Credit Corp Group

BUILDING MOMENTUM

BUILDING MOMENTUM

IN 2021 CREDIT CORP RECOVERED ITS GROWTH TRAJECTORY, AND IS NOW BUILDING MOMENTUM FOR SUSTAINED GROWTH INTO THE FUTURE.

We have established a large pipeline of new products and business improvements to ensure we have the potential to be the market leader across all business segments.

1985
Credit Corp undertakes the first debt sale transaction in Australia.

2000
Credit Corp is listed on the ASX on 4 September 2000.

2009
Credit Corp partners with Uniting Kildonan.

2010
Credit Corp opens its offshore call centre in Manila, Philippines.

2011
Credit Corp launches its consumer lending business.

2012
Credit Corp commences US operations.

Wallet Wizard

2014
The Wallet Wizard brand is created, offering the lowest-cost and most sustainable option for customers in the credit-impaired consumer segment.

2015
Credit Corp enters the S&P ASX 200 index.

2018
Credit Corp achieves 10 years of consecutive double digit growth, averaging 27 per cent per annum, and an inaugural profit from its US debt buying operation.

CATCH THE ***OPPORTUNITY***

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.

Our success and reputation 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.

2019

The acquisition of Baycorp increases Credit Corp's commitment to agency operations.

A second US collection centre opens in Washington State.

2020

Credit Corp's response to consumer hardship rated as the highest among financial service providers in Financial Counselling Australia's "Rank the Banks" member survey.

2021

Launch of Credit Corp's first Reconciliation Action Plan.

Completion of the largest single purchased debt ledger transaction in Australian history with the acquisition of the Collection House book.

ABOUT THIS REPORT

Credit Corp's annual report is our primary statutory and regulatory reporting disclosure. It comprises information about our activities, strategy, and financial results over the reporting period.

Credit Corp is publicly listed in Australia, and the annual report is lodged with the Australian Securities and Investments Commission and ASX Limited.

VIEW OUR **ANNUAL REPORT ONLINE**

2021 HIGHLIGHTS

OUR LEADERSHIP HAS DELIVERED A CONSISTENT RECORD OF SUCCESS AND THE FLEXIBILITY TO ACT DECISIVELY WHEN CIRCUMSTANCES CHANGE.

NET PROFIT AFTER TAX

$88.1 MILLION ▲11% VS. PCP[1]

REVENUE

$374.8 MILLION ▼2% VS. PCP[1]

FINANCIAL HIGHLIGHTS

PRE-TAX OPERATING CASH FLOW

$413.5 MILLION ▲3% VS. PCP

INCOME GENERATING ASSETS

$602.5 MILLION ▲8% VS. PCP

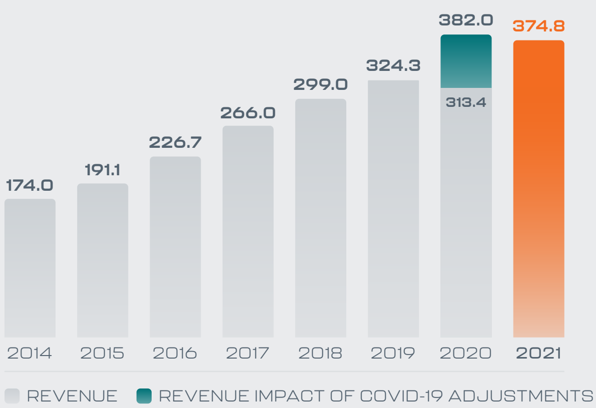
EARNINGS PER SHARE (EPS)

130.9 CENTS ▲11% VS. PCP[1]

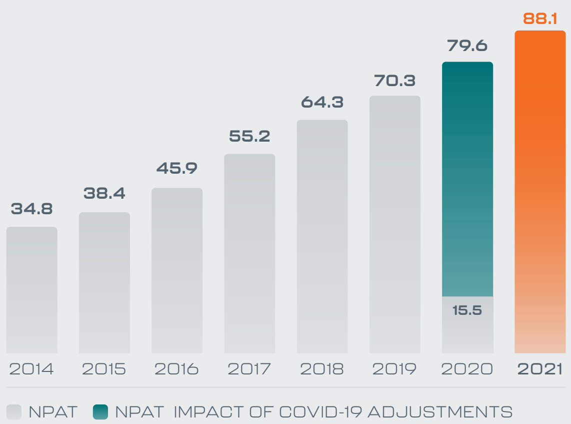
DIVIDENDS PER SHARE (DPS)

72.0 CENTS ▲100% VS. PCP

REVENUE ($M)



NPAT ($M)



1. Before COVID-19 impairments and provisions.

OUR PEOPLE

THE DIVERSITY OF OUR PEOPLE IS KEY TO OUR SUCCESS.

58%
WOMEN IN OPERATIONAL MANAGERIAL ROLES

1,733
EMPLOYEES ACROSS THE GLOBE

29,800
HOURS TRAINING DELIVERED

113
AUSTRALIAN EMPLOYEES WHO ATTAINED A TAFE CERTIFICATION

CUSTOMERS

OUR RELATIONSHIPS ARE BUILT ON RESPECT AND COLLABORATION.

MAINTAINED
LOWEST
EDR COMPLAINT RATE IN AUSTRALIAN INDUSTRY

2.2
MILLION CUSTOMERS GLOBALLY

$1.78
BILLION IN FACE VALUE OF DEBTS IN ONGOING REPAYMENT ARRANGEMENTS

$11.26
BILLION IN FACE VALUE OF RECEIVABLES GLOBALLY

COMMUNITY

WE AIM TO PROVIDE A PATHWAY TO MAINSTREAM FINANCIAL INCLUSION.

