked as a full-time tradesman for a number of different employers. He had an interest in finance and was told about Credit Corp by a friend.

Jack's work ethic and keen interest in helping customers has seen him progress his career with Credit Corp. His goal is to move into a more senior leadership role as part of developing a long career with the Company.

Jack considers that Credit Corp is a true leader in the financial services industry. He says, "Being able to help someone with their financial situation and hearing their relief when they resolve a credit obligation is what I enjoy the most. Credit Corp is a company that genuinely cares for its customers and its staff. I'm proud that Credit Corp is the best collections company in Australia and a leader in responsible and ethical practice in the broader financial services industry."



OUR COMMITMENT TO SUSTAINABILITY

We are committed to being a leader in sustainability and compliance. Financial services is one of the most scrutinised sectors of the economy and plays an important role in the broader community. We apply our values to ensure the creation of sustainable outcomes for our customers, people, stakeholders and the community.

THE COMMUNITY AND THE ENVIRONMENT

Credit Corp recognises that it is part of a wider community, and is therefore committed to minimising its environmental and social impact.

Impact on the environment is relatively minimal for Credit Corp as a non-carbon intensive office and technology-based business.

Our small environmental footprint arises from the energy used by our offices and three data centres, and from consumables, primarily paper.

Our priority is to look after the needs and interests of our customers, stakeholders, the community and the environment and this is reflected in our policies and practices.

- We have achieved carbon neutral operation for our mail house
- We have reduced business air travel to lower our CO2/GHG emissions
- Data security and protection is a key priority

PROTECTING THE ENVIRONMENT

We are committed to minimising our environmental footprint and have put in place policies aimed at reducing our waste, carbon emissions and other environmental impacts.

- Our Sydney head office has a 5-star NABERS energy rating and a 3-star NABERS water rating
- Our Sydney head office produced 0.48 tonnes per FTE in CO2 emissions from energy usage versus 0.52 in the previous year
- Our Australian-managed data centres have a power usage effectiveness (PUE) rating of 1.28 and a 5-STAR NABERS rating. Our US data centre has a PUE rating of 1.35
- Our Australian third party mail-house for customer communications is 100% carbon neutral
- Waste management and recycling programs are in place at all our locations
- We have a cartridge recycling program in place for our office printers
- Business air travel CO2 emissions have decreased to 94.02 tonnes from 132.29 in the prior year

	FY19	FY20
Business air travel CO2 emissions (tonnes)	132.39 total	94.02 total

PRIVACY AND DATA SECURITY

- Credit Corp adopts customer, client and employee privacy policies
- All new operations employees undergo an extensive induction training program administered by the Company's experienced training team before they commence work
- Data handling training is provided to all relevant staff and is audited and monitored through regular refresher training and testing modules
- Credit Corp adopts a data security and data protection policy and maintains a data breach incident response plan
- Management's approach to identifying and addressing data security risks involves regular internal and external penetration tests and 24/7 third party monitoring of the security perimeter
- Credit Corp is ISO 9001 certified in quality management and ISO 27001 certified in information security management
- Third party suppliers to Credit Corp are subject to security and privacy assessments to ensure compliance with the Company's policies and procedures

OUR PEOPLE

Our people are the key to our success. They represent our culture and values and their diverse abilities enable us to interact effectively with our customer and to achieve exceptional results.

1,908 employees (as of June 2020)

49% of operational managers are female

92% of leadership positions are filled internally

111 Australian employees attained a nationally accredited qualification

ENGAGEMENT AND DEVELOPMENT

The foundation of our relationship with our people and our customers is respect. Our Code of Conduct defines our workplace principles.

We engage regularly with our people so we can understand their needs. We provide a positive workplace that supports employee safety, wellbeing and development.

- 696 employees have completed one of our award-winning training programs that form part of our career pathway model
- In Australia, our training programs are nationally recognised and accredited with Certificates III and IV in Financial Services
- 111 Australian employees attained a nationally accredited qualification and four went on to complete a Certificate IV qualification
- All new operational employees undergo an extensive induction training program administered by the Company's experienced training team before they commence work
- Our in-house training programs, provided globally, focus on a mix of technical and soft skills that lay the foundation for operational success and career growth in operational leadership
- In FY20, zero matters went to an employment tribunal and 0.25 matters per 100 employees were lodged with the Fair Work Commission (FWC). These FWC matters were resolved by internal agreement
- Credit Corp monitors and audits compliance with its Code of Conduct. Regular refresher modules test understanding and application of the Code. These modules are mandatory for all staff

HUMAN RIGHTS

Credit Corp commits to the principles of the United Nations Global Compact on human rights, labour standards and anti-corruption. Credit Corp also commits to local labour standards wherever we operate in the world.

- We commit to fair pay and working conditions in keeping with or in excess of the minimum standards required in each country in which we operate
- We stand against modern slavery and have no unpaid workers in any location
- We respect our employees and do not discriminate against any attribute protected by law, including free association

DIVERSITY AND INCLUSION

We recognise that having a diverse and inclusive workplace leads to better business outcomes. Employing people from diverse backgrounds enables us to more effectively meet the needs of our broad customer base. We aim to attract, develop and retain the best talent and to create a diverse and inclusive workplace where everyone is valued and treated equally regardless of their ethnicity, sexual orientation, gender identity, background or any other personal characteristic.

GENDER EQUALITY IS A KEY PRINCIPLE OF OUR DIVERSITY STRATEGY

60% female employees

49% of our operational managers are female

40% male employees

We have employees from at least 20 ethnicities in our employment

50

Collectively, our team speaks over 50 languages

OUR COMMITMENT TO SUSTAINABILITY (CONTINUED)

WORKPLACE HEALTH AND SAFETY

The health and safety of our people is a key priority. We are committed to continuously evaluating and improving our work processes and environment to ensure the safety and wellbeing of all employees.

- Credit Corp maintains a Workplace Health and Safety (WHS) policy applicable to all employees, which is readily accessible to all staff and is specifically communicated at commencement of employment with Credit Corp
- Credit Corp is committed to a culture of safety and emergency preparedness, which is managed and controlled by our WHS policy
- We regularly review potential risks to minimise the occurrence of injuries, occupational diseases, and work-related fatalities. All incidents are logged and reported monthly at Board level and appropriate changes are made to further improve health and safety

WHS performance

- 0.05 injuries per 100 employees during FY20
- Zero occupational diseases recorded per 100 employees in FY20
- Zero work-related fatalities

SUSTAINABLE AND RESPONSIBLE LENDING

We are the market leader in the fast cash consumer loan sector, providing affordable and sustainable loans to our customers.

Credit Corp's market-leading loan products are lower cost and more sustainable than products of our competitors operating in our segment. In fact, our fast cash loan is priced well below the cost of the charitably-funded alternative provided on a not-for-profit basis.

AUSTRALIAN FAST CASH LOAN PRICING[1]

Credit Corp	$148
Typical competitor	$440
Not-for-profit competitor	$220

Wallet Wizard

OUR FLAGSHIP FAST CASH LOAN PRODUCT

33-76% CHEAPER

than competitor products

23 NPS[2] (+2 vs. PCP)

Lending customers

COMPLIANCE

The community has high expectations of financial services providers that go beyond minimum legal requirements. We are committed to meeting these expectations and have an impeccable compliance record.

- Credit Corp has never been the subject of an enforcement action by the financial services regulator, the Australian Securities and Investments Commission (ASIC)
- Credit Corp has never been subject to an enforceable undertaking

Credit Corp works with 1.7 million customers globally and has over $10.5bn in receivables

1. Total interest and fees based on a $1,000 loan over a six-month duration.
2. Our Net Promoter Score (NPS) includes surveyed customers in all groups, including new and returning customers, approved and declined customers, and customers that have let their application expire, and those who have withdrawn.

OUR CUSTOMERS

We know that understanding our customers is fundamental to our success. Our relationships with our customers are built around respect and collaboration with the goal of providing affordable financial solutions tailored to their needs.

569k USA
Debt purchase customers

984k
AUS/NZ debt purchase customers

CREDIT CORP HAS
more than **1.7m**
customers globally

137k
Lending customers

$1.35bn
in ongoing repayment arrangements

$10.5bn
in receivables globally

CUSTOMER ENGAGEMENT

A good relationship with our customers is critical to agreeing appropriate financial solutions. We are collaborative and respectful in our approach.

– We engage in a constructive dialogue and take an understanding approach to each customer's situation
– We work with our customers to ensure a sustainable and realistic repayment solution. 73% of collections are received from mutually-agreed repayment arrangements in Australia and New Zealand
– We maintain the lowest number of external dispute resolution (EDR) complaints per million dollars collected in our industry as published results by our EDR provider
– In the United States, we maintain a dispute rate per million dollars collected significantly lower than our publicly traded competitors as reported by the federal regulator
– Credit Corp maintains a number of pro-active controls to identify and respond to hardship, sensitive issues or dissatisfaction in order to provide the best service to our customers

CUSTOMER ADVOCACY

We work closely with financial counsellors and consumer advocates to develop sustainable financial solutions for our customers.

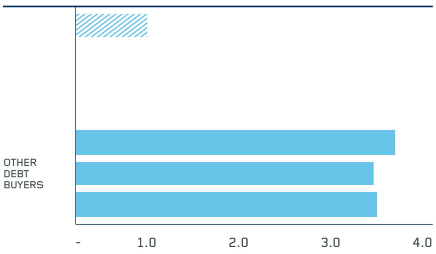
– We offer a single point of contact for financial counsellors through our Customer Experience function
– During the year, Credit Corp sponsored financial counsellor conferences in Queensland, New South Wales, Victoria, South Australia and Western Australia as well as a national financial counsellor conference
– Credit Corp provided a scholarship through the Jan Pentland Foundation for the recipient to obtain a financial counsellor diploma
– We train all of our frontline operations staff to identify and respond to financial hardship, whether raised by a customer or financial counsellor, and empower them to apply appropriate concessions to address hardship at the first point of contact
– Kildonan Uniting Care, a leading not-for-profit financial counselling service, hosts regular training sessions for our Australian employees on respectful engagement and customer circumstances, including matters such as domestic violence. These sessions help our people to better understand issues that may be impacting our customers and develop appropriate solutions to suit their individual situations
– The 2019 Financial Counselling Australia's "Rank the Banks" survey ranked Credit Corp's consumer hardship response 7.8 out of a maximum 10 points. This was the highest score achieved by any financial service provider
– Our market-leading cash loan product conforms to interest and fee parameters recommended by consumer advocacy groups during regulatory consultation

2019's "RANK THE BANKS" SURVEY RATED CREDIT CORP

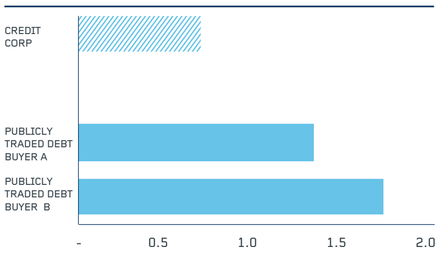
39% higher than the nearest debt buying competitor

[CCP 7.8, nearest competitor 5.6]

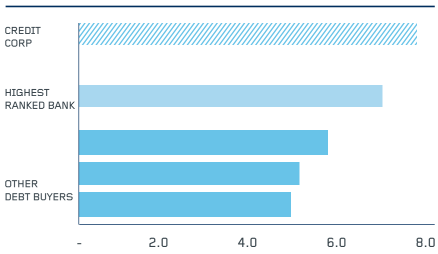
FY2020
H1 AU EDR RATE [1]



12 MONTHS TO MAR-20
US DISPUTE RATE [2]

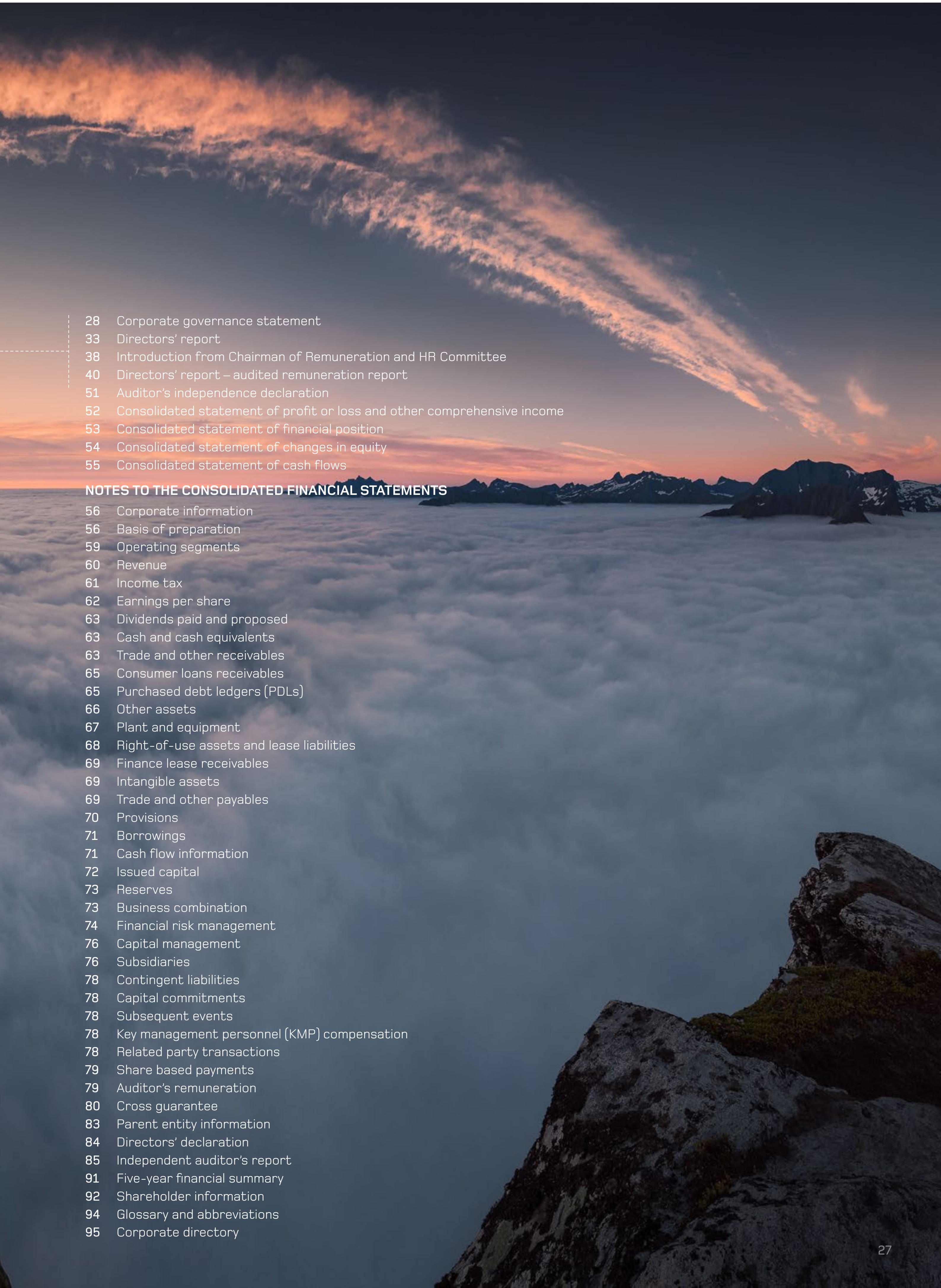


FINANCIAL COUNSELLOR RATING
OF BANKS AND DEBT BUYERS [3]



1. Number of complaints reported by External Dispute Resolution (EDR) provider (The Australian Financial Complaints Authority) for the six-month period to 31 December 2019 divided by total annual PDL collections expressed in millions of dollars pro-rated for a six-month period.
2. Complaint metrics from Consumer Financial Protection Bureau (CFPB) database for the 12 months to Mar-20 divided by reported collections. https://www.consumerfinance.gov/data-research/consumer-complaints/search/?from=0&searchField=all&searchText=&size=25&sort=created_date_desc
3. Financial Counselling Australia: Rank the Banks and Other Creditors 2019 - Rating of response to consumer hardship, July 2020, pages 7 and 19 .

FINANCIAL STATEMENTS



CORPORATE GOVERNANCE STATEMENT

This statement relates to the financial year ended 30 June 2020, and is current as at 28 July 2020.

Credit Corp Group Limited (the Company) and its subsidiaries (collectively, the Group) maintain policies and practices to comply closely with the Corporate Governance Principles and Recommendations (3rd Edition) released by the ASX Corporate Governance Council.

CORPORATE GOVERNANCE OVERVIEW

The Board of Directors of the Group is responsible for the corporate governance of the Group. The Board guides and monitors the business and affairs of the Group on behalf of the shareholders by whom they are elected and to whom they are accountable.

The Credit Corp Group Limited Corporate Governance Statement, which has been approved by the Board, is structured with reference to the recommendations, and is summarised below. As noted above, the Group has complied closely with the recommendations for the financial year ended 30 June 2020. This Corporate Governance Statement identifies any recommendations that the Group has not followed during this reporting period, and provides reasons for not following such recommendations.

The Board acknowledges the 4th edition of the Corporate Governance Principles and Recommendations, which takes effect for the 2021 financial year and will review relevant policies and practices for conformance with these principles in due course.

PRINCIPLE ONE: LAY SOLID FOUNDATIONS FOR MANAGEMENT AND OVERSIGHT

BOARD RESPONSIBILITIES

The Board's roles and responsibilities are formalised in the Board Charter, which is published on the Group's website. The Board reserves to itself all functions that are likely to have a material impact on the performance and reputation of the Group.

The following functions are reserved to the Board:

- Providing leadership and setting the strategic objectives and culture of the Group;
- Appointing the Chairman;
- Appointing and, when necessary, replacing the Chief Executive Officer (CEO);
- Approving the appointment and, when necessary, the replacement of other senior executives;
- Monitoring senior management's performance, implementation of strategy and allocation of resources;
- Overseeing management's implementation of the Group's strategic objectives and its performance generally;
- Overseeing the integrity of the Group's accounting and corporate reporting systems, including external audit;
- Overseeing the Group's process for making timely and balanced disclosure of all material information concerning the Group that a reasonable person would expect to have a material effect on the price or value of the Group's securities;
- Ensuring the Group has in place an appropriate risk management framework and setting the risk appetite within which the Board expects management to operate;
- Approving the Group's remuneration framework;
- Approving and monitoring the corporate governance of the Group; and
- Approving and monitoring operating budgets, major capital expenditure and financial and other reporting.

MANAGEMENT RESPONSIBILITIES

The Delegation of Authority Policy detailing functions delegated to management is published on the Group's website. All matters not specifically reserved to the Board and necessary for the day-to-day operation of the Group are delegated to management.

The following functions are delegated to management:

- Formulating, recommending and implementing the strategic direction of the Group;
- Translating the approved strategic plan into operating budgets and performance objectives;
- Managing the Group's human, physical and financial resources to achieve the Group's objectives;
- Operating within the delegated authority limits set by the Board;
- Assuming day-to-day responsibility for the Group's conformance with relevant laws and regulations and its compliance framework and all other aspects of the day-to-day running of the Group;
- Performing against established key performance indicators (KPIs) to deliver the objectives of the Group;
- Developing, implementing and managing the Group's risk management and internal compliance and control systems and operating within the risk appetite set by the Board;
- Developing, implementing and updating policies and procedures;
- Advising the Board promptly of any material matters impacting or potentially impacting the Group's operations;
- Providing the Board with accurate, timely and clear information to enable the Board to perform its responsibilities; and
- Keeping abreast of industry and economic trends in the Group's operating environment.

APPOINTMENT OF NEW DIRECTORS

The Board has responsibility for the selection and nomination to shareholders of new or retiring directors. The Group's Appointment of Directors Policy is published on its website and sets out the Group's policy for the selection, appointment and re-election of directors.

Where a candidate is recommended by an independent executive search organisation, the Board will assess that candidate against a range of criteria, including skills, experience, expertise, personal qualities and cultural fit with the Board and the Group. In addition, appropriate checks are made of a candidate's background as well as assessing any actual or perceived issues of independence. If after carrying out this checking and assessment the Board appoints the candidate as a director, that director will confirm his or her appointment at the next Annual General Meeting (AGM). All material information in the Group's possession that is relevant to a decision on whether or not to elect or re-elect the director is provided to shareholders.

New directors are provided with a written agreement in the form of a formal letter of appointment setting out the key terms and conditions of employment, including their duties and responsibilities and requirement to disclose interests affecting independence. New senior executives also sign an employment contract setting out the terms of their appointment.

ACCOUNTABILITY OF COMPANY SECRETARY

The Company Secretaries are accountable directly to the Board, through the Chairman, on all matters to do with the proper functioning of the Board.

CORPORATE GOVERNANCE STATEMENT

DIVERSITY AND INCLUSION REPORT

The Group recognises the important contribution that people of various cultural backgrounds, ethnicity, experience, gender and age make to the Group. Diversity includes all characteristics that make individuals different from each other including characteristics such as religion, race, ethnicity, language, gender, sexual orientation, disability, age or any other area of potential difference.

The Group's diverse workforce is in fact a key to continued growth and improved operating performance. In particular, employees of diverse backgrounds and experience are able to provide exceptional customer service to our equally diverse customer base.

In order to attract and retain a diverse workforce to service our diverse customer base, the Group is committed to providing an environment where employees are treated with fairness and respect, and have equal access to development and promotion opportunities.

The Group has established a Diversity Policy which outlines the Board's measurable objectives to achieve diversity. A summary of the policy is available on the Group's website.

Measurement of progress against these diversity objectives occurs annually by the Board.

The table below sets out our diversity objectives and the progress made towards achieving them in the 2020 financial year. The Board will review these objectives in the 2021 financial year and report on progress being made towards their achievement.