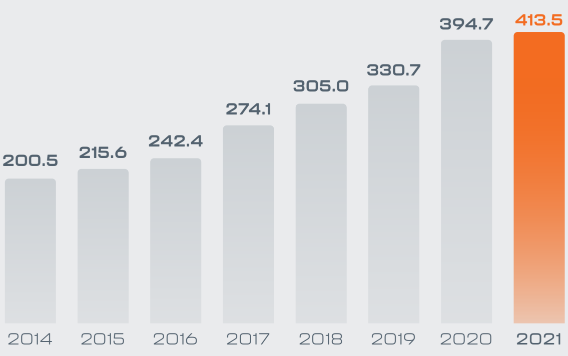
CONSUMER HARDSHIP RESPONSE RATED THE
HIGHEST
BY FINANCIAL COUNSELLORS IN *RANK THE BANKS* SURVEY (DEC 2019)

1,300
SUPPLIERS PAID WITHIN 30 DAYS OR AGREED ARRANGEMENTS

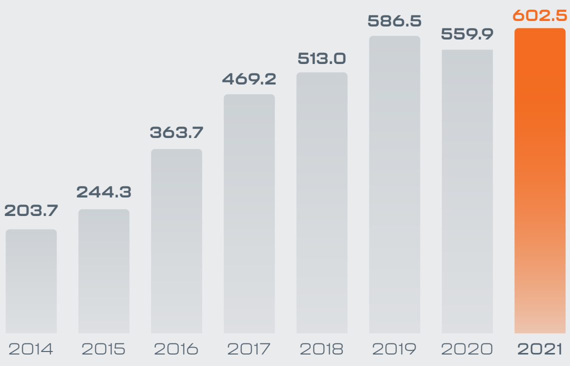
6TH
YEAR GRANTING A SCHOLARSHIP THROUGH THE JAN PENTLAND FOUNDATION

500
KILOGRAMS OF E-WASTE RECYCLED FROM OUR AUSTRALIAN OFFICES

PRE-TAX OPERATING CASH FLOW ($M)



INCOME GENERATING ASSETS ($M)



INTRODUCTION
HIGHLIGHTS
ABOUT US
OUR BUSINESS
CHAIRMAN'S REPORT
CEO'S REPORT
BOARD
REVIEW OF OPERATIONS
OUR PEOPLE
STORIES
SUSTAINABILITY
CGS
DIRECTORS' REPORT
FINANCIAL STATEMENTS
OTHER

ABOUT US

OUR PURPOSE THIS IS WHY WE'RE HERE

Our purpose is to grow long-term shareholder wealth through successfully operating within the credit-impaired consumer segment of financial services in a sustainable way by providing customers with genuine solutions as a pathway towards increased financial inclusion.

OUR VALUES THIS IS WHAT WE BELIEVE IN

Our values reveal what we believe in as an organisation and are apparent in everything we do.

DOING THE RIGHT THING

DISCIPLINE

Doing the right thing means having an ethical and controlled approach to everything we do.

MAKING IT HAPPEN

ACCOUNTABILITY

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

BEING OPEN AND HONEST

TRANSPARENCY

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

Our strategy is to grow our business in a sustainable and disciplined way. We achieve this by applying our key strengths.

SUPERIOR ANALYTICS

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

OPERATIONAL EXCELLENCE

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

SUSTAINABILITY AND 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 pride ourselves on providing our customers with genuine and affordable financial solutions tailored to their needs.

ENTREPRENEURSHIP & ORGANIC EXPANSION

Our strong core business and industry leadership is a platform for organic expansion. Multiple sources of growth give us the opportunity to continue to invest in our ongoing success without compromising our overall 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.

OUR PERFORMANCE
THIS IS WHAT WE HAVE ACHIEVED

FOR INFORMATION ON OUR OPERATIONAL PERFORMANCE, READ OUR **REVIEW OF OPERATIONS**

OUR BUSINESS

CREDIT CORP IS AUSTRALIA'S LARGEST PROVIDER OF SUSTAINABLE FINANCIAL SERVICES TO THE CREDIT-IMPAIRED CONSUMER SEGMENT.

1,733 EMPLOYEES

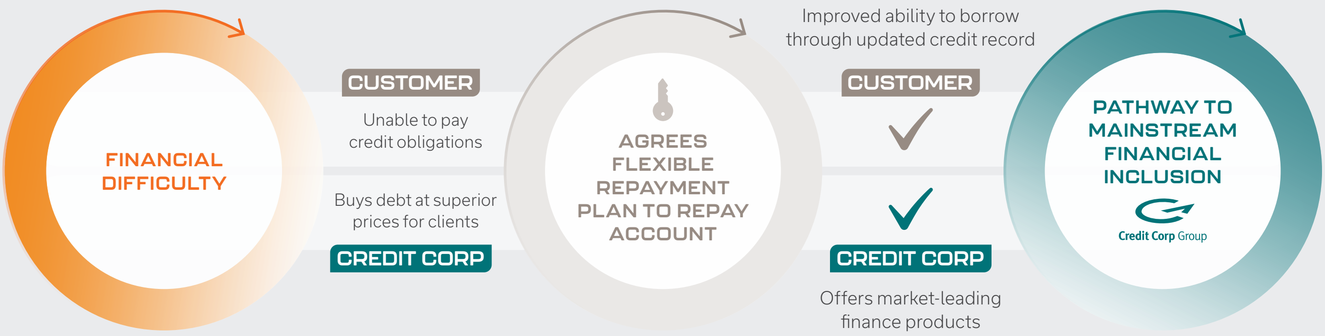
TOTAL FACE VALUE OF RECEIVABLES **$11.26** BILLION

ACROSS **2.2M** CUSTOMERS

OUR COMPANY HAS BEEN LISTED ON THE AUSTRALIAN SECURITIES EXCHANGE SINCE 2000 AND FORMS PART OF THE S&P ASX 200 INDEX.

Our market is comprised of people who have had trouble with credit. Most consumers in our segment have either defaulted on a previous credit obligation or do not have a stable earnings history. These consumers are excluded from the sorts of readily available finance provided by mainstream lenders that many people in society take for granted.

WE SPECIALISE IN WORKING WITH OUR CUSTOMERS BY PROVIDING SUSTAINABLE FINANCIAL SOLUTIONS AS A PATHWAY TO MAINSTREAM FINANCIAL INCLUSION.



CREDIT CORP COMPRISES OF THREE CORE BUSINESSES – DEBT BUYING & COLLECTION, AGENCY COLLECTIONS & LENDING.

DEBT BUYING & COLLECTION

In our core business of debt buying we work with consumers who have 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 and standards.

Credit Corp has an impeccable compliance record and reputation as a sustainable and responsible service provider. 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 financial counsellors to ensure continual improvement in our approach.

We have exported the successful model used in our Australian / New Zealand debt buying and collection business to the largest consumer credit market in the world – the USA. We have grown a profitable business in this market and have expanded our presence from our base in Utah to Washington State.

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. Credit Corp operates one of the largest agency businesses across Australia and New Zealand under the National Credit Management Limited (NCML), Baycorp and Credit Corp brands.

The agency business operates from locations in Australia, New Zealand and the Philippines.

Our client base ranges from large corporate organisations and government departments through to small and medium sized businesses.

CREDIT CORP HAS HELPED MORE THAN

240,000

AUSTRALIANS

AVOID HIGHER COST AND UNSUSTAINABLE PRODUCTS THROUGH OUR MARKET-LEADING ALTERNATIVES

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 economical 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 240,000 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 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.

Our loan products are delivered under a portfolio of brands, including Wallet Wizard and CarStart.

FIND OUT MORE ABOUT **SUPPORT FOR OUR CUSTOMERS DURING COVID-19**

GROW INTO THE ***FUTURE***

CHAIRMAN'S REPORT

It gives me great pleasure, in my first year as Chairman, to report on a strong performance for the year under review, and a promising outlook. Throughout my career I have had the good fortune to work with some brilliant organisations, but I regard Credit Corp as one of the best companies I have had the privilege of being associated with. Credit Corp's 2021 performance demonstrates why it is a truly great company with excellent prospects for the future.

REVENUE

$374.8 MILLION

▼2% VS. PCP[1]

NET PROFIT AFTER TAX

$88.1 MILLION

▲11% VS. PCP[1]

THE FOUNDATIONS OF SUCCESS

The basis of our success has been to continually take steps to improve our operational performance, and whilst maintaining a forward-looking approach, not seek to predict the future.

These steps have involved leveraging and improving existing strengths with a view to market leadership and positive differentiation across a breadth of operations. Credit Corp has applied its ability to understand and work with credit-impaired consumers to develop new businesses capable of delivering ongoing opportunities for growth. The Company has leveraged common infrastructure and capabilities for sustained competitive advantage. There has been a relentless focus on continuous improvement to ensure that Credit Corp has the potential to be the leading operator in all its markets. Products and services have been structured to provide genuine customer solutions and a strong culture of compliance has been supported by an effective control framework to ensure that Credit Corp always stands out for responsible and sustainable conduct.

These foundations were evident in Credit Corp's ability to successfully navigate through an unfavourable environment to deliver strong results in 2021.

AUSTRALIAN AND NEW ZEALAND DEBT PURCHASING

The core Australian and New Zealand debt purchasing business faced difficult and uncertain conditions. A significant proportion of the Company's customer base was being supported by government programs, including JobKeeper, and these programs were progressively being withdrawn. A number of major credit issuers had ceased sale as part of their approach to COVID-19 forbearance. Organic purchasing volumes were further reduced as the impact of forbearance programs and stimulus payments temporarily suppressed charge-offs. The core business faced the prospect of rapidly declining collections and dramatically reduced investment.

Staying true to the foundations of our long-term success has helped avoid the prospect of adverse results. Operating disciplines ensured that collections were maintained as customers moved away from government support and into alternative employment. Credit Corp's leadership in responding to financial hardship and sustainable practices provided several major credit issuers with the confidence to resume sale and award their volume to Credit Corp. Through a combination of superior pricing analytics, leading operational capability and unrivalled financial capacity, the Company was able to acquire the Collection House purchased debt ledger (PDL) book at an attractive price. This transaction was promptly integrated, contributing to strong collections in 2021 and the years ahead.

1. Before COVID-19 impairments and provisions.

ERIC DODD
CHAIRMAN

CONSUMER LENDING

The lending business also encountered a challenging operating environment. It was necessary to tighten lending criteria to account for the prospect of rising unemployment as government support was withdrawn. At the same time stimulus payments, including the early access to superannuation, were suppressing demand for unsecured credit and producing a high incidence of loan prepayment. As a consequence, the consumer loan book was running off rapidly.

Once again, Credit Corp turned to the disciplines that have made it successful in the past. With each progressive reduction in government support, the impact on repayment behaviour was assessed and lending criteria adjusted. As stimulus subsided existing customers returned to the cheapest and most sustainable product in its category. A decision to resume television advertising during the first half lifted new customer demand and helped deliver record lending volume over the second half of the year.