Objectives	Progress in achieving objectives
Provide equal opportunities for candidates, regardless of their cultural, gender, or any other difference.	– The primary goal of the Group's assessment centre-based recruitment process for all operational roles is to maximise objectivity in the decision-making process for frontline employees. – The Group continues to assess and recruit all frontline candidates against a set of core competencies.
Retain and encourage a diverse workforce at all levels of the Group.	– The Group continues to reflect significant gender diversity, including within management levels. The percentage of females in the Group is as follows: (see table below) – Over the year a number of employees worked under flexible work arrangements to balance family and other commitments with their employment. During the reporting period, 8 per cent of the Group's workforce utilised a flexible work arrangement. Since the onset of the COVID-19 pandemic, more than three-quarters of the Groups' workforce have worked remotely as their primary mode of working.
Provide development opportunities for employees regardless of cultural, gender or any other difference.	– The Group provides nationally recognised accredited training to all eligible employees. – Leadership training was provided to all employees in management positions during the year. – Documented career pathways were implemented for frontline supervisors to support their progression into management roles.
Promote an inclusive culture where all employees are treated with respect and fairness.	– Each year the Group reiterates its zero tolerance policy towards any discrimination, bullying or victimisation of employees with clear escalation channels through which any concerns can be raised. – Annual online training promotes the Group's expectations and educates employees on their part in creating our culture. – The annual employee engagement survey enables the Group to gather data on issues relating specifically to equality, respect and fairness and to use this data to set measurable goals.
Ensure internal promotion decisions within the Group are merit-based in relation to each role.	– Recruitment procedures for selection into frontline supervisory roles and management development programs are in place to maximise objectivity in the decision-making process. – This includes having panels of senior management from Human Resources (HR) and Operations to take part in the decision-making process.

	2020	2019
Board	33%	20%
Executive and senior management	21%	19%
Frontline management	49%	45%
The Group's workforce	57%	55%

BOARD'S AND COMMITTEES' PERFORMANCE REVIEWS

The Board reviews its performance on a regular basis, including the performance of its Committees and individual directors, in accordance with the Performance Management Policy, which is available on the Group's website. The Board uses surveys for the purpose of its Board and Committee performance reviews. These reviews are to ensure that individual directors and the Board work effectively in meeting their responsibilities as described in the Board and Committee charters.

EXECUTIVE PERFORMANCE REVIEW

The performance of all key executives is reviewed annually against the Group's performance and individual KPIs.

The performance review of the CEO is undertaken by the Chairman of the Board, reviewed by the Remuneration and HR Committee and approved by the Board. The performance reviews of other executives are undertaken by the CEO and approved by the Remuneration and HR Committee. Performance reviews for each executive were conducted in 2020.

CORPORATE GOVERNANCE STATEMENT

PRINCIPLE TWO: STRUCTURE THE BOARD TO ADD VALUE

NOMINATION COMMITTEE

The full Board performs the role of Nomination Committee as, in its opinion, only minimal benefit will accrue to the Group from having a separate committee. The Board periodically reviews the independence, knowledge, skills, experience and tenure of Directors and Board diversity and identifies the diversity, knowledge, skills and experience sought in external director candidates. The appointment of two new independent, non-executive directors during 2020 underlines the strong functioning of these processes by the Board.

BOARD COMPOSITION

The term held by each director in office at the date of this report is as follows:

Name	Term in office	Independent
Mr Donald McLay (Chairman)	12.5 years	Independent
Mr Eric Dodd	11 years	Independent
Ms Leslie Martin	6.5 years	Independent
Ms Trudy Vonhoff	1 year	Independent
Mr John Nesbitt	1 year	Independent
Mr Richard Thomas	14 years	Independent

The Chairman of the Board is Mr Donald McLay, an independent director. The CEO of the Group, Mr Thomas Beregi, is not a director of the Group.

The Board regularly reviews the independence of each director and requires directors to promptly advise of any change in circumstances that may affect their independence as a director. Any change in circumstances that materially affects their independence as a director will be disclosed promptly. There are procedures in place, agreed by the Board, to enable directors to seek independent professional advice in the carrying out of their duties, at the Group's expense.

During the 2020 financial year, all of the Board members are considered to be independent and free from any business or other relationship that could materially interfere with, or could reasonably be perceived to materially interfere with, the unfettered exercise of their independent judgement.

BOARD SKILLS

The Board considers that the directors bring professional skills, knowledge and experience as well as personal attributes which enable the Board to operate effectively and meet its responsibilities to the Group and stakeholders. The skills and experience of each director are detailed in the Directors' Report and also in the following skills matrix.

Board skills matrix		Number of directors with substantial experience
Governance	Publicly listed company experience, extensive experience in and commitment to the highest standards of governance, experience in the establishment and oversight of governance frameworks, policies and processes.	5
Leadership and commercial acumen	Skills gained whilst performing at a senior executive level for a considerable length of time. Includes delivering superior results, running complex businesses, leading complex projects and issues, and leading workplace culture.	6
Financial services experience	Experience working in or advising the banking and financial services industry.	6
Financial management	Good understanding of financial statements and drivers of financial performance for a business of significant size, including ability to assess the effectiveness of financial controls.	6
Risk	Experience in anticipating, recognising and managing risks, including regulatory, financial and non-financial risks, and monitoring risk management frameworks and controls.	6
Technology and digital transformation	Experience in organisations with a significant technology focus, including adaptation to digital change and innovation.	3
People, culture and remuneration	Experience in people matters including workplace culture, management development, succession and remuneration and demonstrated promotion of diversity and inclusion.	4
Strategy	Experience in developing, setting and executing strategic direction. Experience in driving growth and transformation and executing against a clear strategy.	5
Listed company experience	Held two or more executive or non-executive directorships on Australian or internationally listed companies.	5
International	Senior leadership experience involving responsibility for operations across borders, and exposure to a range of political, cultural, regulatory and business environments.	3
Customer outcomes	Experience in delivering customer outcomes and deepening relationships in customer segments.	6

INDUCTION OF NEW DIRECTORS

New directors undergo an induction program which includes meetings with members of management, the Chairman of the Board and the Chairmen of each relevant committee to gain an insight into the Group's business, values and culture. All directors are Members or Fellows of the Australian Institute of Company Directors (AICD) or the Governance Institute of Australia and utilise various programs and opportunities this provides to enable their skills and knowledge to be maintained and enhanced.

CORPORATE GOVERNANCE STATEMENT

PRINCIPLE THREE: ACT ETHICALLY AND RESPONSIBLY

CODE OF CONDUCT

The Employee Code of Conduct adopted by the Group is a key element of the Group's corporate governance framework. Its purpose is to guide directors, executives and employees on the minimum standards of conduct expected of them in the performance of their duties, including their dealings with customers, clients, shareholders, employees and other stakeholders.

Compliance with the Employee Code of Conduct is a condition of appointment as a director of, an employee of, or a contractor to, the Group.

The Employee Code of Conduct is published on the Group's website.

PRINCIPLE FOUR: SAFEGUARD INTEGRITY IN CORPORATE REPORTING

AUDIT AND RISK COMMITTEE

The Board has formed an Audit and Risk Committee and has delegated responsibility for establishing and maintaining a framework of internal control and ethical standards to this committee as outlined in the Audit and Risk Committee Charter, which is published on the Group's website.

The Audit and Risk Committee operates under its charter to ensure that an effective internal control framework exists within the Group. This includes internal controls to deal with both the effectiveness and efficiency of significant business processes, the safeguarding of assets, the mitigation of business risks, the maintenance of proper accounting records and the reliability of financial and operational information.

The Audit and Risk Committee also provides the Board with additional assurance regarding the reliability of financial information included in the financial reports.

All members of the Audit and Risk Committee are non-executive and independent directors, and during the year were:

- Mr Robert Shaw (resigned from Board on 4 November 2019)
- Mr Richard Thomas
- Mr Donald McLay
- Mr John Nesbitt (appointed by the Board to the Audit and Risk Committee on 21 November 2019)
- Ms Leslie Martin (appointed by the Board to the Audit and Risk Committee on 21 November 2019)

The Chairman of the Audit and Risk Committee, Mr John Nesbitt, is not the Chairman of the Board. The qualifications of the members and their attendance at meetings of the Audit and Risk Committee are disclosed in the Directors' Report.

FINANCIAL STATEMENTS APPROVAL

Prior to the approval of the Group's financial statements for each reporting period, the CEO and the Chief Financial Officer (CFO) give the Board a declaration that, in their opinion:

- The financial records have been properly maintained;
- The financial statements comply with accounting standards and give a true and fair view of the financial position and performance of the Group; and
- That opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.

The Audit and Risk Committee reviews the Group's interim and annual financial reports and makes recommendations to the Board on adopting financial statements.

ANNUAL GENERAL MEETING (AGM)

The AGM gives shareholders the opportunity to hear the CEO and Chairman provide updates on the Group's performance, ask questions and to express a view and vote on the various matters of Group business on the agenda.

Live webcasting of the AGM is also conducted to allow shareholders to view and hear the proceedings of the meeting online.

Shareholders also have the opportunity to ask questions of the Group's external auditors at the meeting in relation to the conduct of the audit, the preparation and content of the auditor's report, the accounting policies adopted by the Group in relation to the preparation of the financial statements, and the independence of the auditor in relation to the conduct of the audit. The Group encourages shareholders to attend its AGM.

PRINCIPLE FIVE: MAKE TIMELY AND BALANCED DISCLOSURE

CONTINUOUS DISCLOSURE

The Group's Continuous Disclosure Policy, which is published on its website, is designed to ensure compliance with disclosure obligations under the ASX Listing Rules and to ensure accountability at senior executive level for that compliance.

This policy also allows the Group to ensure shareholders and the market are fully informed of its strategy, performance and details of any information or events that could have a material impact on the value of the Group's shares.

The CEO and the Company Secretaries, in consultation with the Board, are responsible for the review, authorisation and disclosure of information to the ASX and for overseeing and co-ordinating information disclosure to the ASX, shareholders, brokers, analysts, the media and the public.

PRINCIPLE SIX: RESPECT THE RIGHTS OF SHAREHOLDERS

COMMUNICATION WITH SHAREHOLDERS

The Group recognises the rights of its shareholders and other interested stakeholders to have access to balanced, understandable and timely information concerning the operations of the Group. The CEO and the Company Secretaries are primarily responsible for ensuring communications with shareholders are delivered in accordance with the rights of shareholders and the Group's policy of continuous disclosure.

The Group's website contains all corporate governance related policies including the Security Holders' Rights and Communication Policy which sets out the communication strategy of the Group and includes:

- *Electronic facilities*
  The Group maintains a website that provides information on its services and its business in general, as well as an investor relations section that contains information for shareholders of the Group. The Group's announcements are made on this website as well as the ASX website. There is a facility on the Group's website for security holders to lodge questions.
- *Formal reporting to security holders*
  Formal reporting to shareholders is conducted through the interim report for the six months ended 31 December and the annual report for the financial year ended 30 June. The Group also releases market updates summarising the Group's performance during each quarter of the financial year.
- *AGMs*
  The Group invites and encourages shareholders to attend and participate in these meetings and also provides live webcasting of its AGM to allow security holders to view and hear the proceedings of the meeting.

CORPORATE GOVERNANCE STATEMENT

In addition, shareholders may electronically communicate with the share registry, Boardroom Pty Limited (Boardroom). The relevant contact details are disclosed in the shareholder information section of the annual report and in the corporate directory with these financial statements.

A direct voting facility is provided through Boardroom's website to allow security holders to vote ahead of the AGM. Details of this facility are included in the Notice of AGM. Shareholders can also submit questions in advance of the meeting either to the Group's auditor or via the Group's share registry.

Shareholders who do not currently receive electronic communications from Boardroom may update their communication options via a secure online service offered by Boardroom at www.investorserve.com.au.

PRINCIPLE SEVEN: RECOGNISE AND MANAGE RISK

RISK MANAGEMENT

The Group has established a Risk Management Policy to identify, assess, monitor and manage material business risks, both financial and non-financial, to minimise their impact on the achievement of organisational goals. Business risks comprise, but are not limited to, economic, technological, operational, legal, political and social risks. These specified risks are managed both through the Group's risk management system and insurance program, which are approved by the Board.

As discussed above in relation to principle four, the Audit and Risk Committee provides oversight on the risk framework and aggregated risk profiles at the Group level. The committee's charter is published on the Group's website. Management has been given responsibility for the establishment, implementation and maintenance of the system of risk management, including measures of its effectiveness. Internal control systems and procedures are monitored and reviewed by the Group's Compliance Manager who reports his findings to the Audit and Risk Committee. The composition of the Audit and Risk Committee is detailed in the section relating to principle four and the attendance of members at the meetings of the committee is disclosed in the Directors' Report.

The Group's Risk Management Policy is published on its website. The Audit and Risk Management Committee reviewed the Group's risk appetite and framework during the 2020 financial year.

The Group has an internal audit process within the compliance function. This process tests compliance to the various standards for which the Group is accredited or is required to comply with, as well as internal controls associated with the Group's risk management framework.

The Group considers that, due to the nature of its activities, it has no material exposure to environmental or social risks.

PRINCIPLE EIGHT: REMUNERATE FAIRLY AND RESPONSIBLY

REMUNERATION AND HR COMMITTEE

The Board has formed a Remuneration and HR Committee to assist in the design, implementation and monitoring of remuneration policies that meet the needs of the Group and enhance corporate and individual performance.

The committee's objective is to provide maximum stakeholder benefit from the retention of a high quality Board and executive team by remunerating the directors and key executives fairly and appropriately with reference to relevant employment market conditions. To assist in achieving this objective, the Remuneration and HR Committee links the nature and amount of directors' and key executives' emoluments to the Group's financial and operational performance. The expected outcomes of the remuneration structure are:

– Retention and motivation of key executives;

– Attraction of high quality personnel to the Group; and

– Performance incentives that allow executives to share in the success of the Group.

The Remuneration and HR Committee Charter, which sets out its role and responsibilities, and the Remuneration Policy are published on the Group's website and further information on performance-based remuneration is disclosed in the Remuneration Report of the Directors' Report.

All members of the Remuneration and HR Committee are independent directors, and during the year were:

– Mr Eric Dodd

– Mr Donald McLay

– Ms Leslie Martin (resigned from the Remuneration and HR Committee on 21 November 2019)

– Ms Trudy Vonhoff (appointed by the Board to the Remuneration and HR Committee on 21 November 2019)

The Chairman of the Remuneration and HR Committee is Mr Eric Dodd. The remuneration for all key management personnel (KMP), the qualifications of the Remuneration and HR Committee members and their attendance at committee meetings are disclosed in the Remuneration Report of the Directors' Report.

SECURITIES TRADING POLICY

The Group's Securities Trading Policy governs when its directors and employees may deal in Credit Corp shares and the process which must be followed in respect of such dealings. The Securities Trading Policy is published on the Group's website.

The Group's directors and employees are not permitted to deal in Credit Corp shares during any Blackout or Closed Periods:

– Two months immediately preceding the preliminary announcement of the Group's annual results until the commencement of the next trading day after the release of the annual results;

– Two months immediately preceding the announcement of the Group's interim results until the commencement of the next trading day after the release of the interim results; and

– Any other periods that the Board determines, in its absolute discretion, to be a Blackout or Closed Period, including due to there being undisclosed price sensitive information.

At any time outside the Blackout or Closed Periods, directors or employees may trade in Credit Corp shares where:

– Directors, excluding the Chairman, and KMP obtain the prior written clearance of the Chairman;

– The Chairman obtains prior written clearance from the Chairman of the Audit and Risk Committee and in the event that person is not available, the Chairman of the Remuneration and HR Committee; and

– Other employees obtain prior written clearance from a Company Secretary.

The Group's employees are only permitted to enter into margin loans secured against Credit Corp shares with the prior written approval of the Chairman. The Group's employees are prohibited from hedging unvested awards in the Group's shares, which would otherwise limit the economic risk of an employee's holdings on unvested securities granted under an employee incentive plan.

WEBSITE DISCLOSURE

Further information relating to the Group's corporate governance practices and policies has been made publicly available on the Group's website at www.creditcorp.com.au/corporate/investors/corporate-governance.

DIRECTORS' REPORT

The directors present their report together with the financial report of the Group for the financial year ended 30 June 2020.

DIRECTORS

The directors of the Group at any time during the whole of the financial year and up to the date of this report are:

MR DONALD MCLAY	Chairman, Director (Non-Executive) Age 70
Qualifications	Bachelor of Commerce, Chartered Accountant, Chartered Secretary, Associate Member of Governance Institute of Australia and Senior Fellow of the Financial Services Institute of Australasia.
Experience and expertise	Appointed as a Non-Executive Director on 31 March 2008 and has been Chairman since 30 June 2008. Mr McLay has more than 40 years' experience in financial markets, investment banking and broad business services. He has held executive positions in local and international investment management organisations working in London, Singapore, Auckland and Sydney.
Directorship of listed entities	Clime Investment Management Limited from 1 March 2015. Registry Direct Limited from 30 May 2016.
Special responsibilities	Mr McLay is Chairman of the Board and is a member of the Remuneration and HR and the Audit and Risk committee.
Interest in shares and options	773,552 ordinary shares of Credit Corp Group Limited.

MR ERIC DODD	Director (Non-Executive) Age 68
Qualifications	Bachelor of Economics, Fellow of the Institute of Chartered Accountants Australia and New Zealand and Fellow of the Australian Institute of Company Directors.
Experience and expertise	Appointed as a Non-Executive Director on 1 July 2009. Mr Dodd has extensive experience in senior executive roles in the insurance, finance, banking and healthcare sectors. Mr Dodd has previously held the positions of CEO of Insurance Australia Group, Managing Director and CEO of NRMA Insurance and Managing Director and CEO of MBF / BUPA Australia. He has served as Chairman and Non-Executive Director of a number of ASX listed companies.
Special responsibilities	Mr Dodd is Chairman of the Remuneration and HR Committee.
Interest in shares and options	6,927 ordinary shares of Credit Corp Group Limited.

MS LESLIE MARTIN	Director (Non-Executive) Age 65
Qualifications	Bachelor of Arts, Master of Business Administration and Fellow of the Australian Institute of Company Directors.
Experience and expertise	Appointed as a Non-Executive Director on 20 March 2014. Ms Martin has more than 30 years' experience in commercial banking with senior leadership roles in a variety of businesses, functions and geographies. These roles have engendered special focus on payments and, more generally, the application of technology to business process re-design and the end-to-end customer experience. Her governance experience includes a variety of industry entities providing shared infrastructure for payments and securities processing.
Special responsibilities	Ms Martin is a member of the Audit and Risk Committee.
Interest in shares and options	11,063 ordinary shares of Credit Corp Group Limited.

MR RICHARD THOMAS	Director (Non-Executive) Age 75
Qualifications	Fellow of the Australian Institute of Company Directors.
Experience and expertise	Appointed as a Non-Executive Director on 22 September 2006. Mr Thomas was Acting Chairman between 11 February 2008 and 30 June 2008. Mr Thomas has more than 50 years' experience in the banking and finance industry in Australia, New Zealand and the United States.
Special responsibilities	Mr Thomas is a member of the Audit and Risk Committee.
Interest in shares and options	15,272 ordinary shares of Credit Corp Group Limited.

DIRECTORS' REPORT

MR JOHN NESBITT	**Director (Non-Executive) Age 61**
Qualifications	Fellow of the Institute of Chartered Accountants Australia and New Zealand and Graduate Member of the Australian Institute of Company Directors.
Experience and expertise	Appointed as a Non-Executive Director on 19 September 2019. Mr Nesbitt has over 40 years' experience and extensive knowledge in investment management, banking, insurance, property, construction and infrastructure sectors across roles in Australia, Asia, the United States and the United Kingdom. Senior Executive roles held include the CEO of Suncorp Banking and Wealth, CFO of Suncorp Group and CFO of Perpetual Limited.
Special responsibilities	Mr Nesbitt is the Chairman of the Audit and Risk Committee.
Interest in shares and options	6,019 ordinary shares of Credit Corp Group Limited.

MS TRUDY VONHOFF	**Director (Non-Executive) Age 57**
Qualifications	Bachelor of Business (Hons), Master of Business Administration, Senior Fellow of the Financial Services Institute of Australasia and Graduate Member of the Australian Institute of Company Directors.
Experience and expertise	Appointed as a Non-Executive Director on 19 September 2019. Ms Vonhoff has extensive experience in retail and institutional banking, finance, risk, technology and operations, and agribusiness. She has previously held senior executive positions including as divisional CFO and COO with large financial services entities including Westpac and AMP.
Directorship of listed entities	Iress Limited from 1 February 2020. Ruralco Holdings Limited from 1 September 2014 until 1 October 2019. A2B Australia Limited (formerly Cabcharge Australia Limited) from 21 August 2015 to 22 November 2018.
Special responsibilities	Ms Vonhoff is a member of the Remuneration and HR Committee.
Interest in shares and options	7,675 ordinary shares of Credit Corp Group Limited.

MR ROBERT SHAW	**Director (Non-Executive) Age 78 (resigned 4 November 2019)**
Qualifications	Bachelor of Industrial Engineering, Master of Business Administration, Master of Professional Accounting and Fellow of the Australian Institute of Company Directors.
Experience and expertise	Appointed as a Non-Executive Director on 31 March 2008. Resigned 4th November 2019. Mr Shaw has extensive knowledge in finance, financial analysis, audit committees and corporate governance.
Directorship of listed entity	Magontec Limited from March 2011 to 31 December 2018.
Special responsibilities	Mr Shaw was Chairman of the Audit and Risk Committee prior to his resignation as a Director.
Interest in shares and options	3,533 ordinary shares of Credit Corp Group Limited as at the date of his resignation.

Mr Donald McLay, Mr Eric Dodd, Ms Leslie Martin and Mr Richard Thomas held office during the whole financial year. Mr Robert Shaw held office since the end of the 2019 financial year until 4 November 2019. Mr John Nesbitt and Ms Trudy Vonhoff held office from 19 September 2019.

DIRECTORS' REPORT

COMPANY SECRETARIES

The following persons held the position of Company Secretary during the whole financial year.

MR THOMAS BEREGI	Company Secretary
Qualifications	Bachelor of Economics, Bachelor of Laws (Hons) and Certified Practising Accountant.
Experience and expertise	Mr Beregi joined the Group on 3 September 2007 in the role of Chief Financial Officer. He was subsequently appointed to his current position of Chief Executive Officer on 1 October 2008. Prior to joining the Group, he was the Chief Operating Officer of Jones Lang LaSalle Australia. Mr Beregi was appointed as a Company Secretary on 21 September 2007.

MR MICHAEL EADIE	Company Secretary
Qualifications	Bachelor of Accounting, Master of Applied Finance, Certified Practising Accountant and Fellow of the Financial Services Institute of Australasia.
Experience and expertise	Mr Eadie joined the Group on 4 May 2009 as Finance Manager and was subsequently appointed Chief Financial Officer on 19 November 2010. He has previously held senior finance roles within major financial services organisations, including Macquarie Bank Limited. Mr Eadie was appointed as a Company Secretary on 17 March 2011.

DIRECTORS' MEETINGS

The number of directors' meetings (including meetings of committees of directors) and number of meetings attended by each of the directors of the Group during the financial year were:

	Directors' meetings		Audit and Risk Committee		Remuneration and HR Committee	
	Number eligible to attend	Number attended	Number eligible to attend	Number attended	Number eligible to attend	Number attended
Mr Donald McLay	24	24	4	4	4	4
Mr Eric Dodd	24	23	—	—	4	4
Ms Leslie Martin	24	24	3	3	2	2
Mr Robert Shaw	5	5	1	1	—	—
Mr Richard Thomas	24	24	4	4	—	—
Mr John Nesbitt	21	21	3	3	—	—
Ms Trudy Vonhoff	21	21	—	—	2	2

PRINCIPAL ACTIVITIES

The principal activities of the Group during the course of the financial year were debt purchase and collection as well as consumer lending.

There were no significant changes in the nature of the Group's activities during the financial year.

REVIEW OF OPERATIONS

OVERVIEW

The directors of the Group report a net profit after tax (NPAT) of $15.5 million for the 2020 fiscal year after accounting for the impairment of purchased debt ledger (PDL) assets and additional provisioning arising from the impact of COVID-19. Prior to these adjustments, NPAT was $79.6 million – 13 per cent above the prior year. Highlights include:

– The proven ability to operate effectively during COVID-19 isolation and lockdown periods;

– A strong balance sheet comprising cash and undrawn lines totalling $400 million, together with an outlook for free cash flow of $175 million in the 2021 fiscal year; and

– Renewed interest in debt sale from credit issuers and the prospect of increased sale volumes.

STEPS TAKEN TO ADAPT TO THE IMPACTS OF COVID-19

PDL pricing models and consumer lending criteria have been adjusted to account for persistently high levels of unemployment, in excess of 10 per cent, and a reduction in government support, stimulus measures and private sector forbearance (temporary support) over time. Credit Corp is now pricing PDLs and issuing consumer loans at these adjusted settings.

DIRECTORS' REPORT

These settings have been applied to the carrying value of the Group's financial assets and the net economic benefit of its ongoing purchasing commitments. This has given rise to charges for impairment and provisions in Credit Corp's FY2020 results, reducing reported NPAT by $64.1 million.

The Group has effectively transitioned to a combination of work-from-home and office-based activity across all locations. This has enabled Credit Corp to adapt to isolation and lockdown periods while maintaining operational capacity and effectiveness. This helped produce NPAT before COVID-19 adjustments of $79.6 million, which was 13 per cent above the prior year.

To meet heightened expectations of conduct, Credit Corp has supplemented its leading approach to hardship with additional temporary measures. These have included an interest freeze on all debt purchase accounts, repayment moratoriums and the suspension of legal, repossession and credit reporting activity.

To facilitate continued purchasing and lending over an extended period of uncertainty and prepare for opportunity, Credit Corp has strengthened its balance sheet. Over the second half of FY2020 the Group generated $110 million in free cash flow, which was supplemented with a $152 million equity raising. Credit Corp is now debt free, with $400 million in cash and undrawn credit lines.

RECENT OPERATING EXPERIENCE AND OUTLOOK

Collections experience over recent months has returned to pre-COVID-19 expectations, with an uncharacteristically high incidence of one-off repayments. The Group does not expect this to continue as temporary support is reduced over time.

While there has been some recovery in lending demand over recent months, the consumer loan book has experienced significant run-off. The Group expects, however, that the loan book will further stabilise as lending demand increases in line with the ongoing withdrawal of temporary support.

Recent discussions with major clients in all jurisdictions show an increased interest in debt sale, with some clients in the United States anticipating growth in sale volumes of up to 80 per cent in six to 12 months' time. While this is positive, for Credit Corp to fully participate pricing will need to adjust in accordance with the medium-term outlook for collections.

FINAL DIVIDEND

Credit Corp will not pay a final dividend for the 2020 financial year but does expect to resume dividend payments in 2021, subject to the usual assessment of its capital position and investment outlook.

2021 OUTLOOK

The Group is in a strong position with a formidable balance sheet, diversified purchasing relationships, appropriately adjusted pricing/ risk settings and operations which have adapted to COVID-19 protocols. Credit Corp expects to achieve solid profitability in FY2021.

CHANGES IN STATE OF AFFAIRS

During the financial year there were no significant changes in the state of affairs of the Group other than those referred to in the review of operations and financial statements or notes thereto.

DIVIDENDS PAID OR RECOMMENDED

Dividends paid or declared to shareholders since the end of the previous financial year were:

Declared and paid during the year 2020	Cents per share	Total amount $'000	Date of payment
Interim 2020 ordinary	36.0	19,758	13 Mar 2020
Final 2019 ordinary	36.0	19,757	30 Aug 2019
Total		**39,515**	

Credit Corp will not pay a final dividend in respect of FY 2020.

EVENTS SUBSEQUENT TO REPORTING DATE

In the interval between the end of the financial year and the date of this report, there has not been any item, transaction or event of a material and unusual nature that is likely, in the opinion of the directors of the Group, to significantly affect the operations of the Group, the results of those operations or the state of affairs of the Group in future financial years other than the impacts of the COVID-19 pandemic as disclosed in the Directors' Report and Notes to the consolidated financial statements, in particular Note 2.

ENVIRONMENTAL REGULATIONS

The Group's operations are minimally affected by environmental regulations.

DIRECTORS' REPORT

INDEMNIFYING OFFICERS OR AUDITOR

The Group has provided indemnities to the current directors (as named above), the Company Secretaries (Mr Thomas Beregi and Mr Michael Eadie) and all executives of the Group against liabilities incurred as a director, secretary or executive officer to the extent permitted by the *Corporations Act 2001*. The Group will meet the full amount of any such liabilities, including costs and expenses.

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

These indemnities were in place both during and after the end of the financial year.

Potential liabilities are insured with the premiums paid by the Group. The insurance contract prohibits disclosure of any details of the policy and the premiums paid.

PROCEEDINGS ON BEHALF OF THE GROUP

No person has applied for leave of the Court to bring proceedings on behalf of the Group or intervene in any proceedings to which the Group is a party for the purpose of taking responsibility on behalf of the Group for all or any part of those proceedings.

NON-AUDIT SERVICES

The following non-audit services were provided by the Group's auditor, Hall Chadwick. The directors are satisfied that the provision of non-audit services is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*. The nature and scope of each type of non-audit service provided means that auditor independence was not compromised. All non-audit services are reviewed and approved by the Audit and Risk Committee prior to commencement of the audit to ensure they do not impact the impartiality and objectivity of the auditor.

Details of the amounts paid to Hall Chadwick for non-audit services provided during the year are set out below:

Services other than statutory audit	$
OTHER SERVICES	
Taxation compliance services	44,810
Taxation services in relation to Baycorp acquisition	37,092
Total	**81,902**

NEW ACCOUNTING STANDARDS IMPLEMENTED

AASB 16 *Leases*

The adoption of this new standard has resulted in the Group recognising a right-of-use asset and related lease liability in connection with all former operating leases except for those identified as low-value or having a remaining lease term of fewer than 12 months from the date of initial application.

The new standard has been applied using the modified retrospective approach, and comparatives have not been restated for the June 2019 reporting period, as permitted under the specific transitional provisions in the standard. The reclassifications and the adjustments arising from the new leasing standard are therefore recognised in the opening balance sheet on 1 July 2019 with the cumulative effect of adopting IFRS 16 being recognised in equity as an adjustment to the opening balance of retained earnings for the current period.

AUDITOR'S INDEPENDENCE DECLARATION

The auditor's independence declaration for the period ended 30 June 2020 has been received and can be found on page 51 of the financial statements.

ROUNDING OFF

The Group is of a kind referred to in ASIC Legislative Instrument 2016/191, relating to the "rounding off" of amounts in the Directors' Report and consolidated financial statements. Amounts in the Directors' Report have been rounded off in accordance with the instrument to the nearest thousand dollars, unless otherwise indicated.

INTRODUCTION FROM CHAIRMAN OF REMUNERATION AND HR COMMITTEE

Dear fellow shareholders

On behalf of the Board, I am pleased to present Credit Corp's 2020 Remuneration Report.

2020 GROUP PERFORMANCE

As outlined in the Directors' Report, adjustments required to account for the projected impact of COVID-19 have significantly affected the Group's 2020 financial result. Impairment of the Group's purchased debt ledger (PDL) assets and additional provisions have produced net profit after tax (NPAT) of $15.5 million. This result was 78 per cent below that of the prior year.

Perfomance prior to these adjustments was strong. Pre COVID-19 adjustments, revenue grew by almost 18 per cent and NPAT by 13 per cent. In line with the objectives set for management, the Group expanded its presence in the United States and successfully completed the acquisition of Baycorp, including the achievement of substantial integration benefits to deliver year one pro-forma earnings.

The operational response to the COVID-19 pandemic has also been strong. All the Group's locations have successfully maintained productivity while transitioning to a combination of work-from-home and office-based activity. Focus shifted to cash generation, with the Group delivering more than $110 million in free cash flow over the second half of the year.

These operational achievements have put the Group in a strong position. With $400 million in cash and undrawn credit lines, the Group can continue to invest and look for opportunity during a period of uncertainty. Pricing and risk settings have been adjusted and the Group remains a trusted partner of its banking client base during a period of renewed interest in debt sale and an outlook which suggests rising sale volumes.

2020 REMUNERATION OUTCOMES

The aim of the Group's executive remuneration structure is to ensure that management is aligned with the achievement of sustainable and objective shareholder outcomes. This means the payment of attractive incentives when objective outcomes are achieved. Conversely, it also means that incentives are not paid when acceptable shareholder outcomes are not achieved.

Both the Group's Short-Term Incentive (STI) and Long-Term Incentive (LTI) require achievement of acceptable levels of profitability and return on equity (ROE). If these are not achieved then neither program will deliver any incentive remuneration. This is the case even when management meets other key performance indicators (KPIs) and otherwise successfully responds to adverse external conditions.

The alignment of the Group's remuneration structure with shareholder outcomes has been demonstrated in 2020. The impact of the COVID-19 pandemic has produced below hurdle NPAT and ROE results. As a consequence, no STI and no LTI for executive Key Management Personnel (KMP) has been accrued in 2020 and no amounts will be paid or vest in respect of the year. Additionally, the LTI program for the three-year period to 2021 will not vest, which means that not only will there be no accruals in 2020 but that accruals made in 2019, and disclosed in last year's Remuneration Report, have effectively been reversed.

The Board and management of the Group are of the view that employee interests are appropriately aligned with shareholders. The remuneration framework has performed well in accommodating the unforeseen impacts of COVID-19. In addition to the incentive outcomes described above, the Board and KMP have agreed to substantial temporary reductions in base remuneration which have been in place since early April 2020.

A summary of the remuneration outcomes is as follows:

CEO and other KMP executives	– No STI accrued or payable in respect of FY 2020; – The current LTI scheme running from FY 2019-2021 will not result in any performance rights converting and vesting despite having still one year to run; and – Base (fixed) remuneration reductions of up to 50 per cent for the CEO were implemented for a four-month period commencing in April 2020.
Non-executive directors	– Director fee reductions of 50 per cent were implemented for a four-month period commencing in April 2020.

INTRODUCTION FROM CHAIRMAN OF REMUNERATION AND HR COMMITTEE

CHANGES TO REMUNERATION

Apart from the temporary reductions in Director fees and executive KMP base (fixed) remuneration implemented from April 2020, the other significant change to remuneration was to amend the structure of the LTI program. For the three-year performance cycle for FY2020 to FY2022 and beyond, the Remuneration and HR Committee has adopted an annual grant of performance rights, the conversion and vesting of which is assessed against performance over a three-year performance period. Annual grants of performance rights have the following advantages:

– Targets can be more rapidly adjusted in response to market expectations or individual years of out-performance; and

– Annual grants mean there is the potential for performance rights to convert and vest annually, driving retention and alignment with shareholder interests more effectively, relative to bullet grant schemes which create cliff-vesting retention risks.

By way of contrast, the current LTI scheme relating to the three-year performance period from FY2019 to FY2021 featured a bullet grant of performance rights with vesting potentially occurring after FY2021. As noted, this scheme will not result in any performance rights converting and vesting.

As a result of the significant retention risk for executive KMP created as a result of the FY2019 to FY2021 LTI scheme not vesting and the STI for FY2020 also not being payable, the opportunity size for the next two annual grant LTI schemes (the FY2020 to FY2022 and FY2021 to FY2023 performance periods) has been increased by 50 per cent.

This increased opportunity size creates a meaningful retention incentive for executive KMP and most importantly drives strong alignment with shareholders in linking remuneration to the recovery in Group returns following the COVID-19 pandemic. The increased opportunity size is temporary (solely for the FY2020 to FY2022 and the FY2021 to FY2023 schemes) and the performance rights in question will only convert to ordinary shares and vest based on strong performance including a return to the hurdle ROE of 16 per cent.

On behalf of the Board, I invite you to read our Remuneration Report and welcome your feedback.

ERIC DODD,
Chairman, Remuneration and HR Committee

DIRECTORS' REPORT – AUDITED REMUNERATION REPORT

This Remuneration Report sets out remuneration information for key management personnel (KMP), which includes directors and specified senior executives, for the year ended 30 June 2020 and is prepared and audited in accordance with section 300A of the *Corporations Act 2001*.

THE ROLE OF THE BOARD AND THE REMUNERATION AND HR COMMITTEE IN REMUNERATION

The following diagram demonstrates how the Board, the Remuneration and HR Committee and the CEO interact to set the remuneration structure and determine the remuneration outcomes for the Group:

BOARD

The Board is responsible for the structure of remuneration for directors and senior executives. The goal is to maximise the effectiveness of remuneration in the creation of long-term shareholder value.

REMUNERATION AND HR COMMITTEE

The Remuneration and HR Committee is responsible for reviewing and developing remuneration policies and practices on behalf of the Board. Executive remuneration levels are reviewed annually by the Remuneration and HR Committee in line with the Remuneration Policy and with reference to market movements. The Remuneration and HR Committee makes recommendations to the Board in respect of:

– Recruitment, retention and termination policies and procedures for senior executives;

– Senior executive remuneration packages, including annual incentive and Long-Term Incentive plans; and

– Director remuneration levels and framework.

The performance review of the CEO is undertaken by the Chairman of the Board, reviewed by the Remuneration and HR Committee and approved by the Board.

CEO

The performance reviews of other executives are undertaken by the CEO and approved by the Remuneration and HR Committee.

KEY MANAGEMENT PERSONNEL

The Remuneration Report sets out the remuneration details for the Group's KMP. The table below outlines the KMP and their movements during the 2020 financial year:

Name	Position	Term as KMP
Non-Executive Directors		
Mr Donald McLay	Chairman	Full financial year
Mr Eric Dodd	Non-Executive Director	Full financial year
Ms Leslie Martin	Non-Executive Director	Full financial year
Mr Robert Shaw	Non-Executive Director	Until 4 Nov 2019
Mr Richard Thomas	Non-Executive Director	Full financial year
Mr John Nesbitt	Non-Executive Director	From 19 Sep 2019
Ms Trudy Vonhoff	Non-Executive Director	From 19 Sep 2019
Executive KMP		
Mr Thomas Beregi	Chief Executive Officer	Full financial year
Mr Matthew Angell	Chief Operating Officer	Full financial year
Mr Michael Eadie	Chief Financial Officer	Full financial year

DIRECTORS' REPORT – AUDITED REMUNERATION REPORT

EXECUTIVE KMP REMUNERATION

REMUNERATION POLICY AND LINK TO STRATEGY

The Group's Remuneration Policy is designed to ensure that remuneration outcomes are aligned with the long-term success of the Group. Incentives are based on the achievement of sustained growth in earnings at an appropriate level of ROE as well as relative shareholder return.

The overall remuneration structure remains similar to the prior year:

- Executive KMP fixed remuneration packages in line with those paid for roles with equivalent responsibilities by companies of a similar market capitalisation;
- A Short-Term Incentive (STI) payable only on achievement of annual financial and strategic targets;
- A Long-Term Incentive (LTI) paid in the form of performance rights potentially converting to shares after a three-year performance period, based on the following:
  - 50 per cent dependent on exceeding financial targets over a three-year performance period;
  - 50 per cent dependent on total shareholder return (TSR) relative to the ASX 200 over the same three-year performance period; and
  - There continues to be no termination benefits payable under any contract.

The remuneration structure ensures that if the Group under-performs its earnings and / or return targets, no STI will be payable to executive KMP. Under-performance over the longer-term will also result in no performance rights under the LTI converting to shares.

During the 2020 financial year, substantial under-performance has meant that no STI is payable to executive KMP and the LTI scheme in place for the FY2019-21 years will not vest despite the performance period of the scheme concluding in the 2021 financial year. This is due to the return on equity (ROE) hurdle not being met in 2020 and NPAT CAGR tracking below the required levels.

In addition, the Board and executive KMP have voluntarily implemented temporary reductions in fixed remuneration during the COVID-19 pandemic.

The Board believes this illustrates how strongly aligned the remuneration framework is with the interests of shareholders. Where returns have not met expectations set, as in 2020 due to the emergence of the COVID-19 pandemic, total remuneration has flexed down substantially to reflect this. In 2020, only fixed remuneration is payable and this has been further reduced by temporary salary reductions referred to above.

For the Chief Executive Officer this has resulted in remuneration reported in 2019 of $2.43 million reducing by 72 per cent to $0.67 million in 2020.

DIRECTORS' REPORT – AUDITED REMUNERATION REPORT

STRATEGIC DRIVERS	STI PERFORMANCE MEASURES	LTI PERFORMANCE MEASURES	PERFORMANCE OUTCOME	REMUNERATION
Financial performance Create sustainable value for shareholders		**Relative TSR** Measures the performance of the Group's securities over a three-year period, relative to the ASX 200	**TSR** The cumulative TSR from FY2019-21 will be measured in November 2021	**LTI vesting outcome for executive KMP will not vest despite performance period of the scheme concluding in 2021**
		NPAT CAGR Measures compound annual growth of NPAT	**NPAT CAGR** The Group's CAGR over the three-year period from 2019 to 2021 will be measured in November 2021	
	Budgeted NPAT Reflects the annual earnings growth required to be on track with the LTI three-year NPAT CAGR hurdle		**In 2020** NPAT is $15.5 million, a 78 per cent decline on the prior year	**Executive KMP have not met NPAT target in respect of the 2020 financial year**
Business development and asset management Maintain and enhance value of assets	**Asset management measures** Measures include purchasing volumes, investment pipeline, collections, net return, consumer lending customer acquisition growth and lending product implementation and deliverables		**In 2020** The Group achieved some operational objectives (refer to CEO's KPIs summary below)	**The failure to achieve an adequate level of profitability and Return on Equity (ROE) has resulted in no STI being eligible to be paid to executive KMP**
Operational performance Improve efficiency and productivity	**Operational performance measures** Measures include labour productivity, new technology deployment under the IT strategic plan and achievement of improvement in other operational metrics			
Financing strategy Provide sustainable and diversified funding sources by implementing effective funding structures	**Financing strategy measures** Involves review and enhancements to capital structure and expansion and diversification of financing facilities			
Customer and client satisfaction Provide customers and clients with an experience that delivers excellent results and a superior compliance outcome	**Customer and client measures** Measures include business and marketing plan implementation, client reporting, customer retention, service delivery and compliance metrics			
Employee engagement Have an engaged and motivated workforce with superior skills and capabilities	**People measures** Measures include employee engagement, key talent retention, succession planning and staff turnover			

DIRECTORS' REPORT – AUDITED REMUNERATION REPORT

CONTRACT DETAILS

All contracts with executive KMP may be terminated by either party with agreed notice periods. Remuneration and other terms of employment are formalised in employment contracts. Details of these contracts are:

Name	Title	Term of agreement	Details[A]	Temporarily reduced package $
Mr Thomas Beregi	Chief Executive Officer (CEO)	Ongoing, 3-month notice period	Fixed salary package of $700,000, consisting of base salary and superannuation, reviewed annually by the Remuneration and HR Committee.	360,502
Mr Matthew Angell	Chief Operating Officer (COO)	Ongoing, 1-month notice period	Fixed salary package of $400,000, consisting of base salary and superannuation, reviewed annually by the Remuneration and HR Committee.	270,502
Mr Michael Eadie	Chief Financial Officer (CFO)	Ongoing, 1-month notice period	Fixed salary package of $300,000, consisting of base salary and superannuation, reviewed annually by the Remuneration and HR Committee.	218,451

A. Temporary COVID-19 related adjustments to fixed remuneration were agreed in April 2020 for a four-month period.

REMUNERATION STRUCTURE

FIXED REMUNERATION

BASE SALARY + SUPERANNUATION

Set with reference to listed company benchmarks for equivalent roles determined by market capitalisation as well as breadth of operations

VARIABLE REMUNERATION

STI PLAN

Annual cash payment

Eligibility for payment depends on:
The Group achieving its budgeted NPAT; and
Achievement against individual objectives or KPIs (includes strategic KPIs aligned to milestones in the three-year Strategic Plan)

LTI PLAN

Each performance right converts to shares upon the performance hurdles being met for the three-year performance period

The LTI performance hurdles consist of the below measures:

50%
NPAT CAGR

50%
TSR relative to the ASX 200

i) Fixed remuneration

FIXED REMUNERATION OUTCOMES

There were no increases to fixed remuneration during the 2020 financial year. The only changes to the fixed remuneration for executive KMP were the temporary reductions referenced above as part of the COVID-19 response.

ii) STI structure

STI award eligibility is determined by KPIs set before the start of each year. These KPIs are annual operational and financial targets that are established at levels to achieve shorter-term financial and operational objectives aligned with the Group's longer-term strategic goals.