US DEBT PURCHASING

By the start of 2021 Credit Corp had developed a US business capable of being a market leader. Key operating metrics showed that Credit Corp was competitive with the most successful operators in the country. While its share of purchasing was still small at just three per cent it was the sixth largest buyer in terms of purchasing outlay, one of the largest in terms of in-house collection workforce and had established a diversified range of purchasing relationships.

At the same time there was still concern for the US outlook because COVID-19 was spreading rapidly and consumer support was scheduled to end during the first month of the year. Stimulus and forbearance had temporarily reduced total market PDL supply by as much as 50 per cent. Much of the country, however, remained open and over the first half of the year the Company's collection experience showed that the US consumer was in a solid position. With the change of federal administration stimulus was re-introduced and layered on top of a substantially recovered consumer economy. Despite initial concerns and tight PDL supply, it became clear that the US would present an opportunity to accelerate growth.

Credit Corp seized the opportunity to increase its level of PDL investment in the US. It increased its share from existing clients and established three new purchasing relationships. This combined with operational improvement and a strong consumer position to produce a 26 per cent increase in collections and a doubling in segment earnings.

LOOKING AHEAD

Having recovered during 2021 Credit Corp now looks ahead to reporting another year of solid growth and returns. 2022 has started with a record pipeline of contracted PDL purchasing and considerable excitement around new product and business improvement initiatives to sustain growth well into the future.

After a successful year I want to thank my fellow directors, our CEO Thomas Beregi and his management team for their leadership of Credit Corp over a challenging period. On behalf of the Board and shareholders, I also thank all of our employees for their ongoing commitment and dedication to the Company.

ERIC DODD
CHAIRMAN

CEO'S REPORT

To consistently deliver for stakeholders over the long-term requires a resilient culture committed to leading through values. Organisations can produce strong short-term results and can perform consistently over a number of years when conditions are favourable, even when their culture is weak or fragile. Only companies with a strong unifying culture, however, can recover from significant setbacks and comprehensively recoup value for all stakeholders in an adverse environment. Credit Corp's successful turnaround in 2021, encapsulated in the theme 'building momentum', is testament to a very strong culture capable of meeting and exceeding stakeholder expectations well into the future.

A strong culture is one where every individual is committed to working together to realise a common objective by operating with well-understood values. Credit Corp's values encapsulate its culture and are the prism through which the turnaround in 2021 can best be described.

Everyone at Credit Corp knows the importance of doing the right thing by always maintaining discipline. This means keeping our objectives in mind and never succumbing to the temptation of the path of least resistance before assessing the facts and data to determine the right path. We don't cut corners and we adhere to established controls, regardless of the pressures we may be feeling.

When circumstances are against us we know that we have to make it happen by stepping up and taking accountability for achieving results. People at Credit Corp don't make excuses or spend any time crafting elaborate justifications for underperformance. Instead they focus on identifying the reasons for underperformance and working out what needs to change to produce a better outcome. They establish targets for themselves and their teams and set about achieving them.

If you are committed to delivering for stakeholders in the long-term you must act with transparency by being open and honest. While we may strive for perfection we know we will never achieve it. Mistakes will be made, things will go wrong and there will always be threats to continued success. Only by embracing problems can they be overcome and it is important that we always share a complete picture with our stakeholders to promote long-term understanding and credibility.

SHAREHOLDER OUTCOMES

In 2021 we restored value for shareholders and recovered our strong pre-COVID-19 growth trajectory despite adverse market conditions. Net Profit After Tax (NPAT) of $88.1 million, represented 11 per cent growth over the prior year before COVID-19-related impairments and provisions. Strong returns were delivered with a Return on Equity (ROE) of 14 per cent, despite the Company being debt-free and holding substantial cash and undrawn credit lines of $372 million.

We recognised that conditions were adverse and openly shared this with our shareholders in communications throughout the year. We reported the uncertain consumer position in Australia and New Zealand as support and stimulus was withdrawn throughout the year. We reported a temporary contraction in purchased debt ledger (PDL) supply of approximately 50 per cent across all markets. We disclosed the stimulus-induced loan book run-off affecting our consumer lending business.

In 2021 we recognised these issues and seized accountability for addressing them. In Australia we used our strengths in analytics, operating performance and financial capability to apply adverse conditions to our advantage by securing the largest secondary PDL purchase in Australian history through the acquisition of the Collection House PDL book for $146 million. In the US we responded by using our relatively small market share, competitive operation and diversified client base to rapidly grow share in a contracted market to generate growth. In our lending business we monitored demand and repayment behaviour to continually adjust approval criteria and commit to advertising to produce record second half loan volume.

Not only was a strong result delivered for the year but by adhering to our disciplines we have built considerable momentum for continued performance. We enter 2022 with positive collection performance, a record contracted pipeline of purchasing and a growing consumer loan book.

THOMAS BEREGI

CHIEF EXECUTIVE OFFICER

CUSTOMER OUTCOMES

Our customers are the consumers we interact with each day. In our debt purchasing business we work with consumers who have, for various reasons, found themselves in default of their credit obligations. We work with these customers to agree affordable repayment plans to resolve their financial difficulty as a pathway to increased financial inclusion. In our lending business we responsibly provide consumers who have limited borrowing options with the cheapest and most affordable loans available to them.

In 2021 large numbers of customers experienced the impact of COVID-19 and the progressive withdrawal of support measures.

We continued to do the right thing for our debt purchasing customers. We grew the number of customers on affordable repayment plans by approximately 12 per cent to 217,000 people over the course of the year. And we maintained a very low complaint rate, with results reported by the Australian Financial Complaints Authority (AFCA) for the six months to December 2020 showing that the incidence of a complaint per one million dollars collected for Credit Corp was half that of its nearest competitor.