DIRECTORS' REPORT – AUDITED REMUNERATION REPORT

The following table outlines the major features of the 2020 STI plan:

Features	Description
Purpose	To motivate and reward participants for achieving specific measurable financial and non-financial outcomes over the previous financial year which position the Group to achieve its medium-to long-term strategic goals. Achievement of the STI outcomes provides the foundation for achievement of the three-year Strategic Plan objectives of the LTI program.
Funding of STI pool	The STI pool is funded if: – The Group achieves its budgeted net profit before tax (NPBT) before funding the STI; and – The Group complies with its banking covenants.
Minimum criteria required to be achieved before any payments are made	If the STI pool is funded, the proportion of each individual's targeted STI which is paid depends on: – Satisfactory performance against individual KPIs; and – Satisfactory performance against individual job accountabilities.
Maximum STI that can be earned	The maximum amount varies and the range is between 50 per cent and 100 per cent of the fixed salary package of each KMP. The amount is set at the start of the year by the Remuneration and HR Committee and is approved by the Board.
KPIs	– Individual KPIs are set annually; and – Subject to funding of the STI pool, the maximum STI is eligible to be paid when satisfactory performance against KPIs is achieved.
Role accountabilities	– Individual performance against role accountabilities is also assessed; and – Subject to funding of the STI pool and achievement of KPIs, the maximum STI is eligible to be paid when satisfactory performance against role accountabilities is achieved.
Performance period	1 July 2019 to 30 June 2020
Approval	Post completion of the annual financial statement audit and performance review process in September 2020, the proportion of the targeted STI payable to each executive KMP will be determined by the Remuneration and HR Committee and approved by the Board.
Payment timing	October 2020
Form of payment	Cash
Terminating executive KMP	There is no mandatory STI entitlement where an executive KMP's employment terminates prior to the payment date for the STI.

2020 PERFORMANCE OUTCOMES

Performance of the Group against the 2020 STI NPAT hurdle is summarised as follows:

	2020 $'000	2019 $'000	Change
NPAT	15,454	70,285	(78%)

As NPAT for 2020 was 78 per cent lower than the prior year and lower than the budget, the STI in respect of 2020 is not eligible to be funded and executive KMP will be awarded no STI.

DIRECTORS' REPORT – AUDITED REMUNERATION REPORT

CEO'S KPIS

A summary of the CEO's KPIs for 2020 is as follows:

Category	KPIs	Method of assessment	Weighting	Level of achievement
Group performance	NPAT	Based upon NPAT as per the Group's audited financial statements for FY2020 versus target.	30%	Not achieved
Growth	PDL acquisition targets	Purchasing volumes for FY2020 and committed purchases for FY2021, in accordance with Board-approved return criteria.	10%	Exceeded target: investment in PDLs of $319 million was an increase of 40% of 2019 investment.
	Australian business and operational performance	Australian business performance and achievement of budgeted operational metrics, including forecast collections and efficiency.	10%	Achieved: PDL collections of $363.1 million represented a 12% increase on 2019, while collection efficiency improved by 6% on 2019.
	Consumer lending: business size and profitability metrics	Achievement of consumer loan book targets in the 2020 budget, maintenance of loan book loss rate and milestones in the rollout of pilot lending products.	15%	Partly achieved: Loss rates within pro-forma levels. Settlements and book growth below expectation post-COVID-19.
	United States business and operational performance	United States business performance and achievement of budgeted operational metrics, including cost to collect, resource build-out and collection efficiency.	15%	Achieved: United States collections increased by 55% on 2019 whilst closing headcount also increased by 17%.
	Business acquisitions	Implement restructuring and achieve year one pro-forma economics.	15%	Achieved: acquisition of Baycorp closed and transitioned to profitability.
Financing / strategy	Progress of other strategic expansion initiatives	Review of adjacent market opportunities and refresh of the strategic plan.	5%	Achieved

2020 STI OUTCOMES

The 2019 STI was paid during the 2020 financial year. No 2019 STIs were forfeited. The following table outlines the STI awarded to each executive KMP during the 2020 financial year in respect of 2019 financial year:

Name	Target STI opportunity for 2019	STI opportunity as % of fixed remuneration	STI earned as % of target	STI forfeited as % of target
Executive KMP				
Mr Thomas Beregi	$700,000	100%	100%	0%
Mr Matthew Angell	$400,000	100%	100%	0%
Mr Michael Eadie	$150,000	50%	100%	0%

In regard to the 2020 STI, refer to 2020 performance outcomes above and to the remuneration tables and data section.

iii) LTI structure

The LTI is designed to align the interests of shareholders and executive KMP by motivating and rewarding executive KMP to achieve and exceed 8 per cent compound annual earnings growth and produce strong shareholder returns over the medium- to long-term. The LTI aligns with the most recent three-year strategic planning cycle in respect of the 2019 to 2021 financial years.

The LTI is based on the following performance hurdles:

– Earnings-based hurdle (CAGR of NPAT); and

– Relative TSR against the performance of the ASX 200, excluding materials and energy shares.

Each hurdle operates independently and applies to 50 per cent of the potential LTI allocation. For the earnings-based hurdle, a minimum 8 per cent NPAT CAGR for the three-year performance period is required for any conversion of the performance rights to occur.

Relative TSR is the other LTI performance hurdle and represents 50 per cent of the potential LTI allocation. The Board believes this structure provides a balance between alignment of shareholder returns whilst mitigating the risk of excessive focus on share price performance.

DIRECTORS' REPORT – AUDITED REMUNERATION REPORT

The detailed features of the LTI are listed below:

Features	Description
Purpose	The Group established the LTI plan to assist in motivating, retaining and rewarding key employees. The LTI plan is designed to align participants' efforts with the interests of shareholders by providing participants with exposure to the Group's shares.
Issue of performance rights	Performance rights were issued to each participant in May 2019, in proportion to their level of participation in the LTI, as determined by the Remuneration and HR Committee and the Board. The number of performance rights issued to the KMP is disclosed below under KMP equity holdings. Performance rights are eligible for conversion and vesting based on achievement of performance hurdles. Performance hurdles are assessed cumulatively as described below. Performance rights are allocated and converted into shares after the three-year performance period in November 2021.
Allocation	The allocation of performance rights to executive KMP, as set by the Remuneration and HR Committee and the Board, for the 2019 to 2021 Strategic Plan period was as follows: – CEO 40% – COO 22% – CFO 11% The remaining 27% of performance rights issued were allocated to seven other executives not considered KMP.
Performance eligibility	– A minimum return on equity (ROE) of 16% must be achieved; and – Satisfactory performance by an executive KMP against their job accountabilities as assessed in the annual performance review process described in the STI section above.
Vesting	**Relative TSR (50%)** The proportion of performance rights converting to shares is as follows: 50th percentile: Nil 50th-75th percentile: Pro-rata nil-100% 75th percentile: 100% vesting The TSR performance is measured on a cumulative basis over the three-year LTI plan. The TSR for the testing period is calculated using the volume weighted average price (VWAP) during the testing period, in order to mitigate the impact of short-term price gyrations on the TSR calculation. The performance period is the three-year strategic planning cycle from 2019 to 2021. The testing period is the 90 days to 31 October 2021. The TSR is compared to the TSR of the peer group for the purposes of determining the Group's ranking. The peer group is comprised of the ASX 200 (excluding materials and energy shares). **NPAT CAGR (50%)** The proportion of awards vesting is as follows: 8% CAGR: 40% >8% and ≤11% CAGR: Pro-rata 40%-100% >11% CAGR: 100% vesting The NPAT CAGR performance condition will be tested in November 2021, following the conclusion of the three-year Strategic Plan period. The benefit of assessing earnings on a CAGR basis is that it represents sustained earnings growth over a three-year period from 2019 to 2021.

DIRECTORS' REPORT – AUDITED REMUNERATION REPORT

Features	Description
Dividends	An LTI participant has no entitlement to dividends until the performance rights have been converted into shares.
Performance period	The performance period for the NPAT hurdle is a three-year period (from 2019 to 2021) with earnings growth being assessed on a cumulative basis with the minimum CAGR hurdle 8%. Similarly, performance under the TSR is also assessed on a cumulative basis over the same three-year period.
Forfeiture	Forfeiture of an LTI participant's account will occur should the executive KMP be terminated by the Group for any reason, remain employed but no longer form part of the leadership group or be terminated from the plan for any reason. There is no mandatory LTI entitlement where an executive KMP's employment terminates prior to the vesting date of an LTI benefit.
Alignment	The Group's LTI plan aligns the interests of shareholders and executive KMP by: – 50% of the potential award being based on achieving and exceeding target cumulative earnings growth, with earnings growth being a critical driver of shareholder returns; and – 50% of the potential award using TSR as a performance hurdle, which directly aligns the financial interests of executive KMP and shareholders by linking their reward to the Group's relative share price performance.
Change of control	There is no mandatory entitlement to any benefit under the LTI in the event of a change in control and the Board has absolute discretion in varying any terms of the LTI program in these circumstances.

LTI OUTCOMES

The ROE in 2020 of 3 per cent was below the benchmark 16 per cent as well as the performance against the CAGR of NPAT hurdle also being well below the target range of 8 to 11 per cent with the CAGR of NPAT for 2019-2020 being negative 51 per cent.

As a consequence, the 2019-2021 LTI will result in no performance rights converting to shares and vesting to participating executive KMP.

The Board believes the Group's remuneration structure, in particular the STI and LTI, has continued to ensure a significant proportion of remuneration is only payable as a result of the achievement of sustained earnings growth at an appropriate rate of return that aligns with shareholder expectations. Failure to achieve these expectations, as was the case in 2020, results in no performance pay being awarded.

	2020	2019	2018	2017	2016
Earnings					
Total revenue ($'000)	**313,403**	324,254	298,978	265,947	226,742
NPAT ($'000)	**15,454**	70,285	64,290	55,158	45,921
Change in NPAT	**(78%)**	9%	17%	20%	20%
Five-year NPAT CAGR	**(17%)**				
Shareholder value					
Share price at the end of the year ($)	**17.17**	26.52	18.07	17.71	12.01
Change in share price ($)	**(9.35)**	8.45	0.36	5.70	(0.16)
Total dividends paid / declared per share (cents)	**36**	72	67	58	50
ROE	**3%**	21%	24%	24%	23%

DIRECTORS' REPORT – AUDITED REMUNERATION REPORT

DIRECTOR REMUNERATION

REMUNERATION POLICY

The Group's Director Remuneration Policy is designed to provide fair remuneration that is appropriate to the directors' responsibilities, performance, knowledge and skills and that aligns with the business strategy to ensure the long-term success of the Group.
Fees for directors are fixed and are not linked to the performance of the Group. This is to ensure the independence of the directors.

Remuneration levels of comparable companies are reviewed annually for benchmarking purposes and allowance is made for various factors, including demands on time, the level of commitment required and any special responsibilities. An annual aggregate cap of $1.1 million was approved by the shareholders at the 2019 AGM.

CONTRACT DETAILS

The remuneration structure is set out below:

	2020 Pre-COVID-19 $	2020 Post-COVID-19 temporary reductions $	2019 $
Chairman	220,000	110,000	220,000
Director and Committee Chairman	120,000	60,000	120,000
Director and Committee member	110,000	55,000	110,000
Director	95,000	47,500	95,000

The above remuneration does not include the 9.5 per cent (2019: 9.5 per cent) statutory superannuation entitlement.

As shown above, the directors voluntarily implemented a temporary reduction in director fees by 50 per cent in April 2020 for a four-month period in response to the COVID-19 pandemic.

REMUNERATION TABLES AND DATA

The remuneration for each KMP of the Group during the year was:

		Short-term benefits				Post-employment benefits	Long-term benefits			
		Salary and fees $	Short-term incentive[A] $	Non-monetary benefits $	Total $	Super-annuation $	Long-term incentive[B] $	Long service leave $	Total $	Proportion of remuneration performance-related %
DIRECTORS										
Mr Donald McLay Non-Executive Director Chairman of Board Member of Remuneration and HR and Audit and Risk Committees	2020	198,846	—	20,310	219,156	18,138	—	—	237,294	—
	2019	220,000	—	20,223	240,223	20,531	—	—	260,754	—
Mr Eric Dodd Non-Executive Director Chairman of Remuneration and HR Committee	2020	108,461	—	—	108,461	10,304	—	—	118,765	—
	2019	120,000	—	—	120,000	11,400	—	—	131,400	—
Mr Robert Shaw[C] Non-Executive Director Chairman of Audit and Risk Committee	2020	73,846	—	—	73,846	7,015	—	—	80,861	—
	2019	120,000	—	—	120,000	11,400	—	—	131,400	—
Mr Richard Thomas Non-Executive Director Member of Audit and Risk Committee	2020	99,423	—	—	99,423	9,445	—	—	108,868	—
	2019	110,000	—	—	110,000	10,450	—	—	120,450	—
Ms Leslie Martin Non-Executive Director Member of Audit and Risk Committee	2020	99,423	—	—	99,423	9,445	—	—	108,868	—
	2019	110,000	—	—	110,000	10,450	—	—	120,450	—

DIRECTORS' REPORT – AUDITED REMUNERATION REPORT

		Short-term benefits				Post-employment benefits	Long-term benefits			
		Salary and fees $	Short-term incentive[A] $	Non-monetary benefits $	Total $	Superannuation $	Long-term incentive[B] $	Long service leave $	Total $	Proportion of remuneration performance-related %
Mr John Nesbitt[D]	**2020**	**75,058**	**—**	**—**	**75,058**	**7,130**	**—**	**—**	**82,188**	**—**
Non-Executive Director Chairman of Audit and Risk Committee	2019	—	—	—	—	—	—	—	—	—
Ms Trudy Vonhoff[D]	**2020**	**74,112**	**—**	**—**	**74,112**	**2,446**	**—**	**—**	**76,558**	**—**
Non-Executive Director Member of Remuneration and HR Committee	2019	—	—	—	—	—	—	—	—	—
EXECUTIVE KMP										
Mr Thomas Beregi	**2020**	**613,709**	**—**	**20,310**	**634,019**	**21,003**	**—**	**10,446**	**665,468**	**—**
Chief Executive Officer Company Secretary	2019	679,469	700,000	20,223	1,399,692	20,531	1,002,646	10,446	2,433,315	73
Mr Matthew Angell	**2020**	**354,094**	**—**	**20,310**	**374,404**	**21,003**	**—**	**5,831**	**401,238**	**—**
Chief Operating Officer	2019	379,469	400,000	20,223	799,692	20,531	557,022	5,831	1,383,076	71
Mr Michael Eadie	**2020**	**263,709**	**—**	**20,310**	**284,019**	**20,416**	**—**	**4,292**	**308,727**	**—**
Chief Financial Officer Company Secretary	2019	279,469	150,000	20,223	449,692	20,531	265,748	4,292	740,263	58
Total remuneration	**2020**	**1,960,681**	**—**	**81,240**	**2,041,921**	**126,345**	**—**	**20,569**	**2,188,835**	**—**
	2019	2,018,407	1,250,000	80,892	3,349,299	125,824	1,825,416	20,569	5,321,108	58

A. The STI has been included in the above table on an accrual basis. No accrual has been recorded because budgeted profit was not achieved.
B. The LTI scheme in place for the FY2019-21 years will not vest due to the ROE hurdle not being met and NPAT CAGR tracking below the required levels.
C. Resigned from Board on 4 November 2019.
D. Appointed to Board on 19 September 2019.

The relative proportions of the elements of remuneration of each KMP that are linked to performance:

	Fixed remuneration		Remuneration linked to performance	
	2020	2019	2020	2019
DIRECTORS				
Mr Donald McLay	100%	100%	—	—
Mr Eric Dodd	100%	100%	—	—
Ms Leslie Martin	100%	100%	—	—
Mr Robert Shaw	100%	100%	—	—
Mr Richard Thomas	100%	100%	—	—
Mr John Nesbitt	100%	—	—	—
Ms Trudy Vonhoff	100%	—	—	—
EXECUTIVE KMP				
Mr Thomas Beregi	100%	30%	—	70%
Mr Matthew Angell	100%	31%	—	69%
Mr Michael Eadie	100%	44%	—	56%

DIRECTORS' REPORT – AUDITED REMUNERATION REPORT

KMP EQUITY HOLDINGS

The movements during 2020 in the number of ordinary shares in Credit Corp Group Limited held directly, indirectly or beneficially by each KMP, including their related parties are:

	Opening balance at 1 July 2019	Shares vested during the year	Shares acquired during the year	Other changes during the year	Closing balance at 30 June 2020
	Number	Number	Number	Number	Number
DIRECTORS					
Mr Donald McLay	1,309,270	—	291,040	(826,758)	**773,552**
Mr Eric Dodd	5,000	—	1,927	—	**6,927**
Ms Leslie Martin	9,411	—	1,652	—	**11,063**
Mr Robert Shaw [A]	4,533	—	—	(4,533)	**—**
Mr Richard Thomas	12,872	—	2,400	—	**15,272**
Mr John Nesbitt	—	—	6,019	—	**6,019**
Ms Trudy Vonhoff	—	—	7,675	—	**7,675**
	1,341,086	—	310,713	(831,291)	820,508
EXECUTIVE KMP					
Mr Thomas Beregi	38,974	148,342	2,400	(148,630)	**41,086**
Mr Matthew Angell	288	82,412	111	(82,412)	**399**
Mr Michael Eadie	288	39,317	—	(39,605)	**—**
	39,550	270,071	2,511	(270,647)	41,485
Total	1,380,636	270,071	313,224	(1,101,938)	861,993

A. Movement in shares for Mr Robert Shaw was due to his resignation on 4 November 2019.

RIGHTS HOLDINGS OF KMP

The directors do not hold any rights in Credit Corp Group Limited.

The following table shows details of rights holdings for the remaining KMP:

	Opening balance at 1 July 2019	Granted as remuneration[A]	Converted to deferred ordinary shares	Closing balance at 30 June 2020
	Rights number	Rights number	Rights number	Rights number
EXECUTIVE KMP				
Mr Thomas Beregi	222,127	—	—	222,127
Mr Matthew Angell	123,403	—	—	123,403
Mr Michael Eadie	58,874	—	—	58,874
Total	404,404	—	—	404,404

A. Rights granted as part of the 2019-2021 LTI plan will not be converted to ordinary shares in November 2021 based on performance against the earnings-based and relative TSR performance hurdles as at 30 June 2020 over the three-year performance period.

Signed in accordance with a resolution of the Board of Directors.

DONALD McLAY
Chairman

JOHN NESBITT
Director

Date: 28 July 2020

AUDITOR'S INDEPENDENCE DECLARATION

HALL CHADWICK (NSW)

CREDIT CORP GROUP LIMITED ABN 33 092 697 151
AND CONTROLLED ENTITIES

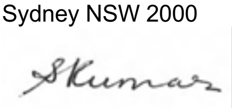
SYDNEY
Level 40
2 Park Street
Sydney NSW 2000
Australia
Ph: (612) 9263 2600
Fx: (612) 9263 2800

AUDITOR'S INDEPENDENCE DECLARATION
UNDER SECTION 307C OF THE CORPORATIONS ACT 2001
TO THE DIRECTORS OF CREDIT CORP GROUP LIMITED

In accordance with Section 307C of the Corporations Act 2001, I am pleased to provide the following declaration of independence to the directors of Credit Corp Group Limited. As the lead audit partner for the audit of the financial report of Credit Corp Limited for the year ended 30 June 2020, I declare that, to the best of my knowledge and belief, there have been no contraventions of:

(i) the auditor independence requirements as set out in the Corporations Act 2001 in relation to the audit; and
(ii) any applicable code of professional conduct in relation to the audit.