We continued to sustainably provide our market leading loan products. Many of our existing customers, who might have repaid us through stimulus receipts, rewarded us for providing them with such a great alternative by returning to Credit Corp over the second half of the year. During the first half of the year we comprehensively upgraded our loan approval system to improve our ability to ensure that every loan is responsibly provided and this helped us accommodate increased demand from new customers over the second half of the year.

As part of our commitment to doing the right thing by promoting financial inclusion we continue to look for ways to deliver better lending solutions to customers with limited alternatives. In 2021 we relaunched our car loan product and have experienced encouraging early results. We have a range of other new products in both pilot and development and we look forward to enlarging our capacity to serve our customers by providing them with better alternatives for all their financial needs.

CLIENT OUTCOMES

Our clients are major banks, finance companies, education financiers, telecommunications and utility providers across Australia, New Zealand and the US.

By maintaining a strong capital position and a leading approach to consumer hardship and vulnerability we provided our clients with the confidence to continue or resume sale during the year. Several clients rewarded us for our commitment to doing the right thing by allocating all their sale volume to Credit Corp.

Our clients have also rewarded us for the open and honest approach to our dealings. In 2020 we agreed price reductions to account for the early impacts of COVID-19 on the collection performance of newly acquired PDLs. As conditions stabilised throughout 2021 we proactively approached our clients with increased prices. Some clients have consequently agreed extended sale agreements.

PEOPLE OUTCOMES

Credit Corp relies on the quality of the interactions its people have with customers and clients every day. Our people are critical to delivering results for all stakeholders.

Our people have lived our values throughout. As part of doing the right thing during late 2020 and early 2021 our people aligned their remuneration with the loss of value experienced by shareholders. Directors and key executives reduced fees and base salaries by up to 50 per cent for four months and 2020 short-term incentives were reduced to zero.

Notwithstanding this, our people remained determined to make it happen for shareholders and other stakeholders in 2021. Everyone readily agreed challenging targets for 2021 and set about doing everything necessary to ensure that these were achieved, and in many instances exceeded.

Having built momentum and restored our growth trajectory we are now creating opportunities for our people as we continue to expand. Open and honest communication means that our people know what they need to do to develop great careers and they appreciate the importance of strong company performance to provide opportunities for new and exciting roles.

In closing my report for 2021 I want to thank all of Credit Corp's 1,733 people across four countries for their ongoing commitment to Credit Corp and its values. 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

ERIC DODD

Chairman, Non-Executive Director

Appointed:

Appointed as a Non-Executive Director in July 2009 and Chairman on 4 February 2021

Board Committees:

— Audit & Risk Committee
— Remuneration & HR Committee
— Nomination Committee

Skills and experience:

Eric has more than 45 years' experience in the insurance, finance, banking and healthcare 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 and Chairman of Integrity Insurance Group.

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.

DON MCLAY

Non-Executive Director

Appointed:

Appointed as a Non-Executive Director in March 2008 and was Chairman from 30 June 2008 – 4 February 2021

Board Committees:

— Chairman of the Audit & Risk Committee
— Remuneration & HR Committee

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 became a company director of Registry Direct Limited on 30 May 2016 where he was appointed Chairman in May 2018 after its listing on 1 November 2017. Don retired from the Boards of both Clime Investment Management Limited and Registry Direct Limited in October 2020.

Qualifications:

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

LESLIE MARTIN

Non-Executive Director

Appointed:

March 2014

Board Committees:

— Chairman of the Nomination Committee
— Audit and Risk Committee

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, as well as acting on the advisory boards of two technology start-up companies. 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, a Master of Business Administration, and is a Fellow of the Australian Institute of Company Directors.

From left to right: Don McLay, Leslie Martin, Trudy Vonhoff, Eric Dodd, Richard Thomas and Phillip Aris.

TRUDY VONHOFF

Non-Executive Director

Appointed:

September 2019

Board Committees:

- Chairman of the Remuneration & HR Committee
- Nomination Committee

Skills and experience:

Trudy is an experienced Non-Executive Director and has over 25 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), Cuscal Limited and Australian Cane Farms.

Qualifications:

Trudy has a Bachelor of Business (Hons), a Master of Business Administration 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.

RICHARD THOMAS

Non-Executive Director

Appointed:

September 2006

Board Committees:

- Audit and Risk Committee

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.

PHILLIP ARIS

Non-Executive Director

Appointed:

July 2021

Board Committees:

- Nil

Skills and experience:

Phillip brings extensive senior executive and board experience across a range of roles within the financial services and technology sectors across Australia, the United Kingdom and Asia. Past executive roles include Head of Credit Cards for Commonwealth Bank of Australia (ASX: CBA), Chief Executive Officer of CountPlus Limited (ASX: CUP), and Regional Head of Strategy & Business Development for Thorn-EMI Asia Pacific, working across Australia, the UK and Hong Kong.

Directorships and other current appointments:

Currently, Phillip is Non-Executive-Chairman of Xponential Technologies Limted.

Qualifications:

Phillip has a Bachelor of Economics and a Masters of Management.

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.

33%

FEMALE DIRECTORS

REVIEW OF **OPERATIONS**

OVERVIEW

Entering 2021, Credit Corp was confronted with challenging and uncertain operating conditions which included significantly reduced market volumes in both the Australian/New Zealand and US markets, high levels of government and private sector stimulus supporting consumers and the consumer loan book in run-off as a result of reduced demand and permitted early superannuation withdrawals. Initial expectations for 2021 were for a material reduction in Net Profit after Tax (NPAT) from the levels of 2020, pre-COVID-19 related impairment and provisions.