Hall Chadwick (NSW)
Level 40, 2 Park Street
Sydney NSW 2000



SANDEEP KUMAR
Partner
Dated: 28 July 2020

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CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 30 June 2020

	Note	2020 $'000	2019 $'000
Purchased debt ledger (PDL) interest revenue	4	255,320	220,005
PDL change in lifetime expected credit losses	4	(68,576)	—
Consumer lending revenue	4	99,445	93,839
Other revenue	4	27,214	10.410
Finance costs		(10,944)	(12,625)
Employee benefits expense		(143,530)	(115,379)
Onerous forward purchasing contract provision		(11,816)	—
Depreciation and amortisation expense		(10,905)	(2,352)
Office facility expenses		(17,497)	(16,877)
Collection expenses		(33,551)	(20,771)
Consumer loans loss provision expense		(46,209)	(37,862)
Marketing expenses		(10,561)	(12,562)
Other expenses		(6,230)	(5,284)
Profit before income tax expense		22,160	100,542
Income tax expense	5	(6,706)	(30,257)
Profit for the year		15,454	70,285
Other comprehensive income for the year, net of income tax		—	—
Total comprehensive income for the year		15,454	70,285
EARNINGS PER SHARE FOR PROFIT ATTRIBUTABLE TO OWNERS OF THE COMPANY			
Basic earnings per share (cents per share)	6	25.5	141.9
Diluted earnings per share (cents per share)	6	25.5	141.2

The above financial statements should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2020

	Note	2020 $'000	2019 $'000
CURRENT ASSETS			
Cash and cash equivalents	8	48,660	22,709
Trade and other receivables	9	6,433	2,713
Consumer loans receivables	10	99,748	115,945
Purchased debt ledgers	11	168,356	159,738
Finance lease receivables	15	170	—
Current tax receivables	5	4,254	—
Other assets	12	3,508	3,270
Total current assets		331,129	304,375
NON-CURRENT ASSETS			
Consumer loans receivables	10	37,559	56,450
Purchased debt ledgers	11	254,264	254,384
Plant and equipment	13	6,605	4,101
Right-of-use assets	14	27,782	—
Finance lease receivables	15	234	—
Deferred tax assets	5	64,277	29,361
Intangible assets	16	800	800
Total non-current assets		391,521	345,096
Total assets		722,650	649,471
CURRENT LIABILITIES			
Trade and other payables	17	27,972	28,559
Lease liabilities	14	7,640	—
Provisions	18	30,916	12,014
Total current liabilities		66,528	40,573
NON-CURRENT LIABILITIES			
Borrowings	19	22,420	142,702
Deferred tax liabilities	5	8,723	—
Lease liabilities	14	21,996	—
Provisions	18	8,773	2,594
Total non-current liabilities		61,912	145,296
Total liabilities		128,440	185,869
Net assets		594,210	463,602
EQUITY			
Issued capital	21	346,738	193,700
Reserves	22	16,019	13,340
Retained earnings		231,453	256,562
Total equity		594,210	463,602

The above financial statements should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

As at 30 June 2020

	Note	Issued capital $'000	Reserves $'000	Retained earnings $'000	Total equity $'000
Balance at 1 July 2019		193,700	13,340	256,562	463,602
Adjustment for adoption of AASB 16 net of tax		—	—	(1,048)	(1,048)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR					
Profit for the year		—	—	15,454	15,454
TRANSACTIONS WITH OWNERS IN THEIR CAPACITY AS OWNERS					
Shares issued net of transaction costs and tax	21	153,038	—	—	153,038
Performance rights issued net of transaction costs		—	2,500	—	2,500
Dividends paid or provided for	7	—	—	(39,515)	(39,515)
Foreign currency translation reserve	22	—	179	—	179
Transactions with owners in their capacity as owners		153,038	2,679	(39,515)	116,202
Balance at 30 June 2020		346,738	16,019	231,453	594,210
Balance at 1 July 2018		55,561	10,191	220,751	286,503
TOTAL COMPREHENSIVE INCOME FOR THE YEAR					
Profit for the year		—	—	70,285	70,285
TRANSACTIONS WITH OWNERS IN THEIR CAPACITY AS OWNERS					
Shares issued net of transaction costs and tax	21	138,139	—	—	138,139
Performance rights issued net of transaction costs		—	3,141	—	3,141
Dividends paid or provided for	7	—	—	(34,474)	(34,474)
Foreign currency translation reserve	22	—	8	—	8
Transactions with owners in their capacity as owners		138,139	3,149	(34,474)	106,814
Balance at 30 June 2019		193,700	13,340	256,562	463,602

The above financial statements should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF CASH FLOWS

As at 30 June 2020

	Note	2020 $'000	2019 $'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers and debtors		617,875	510,325
Payments to suppliers and employees		(206,671)	(167,686)
Interest received on bank deposits		215	710
Interest paid — leases		(712)	—
Interest paid — other		(8,902)	(12,625)
Income tax paid		(35,165)	(41,014)
Cash flows from operating activities before changes in operating assets		366,640	289,710
Changes in operating assets arising from cash flow movements			
Net funding of consumer loans		(5,344)	(64,055)
Acquisition of purchased debt ledgers		(245,650)	(228,738)
Changes in operating assets arising from cash flow movements		(250,994)	(292,793)
Net cash (outflow) / inflow from operating activities	20	115,646	(3,083)
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of plant and equipment		(3,145)	(1,894)
Payment for acquisition of subsidiary, net of cash acquired	23	(67,715)	—
Net cash outflow from investing activities		(70,860)	(1,894)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of share capital		152,209	137,342
Proceeds from borrowings		232,548	138,130
Repayment of borrowings		(356,937)	(229,328)
Repayment of lease payments (principal)		(7,140)	—
Dividends paid		(39,515)	(34,474)
Net cash (outflow) / inflow from financing activities		(18,835)	11,670
NET INCREASE IN CASH AND CASH EQUIVALENTS		25,951	6,693
Cash and cash equivalents at 1 July		22,709	16,016
Cash and cash equivalents at 30 June	8	48,660	22,709

The above financial statements should be read in conjunction with the accompanying notes.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1: CORPORATE INFORMATION

The Consolidated Financial Statements of Credit Corp Group Limited (the Company) and its subsidiaries (collectively, the Group) for the year ended 30 June 2020 were authorised for issue in accordance with a resolution of the directors on 28 July 2020.

Credit Corp Group Limited is a for-profit company limited by shares incorporated in Australia whose shares are publicly traded on the ASX. The address of its registered office and principal place of business is Level 15, 201 Kent Street, Sydney NSW 2000, Australia.

The Group is primarily involved in operations within debt ledger purchasing, including contingent collection services, and consumer lending. Further information on the nature of the operations and principal activities of the Group is provided in the Directors' Report. Information on the Group's structure is provided in Note 26: Subsidiaries. Information on other related party relationships of the Group is provided in Note 31: Related party transactions.

The parent entity, Credit Corp Group Limited, has not prepared separate financial statements as permitted by the *Corporations Act 2001*. The financial information for the parent entity is disclosed in Note 35: Parent entity information.

NOTE 2: BASIS OF PREPARATION

The financial report is a general purpose financial report, which has been prepared in accordance with the requirements of the *Corporations Act 2001* and Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board.

A) COMPLIANCE WITH INTERNATIONAL FINANCIAL REPORTING STANDARDS

The Consolidated Financial Statements also comply with International Financial Reporting Standards (IFRS), as issued by the International Accounting Standards Board (IASB).

B) ACCRUALS BASIS

Except for cash flow information, the Consolidated Financial Statements have been prepared on an accruals basis and are based on historical costs, modified, where applicable, by the measurement at fair value of selected non-current assets, financial assets and financial liabilities.

C) ROUNDING OF AMOUNTS

The Company is of a kind referred to in ASIC Legislative Instrument 2016/191, relating to the "rounding off" of amounts in the financial report. Amounts in the financial report have been rounded off in accordance with the instrument to the nearest thousand dollars, unless otherwise indicated.

D) USE OF ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

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

In the application of the Group's accounting policies, the directors of the Group are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors considered to be relevant. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and from within the Group. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

Key estimates	Note	Page
Purchased debt ledgers (PDLs)	11	65
Impairment of financial assets	9, 10 & 18	64, 65 & 66
Provisions	9, 10 & 18	64, 65 & 70
Share-based payments	32	79
Goodwill and impairment	16	69

E) SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies adopted in the presentation of these Consolidated Financial Statements are set out below. Other significant accounting policies are contained in the notes to the financial report to which they relate. The policies have been consistently applied to all the years presented, unless otherwise stated.

Principles of consolidation

These Consolidated Financial Statements incorporate the assets, liabilities and results of all subsidiaries at 30 June 2020. Subsidiaries are all entities over which the Company has control. The Company controls an entity if 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 to direct the activities of the entity.

Profit or loss and other comprehensive income of controlled entities acquired or disposed of during the year are recognised from the effective date of acquisition, or up to the effective date of disposal, as applicable. In preparing the financial report, all intercompany balances, transactions and unrealised profits arising within the Group are eliminated in full.

Functional currency

Amounts in the Directors' Report and financial report are presented in Australian dollars, which is the Group's functional currency.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 2: BASIS OF PREPARATION CONTINUED

Foreign currency transactions and balances

Foreign currency transactions are translated into the functional currency, being Australian dollars, using the exchange rates prevailing at the date of transaction. Foreign currency monetary items are translated at the year-end exchange rate. Non-monetary items measured at historical cost continue to be carried at the exchange rate at the date of the transaction. Non-monetary items measured at fair value are reported at the exchange rate at the date when fair values were determined.

Exchange differences arising on the translation of monetary items are recognised in the statement of profit or loss, except where deferred in equity as a qualifying cash flow or net investment hedge.

Exchange differences arising on the translation of non-monetary items are recognised directly in equity to the extent that the gain or loss is directly recognised in equity; otherwise the exchange difference is recognised in the statement of profit or loss.

Borrowing costs

Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds. All borrowing costs are recognised in the statement of profit or loss and other comprehensive income in the period in which they are incurred.

Government grants

Grants that compensate the Group for expenses incurred are recognised in profit or loss on a systematic basis in the periods in which the expenses are recognised.

F) CURRENT ECONOMIC IMPACT OF COVID-19

In the period since the initial implementation of isolation measures across most jurisdictions from late March 2020, the Group's customers have been less prepared to agree and maintain longer-term repayment plans. This initially produced a sharp decline in collections and rising loan book arrears. More recently, an increased willingness to make one-off repayments has brought PDL collections for May and June back to pre-COVID-19 levels and, with the exception of auto and SME pilots, has restored loan book arrears.

This experience is consistent with reported unemployment rates in excess of 10 per cent, after adjusting for changes in workforce participation, and the temporarily offsetting impact of government support, stimulus measures and private sector forbearance (temporary support).

The Group expects persistently elevated levels of unemployment, the impact of which will be more severe for the Group's credit-impaired customers, who are more exposed to the risk of unemployment for a prolonged period. As temporary support is reduced, PDL collections will fall while loan book arrears will rise.

The Group's response has been to seek to renegotiate ongoing purchasing arrangements onto more sustainable pricing, better reflecting the outlook for collections from recently purchased PDLs. In the lending segment, auto and SME pilots have been suspended while lending criteria for the core loan product have been tightened, halving approval rates.

The Group's approach to assessing the carrying value of its financial assets and the net economic benefit of its ongoing purchasing commitments is consistent with this outlook and response:

- The Group has incurred an impairment to reflect a 13.5 per cent reduction in the carrying value of its existing PDL assets. This impairment represents an average of an 18 per cent reduction in forecast cash collections from existing PDL assets against pre-COVID-19 expectations for the next two years before the commencement of a recovery. The reduced ability to agree new repayment plans means that recently purchased assets comprise the bulk of the impairment and collection shortfall.
- Consumer Loan loss provisions have increased from 19 per cent of the gross loan book to 24 per cent. This increase accounts for the elevated risk of default for existing customers who do not meet present lending criteria together with the arrears on pilot products.
- The Group has provided $12 million for the uneconomic component of commitments not yet re-priced. While significant progress has been made to re-negotiate current ongoing purchasing arrangements onto more sustainable pricing, discussions are continuing with one large United States client and one smaller domestic client.

G) NEW AND AMENDED STANDARDS ADOPTED BY THE GROUP

The Group has considered the implications of new or amended Accounting Standards which have become applicable for the current financial reporting period as set out below:

AASB 16 *Leases*

The adoption of this new standard has resulted in the Group recognising a right-of-use asset and related lease liability in connection with all former operating leases except for those identified as low-value or having a remaining lease term of fewer than 12 months from the date of initial application.

The new standard has been applied using the modified retrospective approach and the comparatives have not been restated for the June 2019 reporting period, as permitted under the specific transitional provisions in the standard. The reclassifications and the adjustments arising from the new leasing standard are therefore recognised in the opening balance sheet on 1 July 2019, with the cumulative effect of adopting IFRS 16 being recognised in equity as an adjustment to the opening balance of retained earnings for the current period.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 2: BASIS OF PREPARATION CONTINUED

i) Right-of-use assets

The Group has elected to include initial direct costs in the measurement of the right-of-use (ROU) asset for operating leases in existence at the date of initial application of IFRS 16 (i.e. the date the underlying asset is available for use). At this date, the Group has elected to measure the ROU assets at cost, less any accumulated depreciation and impairment losses and adjusted for any re-measurement of lease liabilities. The cost of ROU assets includes the amount of lease liabilities recognised, initial direct costs incurred and lease payments made at or before the commencement date less any lease initiatives received. The recognised ROU assets are depreciated on a straight-line basis over the shorter of useful life and the lease term.

ii) Lease liabilities

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentive receivable and variable lease payments that depend on an index or a rate. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognised as expense in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date as the interest implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is re-measured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

iii) Short-term leases and leases of low-value assets

On transition, for leases previously accounted for as operating leases with a remaining lease term of fewer than 12 months and for leases of low-value assets, the Group has applied the optional exemptions to not recognise right-of-use assets but to account for the lease expense on a straight-line basis over the remaining lease term.

iv) Significant judgement in determining the lease term of contracts with renewal options

The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to exercise, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

The Group has the option, under some of its leases, to lease the assets for additional terms. The Group applies judgement in evaluating whether it is reasonably certain to exercise the option to renew. That is, it considers all relevant factors that create an economic incentive for it to exercise the renewal. After the commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise (or not exercise) the option to renew.

v) Adjustments recognised on adoption of AASB 16 Leases

On adoption of AASB 16 *Leases*, the Group recognised lease liabilities in relation to leases which had previously been classified as operating leases under the principles of AASB 117 *Leases*. These liabilities were measured at the present value of the remaining lease payments, discounted using the Group's incremental borrowing rate as of 1 July 2019. The weighted average lessee's incremental borrowing rate applied to the lease liabilities on 1 July 2019 was 3.7% for AUD denominated leases and 4.2% for USD denominated leases.

	$'000
Operating lease commitments as at 30 June 2019	**12,958**
Discounted using the incremental borrowing rate	(842)
Less: Other adjustments	291
Add: Payments in optional extension periods not recognised as at 30 June 2019	(25)
Lease liabilities recognised as at 1 July 2019	**12,382**

The associated right-of-use assets were measured at the amount equal to the lease liabilities, adjusted by the amount of any prepaid or accrued lease payment and onerous lease provisions relating to these leases recognised in the balance sheet as at 1 July 2019.

In accordance with AASB 16(53)(j) the recognised right-of-use assets relate to the following types of assets:

	$'000
Leased property	10,794
Leased IT equipment	90
ROU assets recognised as at 1 July 2019	**10,884**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 2: BASIS OF PREPARATION CONTINUED

vi) Impact on earnings per share

There was no impact on EPS.

vii) Practical expedients applied

In applying AASB 16 *Leases* for the first time, the Group has used the following practical expedients permitted by the standard:

– The use of a single discount rate to a portfolio of leases with reasonably similar characteristics;

– The accounting for operating leases with a remaining lease term of fewer than 12 months as at 1 January 2019 as short-term leases;

– The accounting for operating leases with a cost value of $20,000 or less as low-value leases;

– The exclusion of initial direct costs for the measurement of the right-of-use asset at the date of initial application; and

– The use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

NOTE 3: OPERATING SEGMENTS

A) FINANCIAL REPORTING BY SEGMENTS

An operating segment is a component of an entity that engages in business activities from which it may earn revenue and / or incur expenses. The Group has identified its operating segments based on the internal reports that are reviewed and used by the chief operating decision maker, the Chief Executive Officer (CEO), to make strategic decisions. The Group has three main operating segments: debt ledger purchasing (Australia and New Zealand), debt ledger purchasing (United States) and consumer lending (Australia and New Zealand). All operating segments and results are reviewed regularly by the CEO of the Group, who reviews the operating segments' results on an ongoing basis to assess performance and allocate resources.

The reportable segments are as follows:

Debt ledger purchasing – Australia and New Zealand

This business purchases consumer debts at a discount to their face value from credit providers in Australia and New Zealand, with the objective of recovering amounts in excess of the purchase price over the collection life cycle of the receivables to produce a return. This segment also includes the contingent collection services business in Australia.

Debt ledger purchasing – United States

This business purchases consumer debts at a discount to their face value from credit providers in the United States, with the objective of recovering amounts in excess of the purchase price over the collection life cycle of the receivables to produce a return.

Consumer lending – Australia and New Zealand

This business offers various market-leading sustainable financial products to credit-impaired consumers.

Following is the information provided to the CEO:

	Debt ledger purchasing-Australia & New Zealand $'000	Debt ledger purchasing-United States $'000	Consumer lending-Australia & New Zealand $'000	Total for continuing operations $'000
YEAR ENDED 30 JUNE 2020				
Segment revenue				
External revenue	183,328	30,630	99,445	313,403
Segment result				
Segment profit	43,570	(24,312)	24,751	44,009
Finance costs				(10,944)
Depreciation and amortisation expense				(10,905)
Profit before income tax expense				22,160
Income tax expense				(6,706)
Profit after income tax expense				15,454
YEAR ENDED 30 JUNE 2019				
Segment revenue				
External revenue	189,501	40,801	93,952	324,254
Segment result				
Segment profit	78,875	7,803	28,841	115,519
Finance costs				(12,625)
Depreciation and amortisation expense				(2,352)
Profit before income tax expense				100,542
Income tax expense				(30,257)
Profit after income tax expense				70,285

B) GEOGRAPHICAL INFORMATION

The Group predominantly operates in two geographic segments: Australia and the United States.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 4: REVENUE

The Group recognises revenue from the following major sources:

Interest revenue from PDLs

Revenue from PDLs represents the component designated as interest income through the application of the credit-adjusted effective interest rate to the amortised cost of the PDLs. Interest revenue also includes realisations derived from fully amortised PDLs.

Revenue from PDLs includes the impact of changes in expected realisations which represent an impairment loss or gain. When material, these gains or losses are disclosed as a separate line item within revenue.

Interest and fee income from consumer lending

Interest and fee income is recognised when payments are received.

The following is the Group's revenue for the year from continuing operations:

	2020 $'000	2019 $'000
PDL interest revenue	255,320	220,005
PDL change in lifetime expected credit losses	(68,576)	—
Interest and fee income from consumer lending	99,445	93,839
Other interest received	215	710
Other income	26,999	9,700
Total	313,403	324,254

Revenue from contracts

Other income mainly consists of revenue from contracts from the contingency business in Australia and New Zealand. The contingency business provides contingent collection services to clients. Revenue is measured based on the consideration to which the Group expects to be entitled in a contract with a client and excludes amounts collected on behalf of third parties.

Revenue is recognised at a point in time when the service has been performed and the Group has a right to invoice.

Goods and services tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, unless the GST incurred is not recoverable from the Australian Taxation Office (ATO). In this case, it is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the ATO is included with other receivables or payables in the statement of financial position.

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

NOTE 5: INCOME TAX

The Group operates in various tax jurisdictions, including Australia, New Zealand and the United States.

Current tax

Current tax expense charged to the statement of profit or loss is the tax payable on taxable income calculated using applicable income tax rates enacted, or substantially enacted, as at reporting date. Current tax liabilities are therefore measured at the amounts expected to be paid to the relevant taxation authority.

Deferred tax

Deferred tax is accounted for based on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date.

Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences, unused tax losses and tax offsets, to the extent that it is probable that sufficient future taxable profits will be available against which those deductible temporary differences can be utilised. No deferred income tax is recognised from the initial recognition of an asset or liability, excluding a business combination, where there is no effect on accounting or taxable profit or loss.

Deferred tax assets and liabilities are calculated at the tax rates that are expected to apply to the period when the assets are realised or the liabilities are settled, based on tax rates enacted or substantively enacted at balance date. Their measurement also reflects the manner in which management expects to recover or settle the carrying amount of the related assets or liabilities.

Income taxes relating to items in equity are recognised directly in equity and not in the statement of profit or loss and other comprehensive income.

Tax consolidation

Credit Corp Group Limited and its wholly-owned Australian subsidiaries have formed an income tax consolidated group under the tax consolidation legislation. The head entity, Credit Corp Group Limited, and its subsidiaries in the income tax consolidated group have entered a tax funding arrangement whereby each company in the income tax consolidated group contributes to the income tax payable in proportion to their contribution to the Group's taxable income. Any difference between the amounts assumed and amounts receivable or payable under the tax funding agreement is recognised as a contribution to (or distribution from) wholly-owned tax consolidated entities.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 5: INCOME TAX CONTINUED

Components of the tax balances are detailed below:

	2020 $'000	2019 $'000
A) INCOME TAX EXPENSE		
Current tax	(32,948)	(33,221)
Deferred tax	26,193	2,989
(Under provision) / over provision in respect of prior years	49	(25)
Total	(6,706)	(30,257)
B) RECONCILIATION BETWEEN TAX EXPENSE AND PRE-TAX ACCOUNTING PROFIT		
Profit for the year	22,160	100,542
Prima facie tax payable on profit from ordinary activities before income tax at 30% (2019: 30%)	(6,648)	(30,163)
Tax effect of amounts that are not deductible (taxable) in calculating taxable income:		
Other non-deductible items	(107)	(69)
	(6,755)	(30,232)
(Under provision) / over provision in respect of prior years	49	(25)
Income tax expense	(6,706)	(30,257)
Applicable weighted average effective tax rates (%)	30%	30%
C) TAX ASSETS AND LIABILITIES		
Current tax assets		
Tax receivables	4,254	—
Non-current tax assets		
Deferred tax assets	64,277	29,361
Total	68,531	29,361
Current tax liabilities		
Tax liabilities	—	13,711
Non-current liabilities		
Deferred tax liabilities	8,723	—
Total	8,723	13,711

	Assets		Liabilities		Net	
	2020 $'000	2019 $'000	2020 $'000	2019 $'000	2020 $'000	2019 $'000
DEFERRED TAX ASSETS AND LIABILITIES ARE ATTRIBUTABLE TO:						
Provision for employee benefits	4,815	3,559	—	—	4,815	3,559
Provision for leases	—	824	—	—	—	824
ROU asset	—	—	(8,261)	—	(8,261)	—
Lease liability	8,891	—	—	—	8,891	—
Provision for impairment of trade receivables	29	17	—	—	29	17
Provision for expected credit losses	13,081	11,892	—	—	13,081	11,892
Accruals on wages and bonuses	44	48	—	—	44	48
Accruals on employee share plan	750	540	—	—	750	540
Difference between accounting and tax depreciation	(209)	452	—	—	(209)	452
Onerous forward purchasing contract provision	3,545	—	—	—	3,545	—
Acquired on business combination	15,135	—	—	—	15,135	—
US PDL change in lifetime ECL	8,014	—	—	—	8,014	—
Other accruals not tax deductible until expense incurred	10,182	12,029	(462)	—	9,720	12,029
Net tax assets	64,277	29,361	(8,723)	—	55,554	29,361

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 5: INCOME TAX CONTINUED

	Opening balance $'000	Recognised in profit or loss $'000	Recognised in other comprehensive income $'000	Closing balance $'000
MOVEMENT IN TEMPORARY DIFFERENCES DURING THE YEAR				
Year ended 30 June 2020				
Provision for employee benefits	3,559	1,256	—	4,815
Provision for leases	824	(824)	—	—
ROU asset	—	(8,261)	—	(8,261)
Lease liability	—	8,891	—	8,891
Provision for impairment of trade receivables	17	12	—	29
Provision for expected credit losses	11,892	1,189	—	13,081
Accruals on wages and bonuses	48	(4)	—	44
Accruals on employee share plan	540	210	—	750
Difference between accounting and tax depreciation	452	(661)	—	(209)
Onerous forward purchasing contract provision	—	3,545	—	3,545
Acquired on business combination	—	15,135	—	15,135
US PDL change in lifetime ECL	—	8,014	—	8,014
Other accruals not tax deductible until expense incurred	12,029	(2,309)	—	9,720
Total	29,361	26,193	—	55,554
MOVEMENT IN TEMPORARY DIFFERENCES DURING THE YEAR				
Year ended 30 June 2019				
Provision for employee benefits	3,527	32	—	3,559
Provision for leases	1,024	(200)	—	824
Provision for impairment of trade receivables	5	12	—	17
Provision for expected credit losses	10,272	1,620	—	11,892
Accruals on wages and bonuses	132	(84)	—	48
Accruals on employee share plan	750	(210)	—	540
Difference between accounting and tax depreciation	508	(56)	—	452
Other accruals not tax deductible until expense incurred	10,154	1,875	—	12,029
Total	26,372	2,989	—	29,361

NOTE 6: EARNINGS PER SHARE

	2020	2019
Basic earnings per share (cents)	25.5	141.9
Diluted earnings per share (cents)	25.5	141.2
Weighted average number of ordinary shares – basic ('000)	60,668	49,525
Add: Adjustment for calculation of diluted earnings per share (performance rights) ('000)	—	236
Weighted average number of ordinary shares at 30 June – diluted ('000)	60,668	49,761

Basic and diluted earnings per share are calculated by dividing profit for the year by the weighted average number of shares on issue over the year.