Credit Corp leveraged its core strengths to execute a significant turnaround from these ingoing expectations. In a diminished market, Credit Corp increased its market share in US debt buying by broadening its purchasing relationships. Consumer lending demand was stimulated by a strategic decision to commence above-the-line marketing in advance of demand returning. Working flexibly with domestic credit issuers, combined with Credit Corp's long-term industry leadership, ensured the sustainability of the market despite a substantial reduction in market volumes.

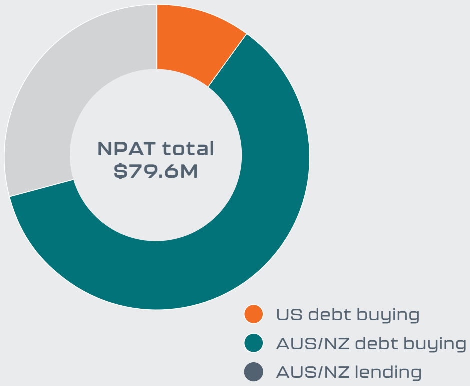
Late in the first half of 2021, a combination of the Company's analytical strengths, operational infrastructure and financial strength combined to secure the largest ledger investment in Credit Corp's history, the $146 million outlaid for Collection House's Australian ledger book. The purchase, which included a large payment arrangement book, enabled Australian/New Zealand collections and earnings to be sustained in a year of significant contraction in investment volumes.

US segment NPAT more than doubled in 2021, with increased market share following strong investment in recent years. As the loan book re-grew, the lending segment produced a record half-year profit in the second half. Together with sustained earnings in the core Australian/New Zealand debt buying business, the consolidated NPAT was a record $88.1 million. The 11 per cent growth in earnings was in line with the pre-COVID-19 growth trajectory of the Company.

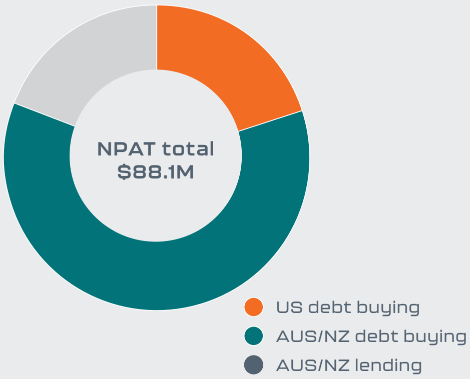
Credit Corp enters 2022 with a record ledger investment pipeline reflecting the breadth and depth of its client relationships both domestically and in the US, renewed consumer lending growth and substantial financial capacity to enable investment to be accelerated and/or seize one-off opportunities as they arise.

SEGMENT PROFIT

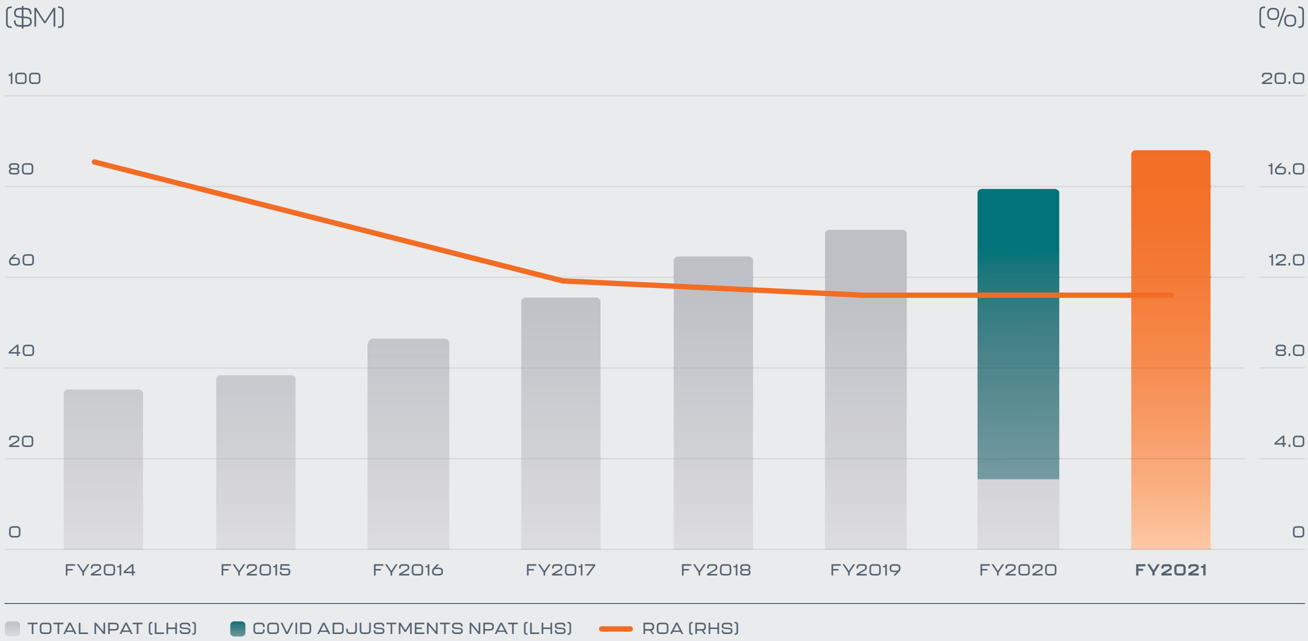
FY2020 PRE-COVID RELATED ADJUSTMENTS



FY2021



NPAT AND RETURN ON ASSETS ($M)



AUSTRALIAN AND NEW ZEALAND DEBT BUYING

In a year which started with significant uncertainty, Credit Corp ended 2021 retaining its market leadership in its core Australian and New Zealand debt buying and collection segment. Collections and earnings were sustained in 2021 despite market volumes reducing by approximately 50 per cent in response to pandemic-related debt prepayment driven by substantial government stimulus as well as consumer forbearance by banks and other credit issuers.

Collection outcomes on the starting book tracked close to ingoing expectations, whilst strong outcomes, in line with pre-pandemic expectations, were achieved on 2021 investments where Credit Corp achieved a strong share of an initially diminished investment market. Charge-off volumes commenced re-growing in the second half which, together with the Collection House investment, resulted in total collections near-emulating the record of 2020 despite the reduced market for charged-off debts.

Throughout the year, Credit Corp's workforce operated on a hybrid of home and office-based work in accordance with the health guidance in different jurisdictions. Not only did this have the added benefit of providing more flexibility for the Company's employees but this shift in working patterns was executed without any loss of efficiency or effectiveness.

Credit Corp's continued industry-leading sustainability proposition includes best-in-class external dispute metrics and a superior hardship response, rated as the best across all financial services providers by Financial Counselling Australia. In a period of both compliance and financial challenges experienced by some competitors, Credit Corp's superior compliance offering was critical in issuers continuing to sell and for those who paused at the start of the pandemic, to return to selling debts.

Based on feedback received from debt sale clients, Credit Corp anticipates volumes of charged-off debts will re-grow further in 2022 which, at the Company's present market share, will allow operational outcomes and earnings to be sustained.

US DEBT BUYING

After initial uncertainty as to the impact of the pandemic and especially the withdrawal of early pandemic stimulus, strong US operational outcomes were sustained throughout the first-half of the year. The second-half enjoyed the fillip of further Federal government stimulus implemented by the new Administration.

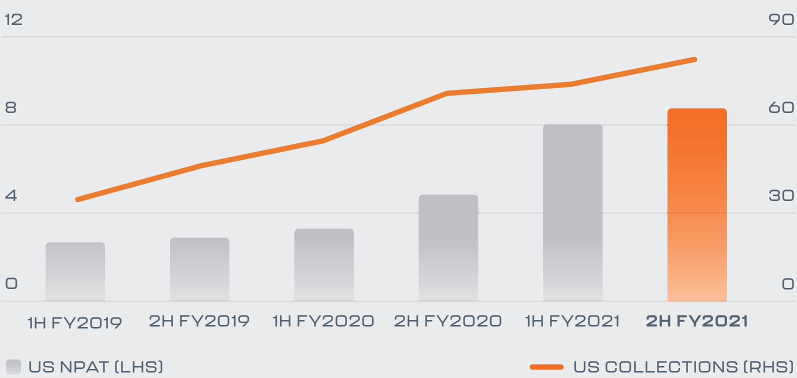
Investment volumes were impacted by the level of consumer debt prepayment, with charge-off volumes approximately halving. Despite this, Credit Corp was able to leverage its diverse purchasing relationships and increase its market share. This diversity of issuer relationships was illustrated by ledger investments being consummated with three new credit issuers during 2021.

Credit Corp's platform continues to produce efficiency and effectiveness metrics that are comparable with the US publicly-traded debt buyers. The re-fit of the Washington State operational site, together with the long-established Utah site, provides for over 700 seats. This provides sufficient operational infrastructure to facilitate the medium term objective of ~AU$200 million of annual purchasing.

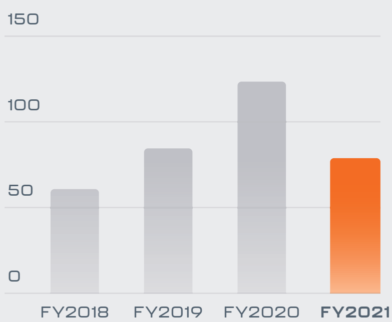
Average purchasing of ~AU$100 million p.a. over the last three years and the strong operational performance produced 2021 collections which were 26 per cent higher than the prior year. The operating leverage of Credit Corp's competitive debt buying and collection platform produced segment NPAT that more than doubled in 2021.

Unsecured consumer credit has started to re-grow from pandemic lows, which is a lead indicator of growth in market volumes. Industry participants expect charge-off volumes to grow by mid-2022. Credit Corp enters 2022 with a record investment pipeline of AU$110 million and the prospect of increasing investment as market supply grows. This increased investment will drive further NPAT growth.

US COLLECTIONS AND US NPAT (A$M)



US PURCHASING (A$M)