Performance rights

Performance rights granted under the Group's Long-Term Incentive (LTI) plan are considered to be potential ordinary shares and have been included in the determination of diluted earnings per share. The rights have not been included in the determination of basic earnings per share. Details relating to the rights are set out in the Remuneration Report and Note 32.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 7: DIVIDENDS PAID AND PROPOSED

The following dividends were declared and paid by the Group:	Cents per share	Total $'000	Franked / unfranked	Date of payment
YEAR ENDED 30 JUNE 2020				
Interim 2020 ordinary	36.0	19,758	Franked	13 Mar 2020
Final 2019 ordinary	36.0	19,757	Franked	30 Aug 2019
Total		39,515		
YEAR ENDED 30 JUNE 2019				
Interim 2019 ordinary	36.0	17,302	Franked	15 Mar 2019
Final 2018 ordinary	36.0	17,172	Franked	12 Oct 2018
Total		34,474		

After 30 June 2020 no dividends were proposed by the directors. As a result there are no income tax consequences.

	2020 $'000	2019 $'000
FRANKING ACCOUNT		
Balance of franking account at year-end adjusted for franking credits arising from payment of provision for income tax and franking debits arising from payment of dividends	139,682	142,646
Subsequent to year-end, the franking account would be reduced by the proposed dividend	—	(8,467)
Total	139,682	134,179

NOTE 8: CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise bank deposits with maturities of fewer than three months and cash on hand that are subject to an insignificant risk of change in their fair value, and are used by the Group in the management of its short-term commitments.

	2020 $'000	2019 $'000
Cash and cash equivalents	48,660	22,709

The Group's exposure to interest rate risk and a sensitivity analysis of financial assets and liabilities is disclosed in Note 24.

NOTE 9: TRADE AND OTHER RECEIVABLES

Trade and other receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such financial assets are recognised initially at the amount of consideration that is unconditional unless they contain significant financing components, when they are recognised at fair value. The Group holds the trade receivables with the objective to collect the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method, less any provision for doubtful debts and impairment.

Due to the short-term nature of the current receivables, their carrying amount is considered to be the same as their fair value.

	2020 $'000	2019 $'000
CURRENT		
Trade receivables	4,628	1,055
Less: Provision for impairment	(95)	(57)
	4,533	998
Other receivables	1,908	1,767
Less: Provision for impairment	(8)	(52)
	1,900	1,715
Total	6,433	2,713

The Group applies the AASB 9 simplified approach to measuring expected credit losses, which permits the use of the lifetime expected loss provision for all trade receivables.

The expected credit losses on trade receivables are estimated using a provision matrix by reference to past default experience, adjusted for macroeconomic factors affecting the ability of the customers to settle the receivables and an assessment of both the current as well as the forecast direction of conditions at the reporting date. The Group has recognised a loss allowance of 100 per cent against receivables over 120 days past due, excluding lease bonds and deposits, because historical experience has indicated that these receivables are generally not recoverable.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 9: TRADE AND OTHER RECEIVABLES CONTINUED

There has been no change in the estimation techniques or significant assumptions made during the current reporting period.

The following table details the loss allowance as at 30 June 2020 and 30 June 2019. As the Group's historical credit loss experience does not show significantly different loss patterns for different customer segments, the provision for loss allowance based on past due status is not further distinguished between the Group's different customer bases.

Note 24 provides detail about Group's exposure to credit risk.

	Current $'000	> 30 days past due $'000	> 60 days past due $'000	> 120 days past due $'000	Total $'000
YEAR ENDED 30 JUNE 2020					
Expected loss rate	0%	0%	0%	100%	
Gross carrying amount	4,946	1,105	382	103	6,536
Provision for impairment	—	—	—	(103)	(103)
Net carrying amount	4,946	1,105	382	—	6,433
YEAR ENDED 30 JUNE 2019					
Expected loss rate	0%	0%	0%	100%	
Gross carrying amount	1,438	776	499	109	2,822
Provision for impairment	—	—	—	(109)	(109)
Net carrying amount	1,438	776	499	—	2,713

The fair value of the trade and other receivables is $6.4 million.

The following table shows the movement in lifetime expected credit loss that has been recognised for trade and other receivables in accordance with the simplified approach set out in AASB 9:

	2020 $'000	2019 $'000
LIFETIME EXPECTED CREDIT LOSS		
Opening balance	(109)	(36)
Decrease / (increase) in loss allowance recognised in profit or loss during the year	6	(73)
Closing balance	(103)	(109)

No trade receivables are recognised at balance date that are past due and deemed impaired.

The Group has provided a loss allowance of $0.095 million at reporting date (2019: $0.057 million).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 10: CONSUMER LOANS RECEIVABLES

Consumer loans are initially recognised at fair value of the loan written and subsequently measured at amortised cost using the effective interest rate method, less provision for expected credit losses. Given the nature of loans written, a lifetime expected credit loss provision is taken up upon initial recognition of a consumer loan receivable. The loan balance is categorised into current and non-current consumer loans according to the due date within the contracted loan terms. Amounts due within 12 months are classified as current assets, with the remainder classified as non-current assets.

Provision for expected credit losses is recognised based on expected life of loan loss rates derived from static pool analysis of the performance of loan products. These estimates are updated on an ongoing basis.

Provisions for expected credit losses have increased from 19 per cent of the gross loan book to 24 per cent. This increase accounts for the elevated risk of default for existing customers who do not meet present lending criteria together with the arrears on pilot products.

Note 24 provides more details in relation to carrying amounts and the Group's exposure to credit risk.

	2020 $'000	2019 $'000
CURRENT		
Consumer loans receivables	129,958	141,687
Less: Provision for expected credit losses	(30,210)	(25,742)
	99,748	115,945
NON-CURRENT		
Consumer loans receivables	50,951	70,349
Less: Provision for expected credit losses	(13,392)	(13,899)
	37,559	56,450
Total	137,307	172,395
PROVISION FOR EXPECTED CREDIT LOSSES		
Movement in the provision for expected credit losses		
Opening balance	(39,641)	(34,239)
Net movement for the year	(3,961)	(5,402)
Closing balance	(43,602)	(39,641)

NOTE 11: PURCHASED DEBT LEDGERS (PDLs)

PDLs are considered purchased or originated credit-impaired assets (POCIs) under AASB 9 Financial Instruments. For POCIs, the fair value at initial recognition already takes into account lifetime expected credit losses and represents the consideration paid. PDLs are subsequently measured at amortised cost by applying the credit-adjusted effective interest rate, in accordance with AASB 9 Financial Instruments. This occurs at the level of individual tranches of PDLs by using a six-year forecast of realisations or expected cash flows which implies a level of expected credit losses. This credit-adjusted effective interest rate is derived in the period of acquisition of the tranche of PDLs and equates to the Internal Rate of Return (IRR) of the forecast cash flows without any consideration of collection costs.

This credit-adjusted effective interest rate is used over the collection life cycle to apportion cash collections between the principal and interest components. Changes in expected realisations are determined at the level of each tranche of PDLs which are then aggregated to generate either an impairment loss or gain.

The fair value of the PDLs is materially the same as the carrying value measured under amortised cost using the credit-adjusted effective interest rate as the risk-adjusted discount rate used in applying fair value would be similar to the credit-adjusted effective interest rate used in amortised cost measurement.

Note 24 provides detail about Group's exposure to credit risk.

	2020 $'000	2019 $'000
Current	168,356	159,738
Non-current	254,264	254,384
Total	422,620	414,122

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 11: PURCHASED DEBT LEDGERS (PDLs) CONTINUED

	2020 $'000
Debt ledger balance movement	
Opening balance	414,122
PDLs acquired as part of Baycorp acquisition	70,118
Other PDL investments	244,438
Amortisation	(233,020)
Foreign currency revaluation	(4,282)
Impairment due to COVID-19	(68,756)
Total	422,620

As summarised in section F of Note 2, the Group expects to see persistently high levels of unemployment as a result of the COVID-19 pandemic and this will disproportionately impact its credit-impaired customer base. The Group has experienced a reduced willingness of its customers to enter into and maintain long-term payment arrangements. As a consequence, forecast collections on PDLs have been reduced by an average of 18 per cent over the next two years before the commencement of a recovery. This adjustment to lifetime expected credit losses on the PDLs, after applying applicable credit-adjusted effective interest rates, has resulted in an impairment loss of approximately 13.5 per cent of the ongoing carrying value of the PDLs as set out in this Note.

Note 24 provides detail about the Group's exposure to credit risk.

NOTE 12: OTHER ASSETS

	2020 $'000	2019 $'000
Prepayments	3,060	2,514
Inventory	448	756
Total	3,508	3,270

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 13: PLANT AND EQUIPMENT

Plant and equipment are measured at historical cost less accumulated depreciation and accumulated impairment losses. In the event the carrying amount is greater than the estimated recoverable amount, the carrying amount is written down immediately to the estimated recoverable amount and impairment losses are recognised. A formal assessment of the recoverable amount is made when impairment indicators are present. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the statement of profit or loss and other comprehensive income during the financial period in which they are incurred.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These are included in the statement of profit or loss and other comprehensive income.

Depreciation is calculated on a straight-line basis over the estimated useful lives of the assets, as follows:

Class of fixed asset	Years
Leasehold improvements	Period of the lease
Plant and equipment	2 to 5 years
Computer software	2.5 to 4 years

The residual values, useful lives and methods of depreciation of plant and equipment are reviewed at each financial year-end and adjusted prospectively, if appropriate.

	Plant and equipment $'000	Computer software $'000	Leasehold improvements $'000	Total $'000
A) COST OR VALUATION				
Year ended 30 June 2020				
Opening balance	6,875	1,189	7,016	15,080
Additions	664	1,358	1,123	3,145
Additions through business combinations	7,402	6,035	3,424	16,861
Disposals	(2,719)	(3,603)	(2,204)	(8,526)
Closing balance	12,222	4,979	9,359	26,560
Year ended 30 June 2019				
Opening balance	5,910	1,187	6,089	13,186
Additions	965	2	927	1,894
Closing balance	6,875	1,189	7,016	15,080
B) ACCUMULATED DEPRECIATION OR AMORTISATION				
Year ended 30 June 2020				
Opening balance	(5,442)	(967)	(4,570)	(10,979)
Additions through business combinations	(5,451)	(3,443)	(2,734)	(11,628)
Disposals	2,567	2,154	1,578	6,299
Depreciation / amortisation for the year	(1,396)	(716)	(1,535)	(3,647)
Closing balance	(9,722)	(2,972)	(7,261)	(19,955)
Year ended 30 June 2019				
Opening balance	(4,534)	(872)	(3,221)	(8,627)
Depreciation / amortisation for the year	(908)	(95)	(1,349)	(2,352)
Closing balance	(5,442)	(967)	(4,570)	(10,979)
C) CARRYING AMOUNTS				
At 1 July 2019	1,433	222	2,446	4,101
At 30 June 2020	2,500	2,007	2,098	6,605
At 1 July 2018	1,376	315	2,868	4,559
At 30 June 2019	1,433	222	2,446	4,101

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 14: RIGHT-OF-USE ASSETS AND LEASE LIABILITIES

The Group leases various offices, showrooms, car parks and equipment. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants, but leased assets may not be used as security for borrowing purposes.

Prior to 1 July 2019, leases of property, plant and equipment were classified as either finance or operating leases. Payments made under operating leases (net of any incentives received from the lessor) were charged to the statement of profit or loss and other comprehensive income, on a straight-line basis over the period of the lease.

From 1 July 2019, the Group applied a single recognition and measurement approach for all leases of which it is the lessee, except for leases of low-value assets and with terms of less than one year. The Group recognised lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets. Leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group. Each lease payment is allocated between the liabilities and finance cost. The finance cost is charged to statement of profit or loss and other comprehensive income over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

A) RIGHT-OF-USE ASSETS

Right-of-use assets are measured at cost comprising the following:

– The amount of the initial measurement of lease liabilities;

– Any lease payments made at or before the commencement date less any lease incentives received; and

– Restoration costs.

	30 June 2020 $'000
Initial right-of-use assets recognised on adoption of AASB16	10,884
Additions through business combination	2,511
Additions – other	22,030
Depreciation charge	(7,211)
Transfer to finance lease receivables	(426)
Effects of exchange rate changes	47
Disposals	(53)
Closing balance	27,782
Cost	35,224
Accumulated depreciation	(7,442)
Closing balance	27,782

B) LEASE LIABILITIES

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

– Fixed payments (including in-substance fixed payments), less any lease incentives receivable;

– Variable lease payments that are based on an index or a rate;

– Amounts expected to be payable by the lessee under residual value guarantees;

– The exercise price of a purchase option if the lessee is reasonably certain to exercise that option; and

– Payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be determined, the lessee's incremental borrowing rate is used, being the rate that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.

	30 June 2020 $'000	1 July 2019 $'000
Current lease liabilities	7,640	5,108
Non-current lease liabilities	21,996	7,274
Closing balance	29,636	12,382

Total cash outflow for leases and related interest paid are disclosed separately in Consolidated Statement of Cash Flows.

Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in statement of profit or loss and other comprehensive income. Short-term leases are leases with a lease term of 12 months or fewer. Low-value assets mainly comprise IT and office equipment.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 15: FINANCE LEASE RECEIVABLES

The Group has entered into a lease arrangement as a sub-lessor for its Parramatta office. The Group leases a portion of the office building and as the sub-lease transfers substantially all of the risks and rewards of ownership of the asset it is classified as a finance lease.

Finance lease receivables are presented in the statement of financial position as follows:

	30 June 2020 $'000	1 July 2019 $'000
Current	170	—
Non-Current	234	—
Closing balance	404	—

The following table sets out a maturity analysis of finance lease receivables, showing the undiscounted lease payments comprising receivables as at the reporting date

	30 June 2020 $'000
Less than 1 year	176
1 to 2 years	176
2 to 3 years	103
Total undiscounted lease payment receivable	455
Unearned finance income	(51)
Net investment in the lease	404

NOTE 16: INTANGIBLE ASSETS

Intangible assets recognised by the Group consist of goodwill arising from the historical acquisition of a contingent collections business. Goodwill represents the excess of the cost of the acquisition over the fair value of the Group's share of net identifiable assets of the acquired subsidiary at the date of acquisition.

Goodwill with an indefinite useful life is not subject to amortisation and is tested annually for impairment, or more frequently if events or changes in circumstances indicate that it may be impaired. An impairment loss is recognised in the statement of profit or loss and other comprehensive income for the amount by which the asset's carrying value exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less cost to sell and value in use.

	2020 $'000	2019 $'000
A) CARRYING AMOUNTS		
Opening balance	800	800
Closing balance	800	800

B) IMPAIRMENT TESTING FOR CASH-GENERATING UNIT CONTAINING GOODWILL

For the purpose of impairment testing, goodwill is allocated to the Group's contingent collections operating unit, which represents the lowest level within the Group at which the goodwill is monitored for internal management purposes. The Group assesses for impairment at least annually.

For the 2020 and 2019 reporting periods, the recoverable amount of the contingent collections operating unit was determined based on value-in-use calculations, which require the use of assumptions. The calculations use cash flow projections based on financial budgets approved by management covering a three-year period. Revenue projections beyond the three-year period have been kept stagnant, while expense projections have been extrapolated using an estimated growth rate of 2 per cent per annum. The cash flows are discounted using a pre-tax discount rate of 10 per cent per annum, reflecting a market estimate of the weighted average cost of capital adjusted to incorporate risks associated with the contingent collections operating unit. No impairment was recognised for the contingent collections operating unit during the year ended 30 June 2020 (2019: nil).

NOTE 17: TRADE AND OTHER PAYABLES

	2020 $'000	2019 $'000
CURRENT		
Unsecured liabilities		
Trade payables	1,428	2,479
Current tax liabilities	—	13,711
Employee-related accruals	11,761	7,685
Other payables and accruals	14,783	4,684
Total	27,972	28,559

The Group's exposure to liquidity risk related to trade and other payables is disclosed in Note 24.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 18: PROVISIONS

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. The nature of the provision balances are outlined below.

Employee benefits

Short-term obligations

Liabilities for wages and salaries as well as incentive payments expected to be settled within 12 months represent present obligations resulting from employees' services provided to the end of the reporting period. These are presented as payables and measured at the amounts expected to be paid when the liabilities are settled, plus on-costs.

Long-term obligations

The liability for long service leave and annual leave is presented in employee benefits provisions and measured at the present value of the expected future payments to be made in respect of services provided by employees up to the end of the reporting period. Expected future payments are discounted using market yields on high quality corporate bonds at the end of the reporting period with terms to maturity and currency that match, as closely as possible, the estimated future payments.

Onerous forward purchasing contract provision

Some forward PDL purchasing commitments entered into prior to March 2020 have not been re-negotiated to reflect the reduced collections outlook as a consequence of COVID-19 and extend beyond 30 June 2020.

Restructuring provision

This provision represents the onerous portion of lease commitments taken on as part of the acquisition of Baycorp Holdings Pty Limited and its associated entities (collectively Baycorp) on 16 August 2019 as well as restructuring costs associated with the planned integration of Baycorp. As at 30 June 2020, $10.4 million of the $15.8 million provision taken up on 16 August 2019 had not been utilised.

	2020 $'000	2019 $'000
CURRENT		
Employee benefits	14,528	10,550
Onerous forward purchasing contract provision	11,816	—
Restructuring provision	4,572	—
Other provisions	—	1,464
	30,916	12,014
NON-CURRENT		
Employee benefits	1,523	1,312
Restructuring provision	5,810	—
Other provisions	1,440	1,282
	8,773	2,594
Total	39,689	14,608

	Employee benefits $'000	Onerous forward purchasing contract provision $'000	Restructuring provision $'000	Other provisions $'000	Total $'000
YEAR ENDED 30 JUNE 2020					
Opening balance	11,862	—	—	2,746	14,608
Provision acquired from business combination	2,505	—	15,812	1,132	19,449
Reclassified to lease liabilities	—	—	—	(2,746)	(2,746)
Additional provisions	20,841	11,816	—	308	32,965
Amounts used	(19,157)	—	(5,431)	—	(24,587)
Closing balance	16,051	11,816	10,382	1,440	39,689
YEAR ENDED 30 JUNE 2019					
Opening balance	11,758	—	—	3,413	15,171
Additional provisions	4,771	—	—	115	4,886
Amounts used	(4,667)	—	—	(782)	(5,449)
Closing balance	11,862	—	—	2,746	14,608

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 19: BORROWINGS

Financial liabilities mainly comprise loans and borrowings. Such liabilities are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are recognised at amortised cost, comprising the original debt less principal repayments.

	2020 Facility limit	2020 Carrying amount	2019 Facility limit	2019 Carrying amount
	$'000	$'000	$'000	$'000
Bank loan facilities	375,000	22,420	350,000	142,702
Total	375,000	22,420	350,000	142,702

The Group has a secured loan facility, which is secured by a fixed and floating charge over the assets of a number of entities in the Group. The Group also has a securitised consumer loan warehouse facility which has recourse to the securitised consumer loans.

The secured facility has a limit of $275 million and expires in March 2022 and March 2023. The securitised consumer loan warehouse facility has a limit of $100 million and expires in October 2022 following a two-year availability period and a two-year repayment period.

The secured loan facility requires compliance with various undertakings. These include compliance with minimum Tangible Net Worth (TNW) and maximum Loan to Valuation Ratio (LVR) requirements. The minimum TNW undertaking is set as the greater of $220.4 million and 85 per cent of the TNW at the end of the preceding financial year. The maximum LVR is 60 per cent of the carrying value of PDLs in the consolidated accounts and 50 per cent of the carrying value of eligible non-securitised consumer loans.

The consumer loan warehouse facility has an advance rate of 50 per cent. Maintaining this level of gearing requires the securitised loans to meet various loan performance covenants.

All undertakings under the bank loan facilities, including the TNW and LVR requirements, were complied with.

NOTE 20: CASH FLOW INFORMATION

	2020 $'000	2019 $'000
A) RECONCILIATION OF CASH FLOW FROM OPERATIONS WITH PROFIT AFTER INCOME TAX		
Cash flows from operating activities		
Profit for the year	15,454	70,285
Non-cash items in profit and loss		
– Foreign currency revaluation	14	(15)
– Depreciation and amortisation	10,905	2,352
– Share-based payments	2,500	3,141
– Amortisation of borrowing cost	1,136	—
– Transition lease adjustment	450	—
– Loss on disposal of asset	116	—
– Revaluation	180	—
– Impairment loss — change in lifetime expected credit losses	68,576	—
– Onerous forward purchasing contract provision	11,816	—
– Consumer loan — expected credit losses	46,209	—
(Increase) / decrease in assets		
– Purchased debt ledgers	(13,465)	(43,495)
– Consumer loans receivables	(11,883)	(23,497)
– Trade and other receivables	(222)	533
– Other assets	956	(473)
– Deferred tax assets	(16,447)	(2,192)
Increase / (decrease) in liabilities		
– Trade and other payables	6,240	(9,159)
– Provisions	5,630	(563)
– Deferred tax liability	6,218	—
– Tax provision	(18,737)	—
Net cash (outflow) / inflow from operating activities	115,646	(3,083)

B) NON-CASH INVESTING AND FINANCING ACTIVITIES

The Group did not make a dividend reinvestment plan (DRP) offer in the current year (2019: nil) and therefore no dividends have been reinvested by shareholders and not paid out in cash.

Non-cash financing activity on the acquisition of right-of-use assets is disclosed in Note 14 (A).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 20: CASH FLOW INFORMATION CONTINUED

C) NON-CASH INVESTING AND FINANCING ACTIVITIES

	Borrowings $'000	Leases $'000	Total $'000
Debt as at 1 July 2019	142,702	—	142,702
Recognised on adoption of AASB 16	—	12,382	12,382
Cash flows	(124,389)	(7,140)	(131,529)
Acquisition – leases	—	21,570	21,570
Acquisition – business combination	—	2,824	2,824
Foreign exchange adjustments	2,971	—	2,971
Other changes	1,136	—	1,136
Closing balance as at 30 June 2020	22,420	29,636	52,056
Debt as at 1 July 2018	227,888	—	227,888
Cash flows	(91,198)	—	(91,198)
Foreign exchange adjustments	6,012	—	6,012
Closing balance as at 30 June 2019	142,702	—	142,702

NOTE 21: ISSUED CAPITAL

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares and share options are recognised as a deduction from equity, net of any tax effects.

	2020 $'000	2019 $'000
ISSUED CAPITAL		
Opening balance	193,700	55,561
Shares issued during the year	153,038	138,139
Total	346,738	193,700

The Group does not have a fixed authorised capital or par value for its issued shares. All issued shares are fully paid. Ordinary shares participate in dividends and the proceeds on winding up of the parent entity in proportion to the number of shares on issue.

	2020 '000	2019 '000
FULLY PAID ORDINARY SHARES		
On issue at 1 July	54,918	47,709
Shares issued during the year:		
– LTI	—	361
– Institutional Placement	9,600	6,113
– Share Purchase Plan	2,798	735
On issue at 30 June	67,316	54,918

The 2019-2021 LTI scheme will have no performance rights converting to shares and vesting to participating Executives.

In May 2020 the Group issued 9,600,000 ordinary shares through the Institutional Placement. In June 2020, the Group issued 2,797,619 ordinary shares through the Share Purchase Plan.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 22: RESERVES

	2020 $'000	2019 $'000
Share-based payment reserve	15,840	13,332
Foreign currency translation reserve	179	8
Total	16,019	13,340

Share-based payment reserve

The share-based payment reserve is used to recognise:

– The fair value of performance rights granted to executives and senior management; and

– Other share-based payment transactions.

Refer to the Remuneration Report and Note 32 for further details on the LTI and the employee share scheme.

Foreign currency translation reserve

The foreign currency translation reserve records exchange differences arising on translation of a foreign controlled subsidiary.

NOTE 23: BUSINESS COMBINATION

On 16 August 2019 the Group acquired a 100 per cent interest in Baycorp for a consideration, net of cash balances acquired, of $71.5 million. Baycorp is primarily involved in debt ledger purchasing and contingent collections. The acquisition complements the Group's existing operations and increased the Group's industry market share.

The acquired business contributed revenues of $63.9 million and pre-COVID-19 profit after tax of $6.4 million to the Group for the period from 16 August 2019 to 30 June 2020. The full year contributions would have been revenues of $73.0 million and profit after tax of $7.6 million.

Assets and liabilities recognised as a result of the acquisition are as follows:

	$'000
Cash and cash equivalents	3,757
Trade and other receivables	3,902
Other current assets	1,194
Right-of-use asset	2,511
Plant and equipment	5,234
Purchased debt ledgers – non-current	70,118
Deferred tax assets	17,641
Trade and other payables	(8,106)
Provisions – current	(2,317)
Lease liabilities – current	(2,824)
Deferred tax liabilities	(2,506)
Provisions – non-current	(17,132)
Fair value of identifiable net assets	**71,472**
Net consideration used to acquire Baycorp	**67,715**

Acquisition-related costs of $0.4 million are included in other expenses in the statement of profit and loss and in operating cash flows in the statement of cash flows.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 24: FINANCIAL RISK MANAGEMENT

The Group's financial assets and liabilities consist mainly of PDLs, consumer loans receivables, deposits with banks, trade and other receivables, payables and borrowings.

The Group does not engage in the trading of derivative instruments.

The main risks the Group is exposed to through its financial instruments are market risk (including foreign currency risk and interest rate risk), liquidity risk and credit risk.

The Board has established written principles for overall risk management, as well as policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments. They are managed and measured consistently year-on-year.

The Group holds the following financial assets and liabilities:

	Note	2020 $'000	2019 $'000
FINANCIAL ASSETS			
Cash and cash equivalents	8	**48,660**	22,709
Trade and other receivables	9	**6,433**	2,713
Current tax receivable	5	**4,254**	—
Consumer loans receivables	10	**137,307**	172,395
Purchased debt ledgers	11	**422,620**	414,122
Total		**619,274**	611,939
FINANCIAL LIABILITIES			
Trade and other payables	17	**27,972**	28,559
Borrowings	19	**22,420**	142,702
Total		**50,392**	171,261

A) MARKET RISK MANAGEMENT

Currency risk

Overseas operations expose the Group to foreign exchange risk. This may result in the fair value of financial assets or liabilities fluctuating due to movements in Australian dollar foreign exchange rates of currencies in which the Group holds overseas financial assets and liabilities.

Fluctuations in the United States dollar, New Zealand dollar and the Philippines peso relative to the Australian dollar may impact the Group's financial results.

As at balance date, had the Australian dollar weakened or strengthened by 5 per cent against any or all of the above currencies, the impact on both profit for the year and equity would have been immaterial. This assumes all other variables remain constant.

Interest rate risk

The Group is exposed to interest rate risk as it borrows funds at floating interest rates.

Profile

At balance date, the interest rate profiles of the Group's interest-bearing and non-interest-bearing financial instruments were:

		Fixed interest rate		Floating interest rate		Non-interest bearing		Total	
	Note	2020 $'000	2019 $'000	2020 $'000	2019 $'000	2020 $'000	2019 $'000	2020 $'000	2019 $'000
FINANCIAL ASSETS									
Cash and cash equivalents	8	**—**	—	**48,660**	22,709	**—**	—	**48,660**	22,709
Trade and other receivables	9	**—**	—	**—**	—	**6,433**	2,713	**6,433**	2,713
Current tax receivable	5	**—**	—	**—**	—	**4,254**	—	**4,254**	—
Consumer loans receivables	10	**137,307**	172,395	**—**	—	**—**	—	**137,307**	172,395
Purchased debt ledgers	11	**422,620**	414,122	**—**	—	**—**	—	**422,620**	414,122
Total		**559,927**	586,517	**48,660**	22,709	**10,687**	2,713	**619,274**	611,939
FINANCIAL LIABILITIES									
Trade and other payables	17	**—**	—	**—**	—	**27,972**	28,559	**27,972**	28,559
Borrowings	19	**—**	—	**22,420**	142,702	**—**	—	**22,420**	142,702
Total		**—**	—	**22,420**	142,702	**27,972**	28,559	**50,392**	171,261

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 24: FINANCIAL RISK MANAGEMENT CONTINUED

Sensitivity analysis for variable rate instruments

A change of two percentage points in interest rates at balance date would have increased or decreased the Group's equity and profit or loss over the ensuing 12 months as shown below. These sensitivities assume all other variables remain constant.

	2020 $'000	2019 $'000
CHANGE IN NET PROFIT AFTER TAX		
Increase in interest rates by two percentage points	(314)	(1,998)
Decrease in interest rates by two percentage points	314	1,998
CHANGE IN EQUITY		
Increase in interest rates by two percentage points	(314)	(1,998)
Decrease in interest rates by two percentage points	314	1,998

B) LIQUIDITY RISK MANAGEMENT

Liquidity risk arises from the possibility that the Group might encounter difficulties in settling its debts or otherwise meeting its obligations relating to financial liabilities. Ultimate responsibility for liquidity risk management resides with the Board, which has established an appropriate liquidity risk management framework for the management of the Group's short-, medium- and long-term funding and liquidity management requirements. The Group manages this risk through the following mechanisms:

– Preparing forward-looking cash flow analyses in relation to its operating, investing and financing activities;

– Monitoring undrawn credit facilities;

– Maintaining a reputable credit profile;

– Managing credit risk related to its financial assets;

– Investing surplus cash only with major financial institutions; and

– Comparing the maturity profile of financial liabilities with the realisation profile of financial assets.

The following table reflects an undiscounted contractual maturity analysis for financial liabilities. The timing of cash flows represented in the table to settle financial liabilities reflects the earliest contractual settlement dates and does not reflect management's expectation that banking facilities will be rolled forward.

		< 1 year		1 – 2 years		> 2 years		Total	
	Note	2020 $'000	2019 $'000	2020 $'000	2019 $'000	2020 $'000	2019 $'000	2020 $'000	2019 $'000
NON-DERIVATIVE FINANCIAL LIABILITIES									
Trade and other payables	17	27,972	28,559	—	—	—	—	27,972	28,559
Borrowings	19	—	—	16,096	—	6,324	142,702	22,420	142,702
Total		27,972	28,559	16,096	—	6,324	142,702	50,392	171,261

C) CREDIT RISK MANAGEMENT

Credit risk refers to the risk that a counterparty will default on its contractual obligations, resulting in financial loss to the Group. The maximum exposure to credit risk, excluding the value of any collateral or other security at balance date, for recognised financial assets is the carrying amount net of any provisions for impairment or losses, as disclosed in the statement of financial position and notes to the financial statements.

The Group does not have any material credit risk exposure to any single debtor or group of debtors. Management has a Credit Policy in place and the exposure to credit risk is monitored on an ongoing basis.

Exposure to credit risk

The carrying amount of the Group's financial assets represents the maximum credit exposure.

	Note	2020 $'000	2019 $'000
Cash and cash equivalents	8	48,660	22,709
Trade and other receivables	9	6,433	2,713
Current tax receivable	5	4,254	—
Consumer loans receivables	10	137,307	172,395
Purchased debt ledgers	11	422,620	414,122
Total		619,274	611,939
AA-rated counterparties		48,660	22,709
Counterparties not rated		570,614	589,230
Total		619,274	611,939

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 24: FINANCIAL RISK MANAGEMENT CONTINUED

The Group's maximum exposure to credit risk on the above financial assets at balance date by type of counterparty was:

	2020 $'000	2019 $'000
Government	4,266	78
Banks	49,132	23,379
Other	565,876	588,482
Total	619,274	611,939

D) FAIR VALUE VERSUS CARRYING AMOUNTS

For all assets and liabilities, the fair value approximates the carrying value.

NOTE 25: CAPITAL MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as going concerns while maximising the return to stakeholders through the optimisation of the debt and equity balances. The Group's overall strategy for capital management, which is based on the following principles, remains unchanged from 2019:

- Ensuring all capital is invested or reinvested to achieve the hurdle ROE;
- Ensuring sufficient capital is available to sustain the operations of the Group;
- Maintaining gearing at relatively modest levels in line with the risk of the business and to provide headroom to grow the business; and
- Generally returning to shareholders any excess cash that accumulates and is unable to be reinvested at the hurdle return.

The Group's bank loan facilities require compliance with various undertakings. These are described in Note 19. By maintaining gearing at a relatively modest level, the Group generally maintains significant covenant headroom.

The composition of the capital of the Group and the gearing ratios for the years ended 30 June 2020 and 30 June 2019 are as follows:

	Note	2020 $'000	2019 $'000
Borrowings	19	22,420	142,702
Less: Cash and cash equivalents	8	(48,660)	(22,709)
Net debt / (cash)		(26,240)	119,993
Total consumer loans receivables and PDLs		559,927	586,517
Gearing ratio		—	20%

NOTE 26: SUBSIDIARIES

Interests in subsidiaries are:

		Percentage owned	
	Country of incorporation	2020	2019
Alpha Credit Pty Limited	Australia	100	100
Alupka Holdings Pty Limited	Australia	100	100
Alliance Factoring Pty Limited	Australia	100	—
BC Holdings I Pty Limited	Australia	100	—
BC Holdings II Pty Limited	Australia	100	—
Baycorp (Aust) Pty Limited	Australia	100	—
Baycorp (NZ) Limited	New Zealand	100	—
Baycorp (WA) Pty Limited	Australia	100	—
Baycorp Collection Services Pty Limited	Australia	100	—
Baycorp Collection Services (Aust) Pty Limited	Australia	100	—
Baycorp Group Finance Pty Limited	Australia	100	—
Baycorp Holdings Pty Limited	Australia	100	—
Baycorp Holdings (NZ) Limited	New Zealand	100	—
Baycorp Legal Pty Limited	Australia	100	—
Baycorp International Branch	Philippines	100	—
Baycorp International Pty Limited	Australia	100	—
Car Start Pty Limited	Australia	100	100
Certus Partners Pty Limited	Australia	100	100
Creditcorp BPC Pty Limited	Australia	100	100
Credit Corp Acceptance Pty Limited	Australia	100	100

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 26: SUBSIDIARIES CONTINUED

		Percentage owned	
	Country of incorporation	2020	2019
Credit Corp Australia Pty Limited	Australia	100	100
Credit Corp BC AU Pty Ltd	Australia	100	—
Credit Corp Baycorp Holdings I Pty Limited	Australia	100	—
Credit Corp Baycorp Holdings II Pty Limited	Australia	100	—
Credit Corp Brokering Services Pty Limited	Australia	100	100
Credit Corp Collections Pty Limited	Australia	100	100
Credit Corp Collections Agency Inc.	United States	100	100
Credit Corp Collections Agency US Holdings Inc.	United States	100	100
Credit Corp Collections Agency US Inc.	United States	100	100
Credit Corp Collections US Holdings Inc.	United States	100	100
Credit Corp Employee Share Administration Pty Limited	Australia	100	100
Credit Corp Facilities Pty Limited	Australia	100	100
Credit Corp Financial Services Pty Limited	Australia	100	100
Credit Corp Financial Services Holdings Inc.	United States	100	100
Credit Corp Financial Services Inc.	United States	100	100
Credit Corp Financial Solutions Pty Limited	New Zealand	100	100
Credit Corp Group US Collections GP	United States	100	100
Credit Corp Leasing Pty Limited	Australia	100	100
Credit Corp Lending Pty Limited	Australia	100	100
Credit Corp Management Pty Limited	Australia	100	—
Credit Corp Management (NZ) Limited	New Zealand	100	—
Credit Corp New Zealand Pty Limited	Australia	100	100
Credit Corp Queensland Pty Limited	Australia	100	100
Credit Corp Receivables Pty Limited	Australia	100	100
Credit Corp Recoveries Pty Limited	Australia	100	100
Credit Corp Services (NH) Pty Limited	Australia	100	100
Credit Corp Services Pty Limited	Australia	100	100
Credit Corp Services Malaysia Pty Limited	Australia	100	100
Credit Corp Services US Collections Inc.	United States	100	100
Credit Corp Services US Holdings Inc.	United States	100	100
Credit Corp Solutions Inc.	United States	100	100
Credit Corp US Collections Pty Limited	Australia	100	100
Credit Corp US Holdings Inc.	United States	100	100
Credit Corp Western Australia Pty Limited	Australia	100	100
Credit Plan B Pty Limited	Australia	100	100
Customer Assist Pty Limited	Australia	100	100
Dayroma Pty Limited	Australia	100	100
Hudson Legal Pty Ltd	Australia	100	100
Malthiest Pty Limited	Australia	100	100
National Credit Management Limited	Australia	100	100
Personal Insolvency Management Pty Limited	Australia	100	100
PMG Collect Pty Limited	Australia	100	—
Ruily Pty Limited	Australia	100	100
TFS Newco Pty Ltd	Australia	100	100
Torbige Pty Limited	Australia	100	100
Tulovo Pty Limited	Australia	100	100
Valute Pty Limited	Australia	100	100
Vindelo Pty Limited	Australia	100	100
Votraint No. 1537 Pty Ltd	Australia	100	100

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 27: CONTINGENT LIABILITIES

The Group had contingent liabilities in respect of:

	2020 $'000	2019 $'000
US collections agency licensure bonds	2,111	1,949
Total	2,111	1,949

Licensure bonds are issued in the normal course of business to the State Board of Collection Agencies in the United States to guarantee collected funds are remitted to clients under contracts.

NOTE 28: CAPITAL COMMITMENTS

	2020 $'000	2019 $'000
Within one year	85,750	51,000

The Group is committed, through existing arrangements, to acquire PDLs that will become available in the coming months. The details of these arrangements are commercially confidential, however, the estimated investment is expected to be $85.8 million (2019: $51 million). These purchases will be funded by existing cash flows and bank facilities currently in place.

NOTE 29: SUBSEQUENT EVENTS

In the interval between the end of the financial year and the date of this report, there has not been any item, transaction or event of a material and unusual nature that is likely, in the opinion of the directors of the Group, to significantly affect the operations of the Group, the results of those operations or the state of affairs of the Group in future financial years other than the impacts of the COVID-19 pandemic as disclosed in the Directors' Report and Notes to the consolidated financial statements, in particular Note 2.

NOTE 30: KEY MANAGEMENT PERSONNEL (KMP) COMPENSATION

The aggregate compensation made to directors and other members of the KMP of the Group is set out below:

	2020 $	2019 $
Short-term employee benefits	2,041,921	3,349,299
Post-employment benefits	126,345	125,824
Other long-term benefits	20,569	20,569
Equity-settled share-based payments	—	1,825,416
Total	2,188,835	5,321,108

NOTE 31: RELATED PARTY TRANSACTIONS

The immediate parent and ultimate controlling entity of the Group is Credit Corp Group Limited.

Balances and transactions between the Company and its subsidiaries, which are related parties of the Company, have been eliminated on consolidation and are not disclosed in this note.

There were no transactions between the KMP and the Group other than as disclosed in Note 30 and in the Directors' Report.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 32: SHARE-BASED PAYMENTS

The Group provides benefits to employees in the form of share-based payment transactions whereby employees render services in exchange for rights over shares.

LONG-TERM INCENTIVE PLAN

The cost of employee remuneration in the form of equity-settled transactions in relation to the Group's LTI plan is determined by the fair value at the date when the grant is made using an appropriate valuation model. That cost is recognised in employee benefits expense, together with a corresponding increase in equity (reserve) over the period in which the service and, where applicable, the performance conditions are fulfilled. This estimate requires determination of the most appropriate inputs to the valuation model, including the expected life of the share option or appreciation right, volatility and dividend yield and making assumptions about them.

Performance rights are eligible for conversion and vesting based on achievement of performance hurdles. Performance hurdles are assessed over the three-year period. Please refer to the Remuneration Report for further details on the Group's LTI plan.

Deferred vesting shares issued during the financial year:

	2020 Number	2019 Number
Equity-settled share-based payments subject to deferred vesting issued under the LTI plan	517,413	360,852

NOTE 33: AUDITOR'S REMUNERATION

	2020 $	2019 $
AUDIT SERVICES		
Audit and review of financial reports	247,000	234,402
SERVICES OTHER THAN STATUTORY AUDIT		
Taxation compliance services	44,810	24,993
Taxation services in relation to business acquisition	37,092	—
Other services	—	14,381
Total	328,902	273,776

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 34: CROSS GUARANTEE

Pursuant to ASIC Class Instrument 2016/785 dated 10 October 2016, the wholly-owned subsidiaries listed below are relieved from the *Corporations Act 2001* requirements for the preparation, audit and lodgement of financial statements and a directors' report.

It is a condition of the Class Order that the Group and each of the participating subsidiaries enter into a Deed of Cross Guarantee. The effect of the Deed is that the Group guarantees to each creditor payment in full of any debt in the event of winding up of any of the subsidiaries under certain provisions of the *Corporations Act 2001*.

The subsidiaries subject to the Deed are:

- Alpha Credit Pty Limited
- Alupka Holdings Pty Limited
- Car Start Pty Limited
- Certus Partners Pty Limited
- Credit Corp Acceptance Pty Limited
- Credit Corp Australia Pty Limited
- Credit Corp Brokering Services Pty Limited
- Credit Corp Collections Pty Limited
- Credit Corp Employee Share Administration Pty Limited
- Credit Corp Facilities Pty Limited
- Credit Corp Financial Services Pty Limited
- Credit Corp Leasing Pty Limited
- Credit Corp Lending Pty Limited
- Credit Corp New Zealand Pty Limited
- Credit Corp Queensland Pty Limited
- Credit Corp Receivables Pty Limited
- Credit Corp Recoveries Pty Limited
- Credit Corp Services Pty Limited
- Credit Corp Services (NH) Pty Limited
- Credit Corp Services Malaysia Pty Limited
- Credit Corp US Collections Pty Limited
- Credit Corp Western Australia Pty Limited
- Credit Plan B Pty Limited
- Creditcorp BPC Pty Limited
- Customer Assist Pty Limited
- Dayroma Pty Limited
- Hudson Legal Pty Limited
- Malthiest Pty Limited
- National Credit Management Limited
- Personal Insolvency Management Pty Limited
- Ruily Pty Limited
- TFS Newco Pty Ltd
- Torbige Pty Limited
- Tulovo Pty Limited
- Valute Pty Limited
- Vindelo Pty Limited
- Votraint No. 1537 Pty Limited
- The Trustee for CCP Trust No.1 (Fixed Unit Trust)
- Credit Corp Baycorp Holdings I Pty Limited (previously known as Encore Australia Holdings I Pty Limited)
- Credit Corp Baycorp Holdings II Pty Limited (previously known as Encore Australia Holdings II Pty Limited)
- BC Holdings I Pty Limited
- BC Encore AU Pty Ltd
- BC Holdings II Pty Limited

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 34: CROSS GUARANTEE CONTINUED

- Baycorp Holdings Pty Pty Limited
- Baycorp Group Finance Pty Limited
- Baycorp Collections PDL (Australia) Pty Ltd
- Baycorp (Australia) Pty Limited
- Alliance Factoring Pty Limited
- PMG Collect Pty Limited
- Baycorp Collection Services (Australia) Pty Limited
- Baycorp Legal Pty Limited
- Baycorp (WA) Pty Limited
- Baycorp Collection Services Pty Limited
- Baycorp International Pty Ltd

Set out below is the statement of profit or loss and the statement of financial position comprising the Group and its subsidiaries that are parties to the Deed, after eliminating all transactions between these parties, at balance date.

	2020 $'000	2019 $'000
A) STATEMENT OF PROFIT OR LOSS		
Revenue	252,242	283,101
Finance costs	(10,655)	(12,625)
Employee benefits expense	(98,872)	(93,401)
Depreciation and amortisation expenses	(7,092)	(2,045)
Office facility expenses	(12,729)	(14,660)
Collection expenses	(16,311)	(8,666)
Consumer loans loss provision expense	(35,454)	(37,346)
Marketing expenses	(10,191)	(12,225)
Other expenses	(5,238)	(9,220)
Profit before income tax expense	55,700	92,913
Income tax expense	(16,710)	(27,774)
Profit for the year	38,990	65,139
B) OTHER COMPREHENSIVE INCOME		
Profit for the year	38,990	65,139
Other comprehensive income net of income tax	—	—
Total comprehensive income for the year	38,990	65,139
C) MOVEMENTS IN RETAINED EARNINGS		
Opening balance	215,808	185,143
Dividends recognised during the year	(39,514)	(34,474)
Net profit attributable to parties in the Deed of Cross Guarantee	38,990	65,139
Closing balance	215,284	215,808

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 34: CROSS GUARANTEE CONTINUED

	2020 $'000	2019 $'000
D) STATEMENT OF FINANCIAL POSITION		
Current assets		
Cash and cash equivalents	37,280	19,374
Trade and other receivables	168,306	113,489
Consumer loans	98,231	114,270
Purchased debt ledgers	161,432	119,257
Other assets	3,157	2,799
Total current assets	468,406	369,189
Non-current assets		
Consumer loans	37,560	56,269
Purchased debt ledgers	69,851	155,676
Plant and equipment	4,028	3,096
Deferred tax assets	52,192	17,870
Intangible assets	800	800
ROU asset	19,548	—
Total non-current assets	183,979	233,711
Total assets	652,385	602,900
Current liabilities		
Trade and other payables	32,927	23,076
Provisions	15,582	11,724
Lease liabilities	4,976	—
Total current liabilities	53,485	34,800
Non-current liabilities		
Borrowings	22,420	142,702
Provisions	26,123	2,550
Deferred tax liabilities	8,317	—
Lease liabilities	15,825	—
Total non-current liabilities	72,685	145,252
Total liabilities	126,170	180,052
Net assets	526,215	422,848
Equity		
Issued capital	270,454	193,700
Reserves	40,477	13,340
Retained earnings	215,284	215,808
Total equity	526,215	422,848

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 35: PARENT ENTITY INFORMATION

	2020 $'000	2019 $'000
A) STATEMENT OF COMPREHENSIVE INCOME		
Profit for the year	36,989	55,067
Other comprehensive income net of income tax	—	—
Total comprehensive income for the year	36,989	55,067
B) STATEMENT OF FINANCIAL POSITION		
Assets		
Current assets	519,696	366,765
Non-current assets	156,650	176,597
Total assets	676,346	543,362
Liabilities		
Current liabilities	87,521	31,551
Non-current liabilities	61,912	145,082
Total liabilities	149,433	176,633
Net assets	526,913	366,729
Equity		
Issued capital	346,738	193,700
Reserves	16,019	13,340
Retained earnings	164,156	159,689
Total equity	526,913	366,729

C) CONTRACTUAL COMMITMENTS

At balance date, the parent entity has not entered into any material contractual agreements for the acquisition of plant or equipment other than as separately noted in the financial statements (2019: nil).

DIRECTORS' DECLARATION

DIRECTORS' DECLARATION

In accordance with a resolution of the directors of Credit Corp Group Limited, the directors of the Company declare that:

A. The financial statements and notes, as set out on pages 52 to 83 are in accordance with the *Corporations Act 2001*, and:

a) Give a true and fair view of the Group's financial position as at 30 June 2020 and of its performance for the year ended on that date; and

b) Comply with Australian Accounting Standards, which, as stated in the notes to the financial statements, constitute compliance with International Financial Reporting Standards.

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.

C. The directors have been given the declarations required by section 295A of the *Corporations Act 2001* from the Chief Executive Officer and Chief Financial Officer.

At the date of this declaration, the Company is within the class of companies affected by ASIC Class Instrument 2016/785. The nature of the Deed of Cross Guarantee is such that each company party to the Deed guarantees to each creditor payment in full of any debt in accordance with the Deed of Cross Guarantee.

In the directors' opinion, there are reasonable grounds to believe that the Company and the companies to which the ASIC Class Order applies, as detailed in Note 34 to the financial statements, will, as a group, be able to meet any obligations or liabilities to which they are, or may become, subject by virtue of the Deed of Cross Guarantee.

DONALD McLAY
Chairman

JOHN NESBITT
Director

Date: 28 July 2020

INDEPENDENT AUDITOR'S REPORT

HALL CHADWICK (NSW)

SYDNEY
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Australia
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CREDIT CORP GROUP LIMITED ABN 33 092 697 151
AND CONTROLLED ENTITIES

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF
CREDIT CORP GROUP LIMITED AND CONTROLLED ENTITITES

Opinion

We have audited the financial report of Credit Corp Group Limited and Controlled Entities (the Group), which comprises the consolidated statement of financial position as at 30 June 2020, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies and the directors' declaration.

In our opinion the accompanying financial report of Credit Corp Group Limited and Controlled Entities 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 2020 and of its financial performance for the year then ended; and
ii. complying with Australian Accounting Standards and the *Corporations Regulations* 2001

Basis of Opinion

We conducted our audit in accordance with Australian Auditing Standards. Those Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement. 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 auditor independence requirements of the Corporations Act 2001 and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110: Code of Ethics for Professional Accountants (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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

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

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 for the year ended 30 June 2020. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

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INDEPENDENT AUDITOR'S REPORT

HALL CHADWICK (NSW)

**CREDIT CORP GROUP LIMITED ABN 33 092 697 151
AND CONTROLLED ENTITIES**

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF
CREDIT CORP GROUP LIMITED AND CONTROLLED ENTITITES**

1. Carrying value of purchased debt ledgers ($423 Million)

Refer to Note 11 Purchased Debt Ledgers

The carrying value of purchased debt ledgers is mainly dependent on the forecasted collections and the internal rate of return and any impairment charge that determines the net realisable value of the debt ledgers.

We focused on this area as a key audit matter due to amounts involved being material and the inherent estimates and judgements involved in assessing the key assumptions and the difficulty to reliably measure these assumptions including the estimated internal rate of return and forecast cash collections including the consideration of the impact of COVID-19.

Our procedures included, amongst others:

We tested the mathematical accuracy of the excel model used to calculate the carrying value of purchased debt ledgers.

We checked and validated that the determined internal rate of return remains unchanged over the life of the debt.

We assessed, challenged and compared historical actuals, with key forward looking assumptions including forecast cash collections.

We assessed sensitivity analysis in relation to the key forward looking assumptions

We checked and validated the impairment charge due to the impact of COVID-19.

2. Provision for expected losses on the consumer loans ($43.6 Million)

Refer to Note 10 Consumer Loans Receivables

The net carrying value of consumer loans receivable is measured at amortised cost after providing for expected losses.

Given the nature of loans written, a lifetime expected credit loss provision is taken up upon initial recognition of a consumer loans receivable. Provision for expected credit losses are recognised based on life of credit loss rates derived from an analysis of the performance of loan products.

We focussed on this area as a key audit matter due to amounts involved being material and the inherent estimates and judgements involved in assessing the key forward looking assumptions including deteriorations in credit risk and future loan defaults including the consideration of the impact of COVID-19.

Our procedures included, amongst others:

We tested the mathematical accuracy of the expected arrears model.

We assessed the application of the Group's impairment model that considers the past arrears and write offs and the expected life of loan loss estimates.

We assessed, compared to historical actuals and challenged management's view of credit risk that impacts the recognition of expected losses upon initial recognition over the life of the loans.

We assessed sensitivity analysis in relation to the key forward looking assumptions.

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HALL CHADWICK (NSW)

CREDIT CORP GROUP LIMITED ABN 33 092 697 151
AND CONTROLLED ENTITIES

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF
CREDIT CORP GROUP LIMITED AND CONTROLLED ENTITITES

3. Baycorp Acquisition

Refer to Note 23 Business Combination ($71.5 Million)

The group acquired Baycorp Holdings Pty Ltd and its associated entities (Baycorp) on 16 August 2019 for a consideration of $71.5M. The acquisition was accounted for as a business combination under AASB 3: Business Combinations.

We focused on this area as a key audit matter due to accounting for acquisitions being complex and involving a number of significant judgements.

Our procedures included, amongst others:

We reviewed the terms and conditions of the acquisition agreement to understand the key terms and conditions of the acquisition.

We reviewed the accounting treatment adopted by the Group to ensure it meets the requirements of AASB3: Business Combinations.

We assessed the fair value of the assets acquired and the liabilities assumed.

We assessed the adequacy of the Group's disclosures in the financial statements.

4. Onerous PDL Contracts

Refer to Note 18 Provisions ($11.8 Million)

The group has entered into forward flow contracts with various parties. The group have decided to take up a provision of 25% of the estimated forward flow contract to recognise the unavoidable uneconomical cost components of these contracts.

We focused on this area as a key audit matter due to the number of significant judgements and estimates involved.

Our procedures included, amongst others:

We understood the basis of the provision and checked the calculation of the provisions relating to onerous contracts.

We tested the valuation of the onerous contract provisions by evaluating whether appropriate judgements and assumptions had been applied in determining the unavoidable costs of meeting these obligations.

We assessed the adequacy of the Group's disclosures in the financial statements.

INDEPENDENT AUDITOR'S REPORT

HALL CHADWICK (NSW)

CREDIT CORP GROUP LIMITED ABN 33 092 697 151
AND CONTROLLED ENTITIES

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF
CREDIT CORP GROUP LIMITED AND CONTROLLED ENTITITES

5. Provision for restructure

Refer to Note 18 Provisions ($10.4 Million)

The group has recognised a restructuring provision of $10.4M. These provisions mainly related to onerous lease contracts acquired as part of the business combination with Baycorp Holdings Pty Ltd.

We focused on this area as a key audit matter due to the number of significant judgements and estimates involved.

Our procedures included, amongst others:

We checked the group's calculation of the provisions relating to onerous contracts.

We tested the valuation of the onerous lease contract provisions by evaluating whether appropriate judgements and assumptions had been applied in determining the unavoidable costs of meeting these obligations.

We assessed the adequacy of the Group's disclosures in the financial statements.

Information Other Than the Financial Report and Auditor's Report Thereon

The directors are responsible for the other information. The other information comprises the information in the Consolidated Entity's annual report for the year ended 30 June 2020, 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 the 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 Australia Accounting Standards and the *Corporations Act 2001* and for such internal control as 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 Consolidated Entity's ability 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 Consolidated Entity or to cease operations, or have no realistic alternative but to do so.

INDEPENDENT AUDITOR'S REPORT

HALL CHADWICK (NSW)

CREDIT CORP GROUP LIMITED ABN 33 092 697 151
AND CONTROLLED ENTITIES

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF
CREDIT CORP GROUP LIMITED AND CONTROLLED ENTITITES

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.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

INDEPENDENT AUDITOR'S REPORT

HALL CHADWICK (NSW)

CREDIT CORP GROUP LIMITED ABN 33 092 697 151
AND CONTROLLED ENTITIES

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF
CREDIT CORP GROUP LIMITED AND CONTROLLED ENTITITES

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial report of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on the Remuneration Report

We have audited the remuneration report included in pages 40 to 50 of the directors' report for the year ended 30 June 2020.

In our opinion the remuneration report of Credit Corp Group Limited for the year ended 30 June 2020 complies with s 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 s 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.

Hall Chadwick

Hall Chadwick (NSW)
Level 40, 2 Park Street

SKumar

SANDEEP KUMAR
Partner
Dated: 28 July 2020

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FIVE-YEAR FINANCIAL SUMMARY

	2020 $'000	2019 $'000	2018 $'000	2017 $'000	2016 $'000
INCOME AND PROFIT					
Purchased debt ledger collections	488,340	403,794	380,901	355,674	321,989
Less: Purchased debt ledger amortisation	(233,020)	(183,789)	(173,329)	(166,100)	(150,887)
PDL change in lifetime expected credit losses	(68,576)	—	—	—	—
Interest revenue from purchased debt ledgers	186,744	220,005	207,572	189,574	171,102
Interest and fee income from consumer lending	99,445	93,839	79,259	66,374	53,418
Other revenue	27,214	10,410	12,147	9,999	2,222
Total revenue	313,403	324,254	298,978	265,947	226,742
NPAT	15,454	70,285	64,290	55,158	45,921
FINANCIAL POSITION					
Current assets	331,129	304,375	281,196	216,855	194,180
Non-current assets	390,721	344,296	284,725	293,812	201,133
Intangible assets	800	800	800	800	800
Total assets	722,650	649,471	566,721	511,467	396,113
Current liabilities	66,528	40,573	48,859	49,851	34,961
Non-current liabilities	61,912	145,296	231,359	213,867	147,054
Total liabilities	128,440	185,869	280,218	263,718	182,015
Net assets	594,210	463,602	286,503	247,749	214,098
Borrowings	22,420	142,702	227,888	209,613	142,111
Shares on issue ('000)	67,316	54,918	47,709	47,353	46,990
CASH FLOWS					
From operating activities	115,646	(3,083)	23,934	(37,204)	(62,473)
From investing activities	(70,860)	(1,894)	(1,481)	(1,261)	(1,970)
From financing activities	(18,835)	11,670	(12,543)	42,029	60,684
Net increase / (decrease) in cash	25,951	6,693	9,910	3,564	(3,759)
KEY STATISTICS					
Earnings per share					
– Basic (cents)	25.5	141.9	135.1	116.8	98.4
– Diluted (cents)	25.5	141.2	133.7	114.7	97.0
Dividends per share (cents)	36.0	72.0	67.0	58.0	50.0
NPAT / revenue	5%	22%	22%	21%	20%
ROE	3%	21%	24%	24%	23%
NTA backing per share (cents)	840.3	842.7	598.9	521.5	453.9

SHAREHOLDER INFORMATION

Additional information required by the ASX Limited Listing Rules and not disclosed elsewhere in this report is set out below:

	Ordinary shares	
Twenty largest shareholders as at 31 August 2020	Number	%
HSBC Custody Nominees (Australia) Limited	20,981,064	31.2
J P Morgan Nominees Australia Pty Limited	9,044,820	13.4
Citicorp Nominees Pty Limited	5,156,459	7.7
National Nominees Limited	3,586,271	5.3
BNP Paribas Noms Pty Limited	3,025,234	4.5
BNP Paribas Nominees Pty Limited	1,889,242	2.8
Dixson Trust Pty Limited	854,688	1.3
Netwealth Investments Limited	513,188	0.8
152 Pty Limited	492,572	0.7
Torres Industries Pty Limited	439,597	0.7
Uptons Salvage Trading Pty Limited	305,977	0.5
HSBC Custody Nominees (Australia) Limited	189,369	0.3
BNP Paribas Nominees Pty Limited	186,332	0.3
Torres Holdings Pty Limited	165,000	0.2
DB18 Pty Limited	162,400	0.2
Mr Donald Evan Mclay	150,289	0.2
Mr Frederick Benjamin Warmbrand	149,930	0.2
BT Portfolio Services Limited	145,647	0.2
Bond Street Custodians Limited	123,328	0.2
Invia Custodian Pty Limited	123,216	0.2
Total	47,684,623	70.9
Total ordinary shares as at 31 August 2020	67,315,767	100.0

SUBSTANTIAL SHAREHOLDERS

At 31 August 2020 the following shareholders were registered by the Company as a substantial holder, having declared a relevant interest in accordance with the Corporations Act 2001, in the voting shares below:

Holder	Ordinary shares	%	Date of notice
Bennelong Australian Equity Partners Limited	9,550,942	17.4	3 April 2020

DETAILS OF ORDINARY SHAREHOLDINGS

Details of the spread of ordinary shareholdings at 31 August 2020 are:

Category	Number of shareholders	Number of shares	%
1 – 1,000	10,114	2,922,602	4.3
1,001 – 5,000	2,686	5,915,570	8.8
5,001 – 10,000	420	2,985,027	4.4
10,001 – 100,000	338	7,378,499	11.0
100,001 and over	24	48,114,069	71.5
Total	13,582	67,315,767	100.0

336 shareholders (representing 3,131 fully paid ordinary shares) held less than a marketable parcel.

SHAREHOLDER INFORMATION

OTHER INFORMATION

The Group does not have a current on-market buy-back program.

DIVIDEND REINVESTMENT PLAN

The dividend reinvestment plan is currently suspended.

VOTING RIGHTS

Each person who is a voting shareholder and who is present at a general meeting or by proxy, attorney or official representative is entitled:

– On a show of hands – to one vote; and

– On a poll – to one vote for each share held or represented.

If a shareholder is entitled to cast two or more votes at the general meeting, the shareholder may appoint not more than two proxies to attend and vote on the shareholder's behalf.

If a shareholder appoints two proxies, each proxy should be appointed to represent a specified proportion or number of the shareholder's votes.

ENQUIRIES

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GLOSSARY AND ABBREVIATIONS

AASB
The Australian Accounting Standards Board is an Australian Government agency that develops and maintains financial reporting standards applicable to entities in the private and public sectors of the Australian economy.

AGM
Annual General Meeting of shareholders, typically held in early November of each year. The 2020 AGM is scheduled for 5 November 2020.

AMORTISED COST
Amortised cost accounting method applied under accounting standard AASB 9 Financial Instruments used to measure the carrying values of PDLs post their acquisition by applying the credit-adjusted effective interest rate.

ASIC
Australian Securities and Investments Commission. The principle regulator for all Australian lending and debt collection activities on financial services debts.

ATO
Australian Taxation Office.

CAGR
Compound annual growth rate.

CCP
Credit Corp Group Limited's stock ticker or abbreviation on the Australian Securities Exchange (ASX).

COVID-19
A viral disease, declared as a pandemic by the World Health Organisation on 12 March 2020.

DPS
Dividends per share.

ECL
Expected credit losses. Provision for expected credit losses is recognised based on expected life of loan loss rates derived from static pool analysis of the performance of loan products.

EDR
External Dispute Resolution. The EDR body in Australia is the Australian Financial Complaints Authority (AFCA).

EIR
The credit-adjusted effective interest rate derived in applying the amortised cost account method in measuring PDLs. The EIR is the rate which discounts the forecast cash flows for a PDL over the assumed collection life cycle to the cost of that PDL.

EPS
Earnings per share.

ESG
Environmental, social and governance.

FTE
Full-time equivalent. A calculation based on number of hours worked by full- and part-time employees as part of their normal duties.

FWC
Fair Work Commission.

IFRS
International Financial Reporting Standards. Australian Generally Accepted Accounting Principles (AGAAP) closely follow IFRS but are not identical.

KMP
Key management personnel as set out in the Company's Remuneration Report. KMP consist of the Board of Directors as well as the Chief Executive Officer, Chief Operating Officer and Chief Financial Officer.

KPIS
Key performance indicators. These are set for the executive KMP at the start of each financial year and the achievement of these determines eligibility for STI awards.

LTI
Long-Term Incentive awards. These are performance rights which convert and vest based on performance over a three-year time horizon for executive KPI against NPAT growth hurdles (with an ROE qualifier) as well as relative TSR over the same period against the ASX 200 (excluding materials and energy shares).

NPAT
Net Profit after Tax.

NPS
Net Promoter Score.

NTA
Net tangible assets. (Total equity less goodwill and other intangible assets less minority interests) divided by the number of ordinary shares on issue (reported).

PCP
Prior corresponding period

PDLs
Purchased debt ledgers or books of charged-off receivables acquired by debt buyers such as Credit Corp, usually direct from credit issuers including banks, finance companies as well as telco and utility providers.

PUE
Power usage effectiveness

ROE
Return on equity. Net profit attributable to the owners of CCP divided by average ordinary equity

ROU ASSETS
Right-of-use assets as defined in AASB16. Net tangible assets (total equity less goodwill and other intangible assets less minority interests) divided by the number of ordinary shares on issue (reported).

STI
Short-Term Incentive awards.

TSR
Total Shareholder Return.

CORPORATE DIRECTORY

CREDIT CORP GROUP LIMITED

ABN 33 092 697 151

The shares of Credit Corp Group Limited are listed on the Australian Securities Exchange under the trade symbol CCP, with Sydney being the home exchange.

DIRECTORS

Mr Donald McLay
Mr Eric Dodd
Ms Leslie Martin
Mr Richard Thomas
Mr John Nesbitt
Ms Trudy Vonhoff

COMPANY SECRETARIES

Mr Thomas Beregi
Mr Michael Eadie

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