REVIEW OF **OPERATIONS**

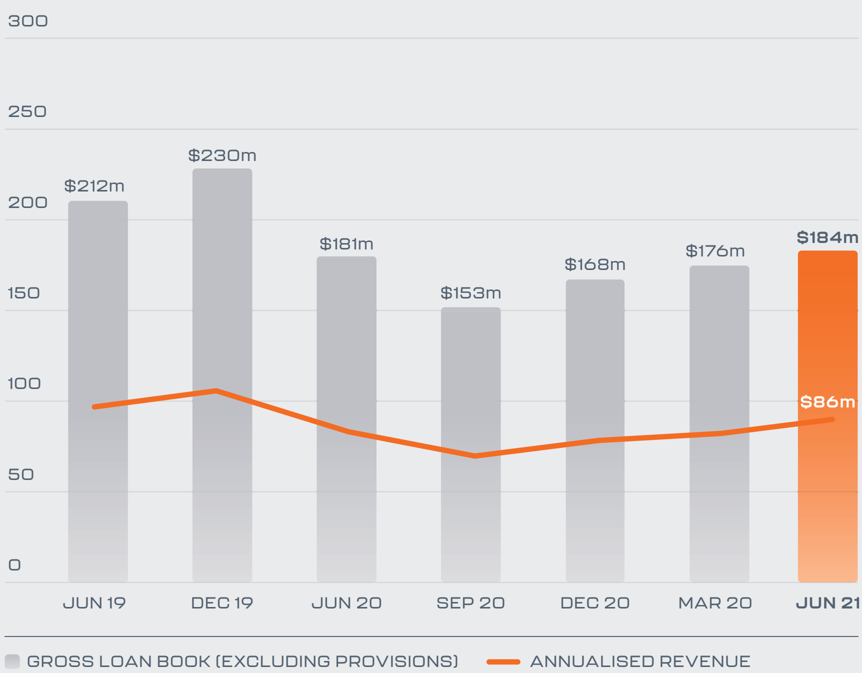
CONSUMER LENDING

The consumer lending segment started 2021 as 2020 ended, with unprecedented levels of prepayment as a result of significant government and private sector stimulus and forbearance measures as well as the second permitted early superannuation withdrawal. Demand re-grew after the first quarter and by the end of 2021, settled volumes were indexing in excess of pre-COVID-19 levels resulting in record second-half NPAT for the segment.

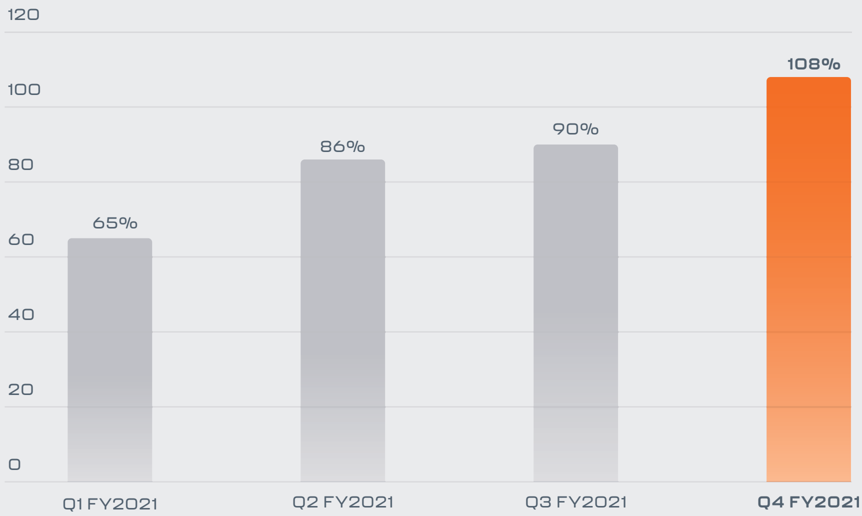
The loan book ended the year slightly higher than it started and on an upwards trajectory. This was supported by the re-launched auto loan product distributed both online as well as via finance brokers. Encouraging early volumes of the auto product were written during the June quarter. Arrears and losses were at record low levels although underwriting settings were maintained at pre-COVID-19 levels. Record low arrears and losses meant that loan provisioning has increased in anticipation of a reversal as economic conditions normalise post-pandemic.

Segment profitability declined in 2021 due to the high levels of prepayment experienced in late 2020 and early 2021 but is poised for growth in 2022. Medium-to long-term growth will be driven by the development of new products to meet additional credit needs of our customers. Several product pilots were commenced in 2021 which will be reviewed during 2022 and further pilots are planned.

CONSUMER LENDING BOOK AND REVENUE ($M)



LENDING VOLUMES INDEXED TO PRE-COVID COMPARATIVE PERIOD[1] ($M)



1. All quarters indexed against prior year, with the exception of Q4 FY2021 which is indexed against Q4 FY2019 as Q4 FY2020 was severely COVID-19 impacted

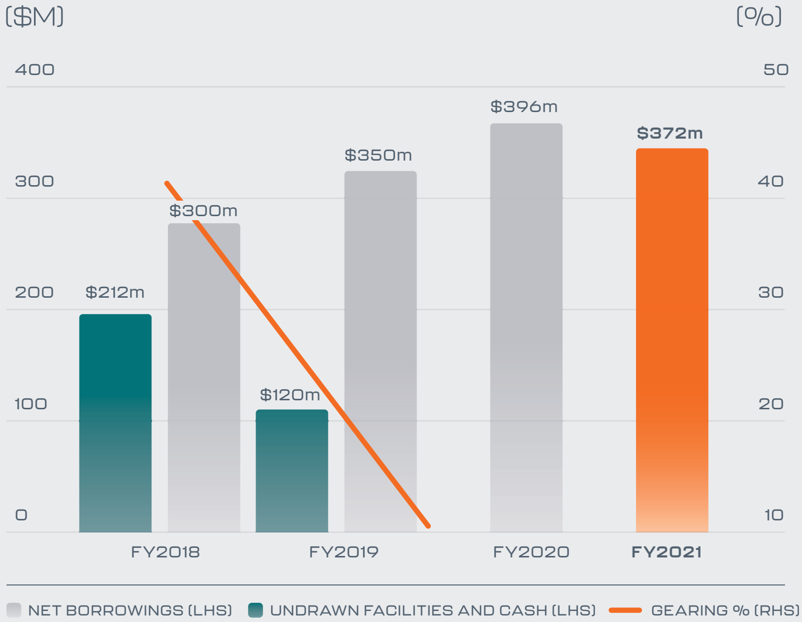
CAPITAL MANAGEMENT

During 2021, near-record ledger investment and net lending was able to be fully funded from available cash. This included funding the acquisition of the Collection House Australian ledger book. Dividend payments also resumed in 2021 after a brief pause at the start of the pandemic.

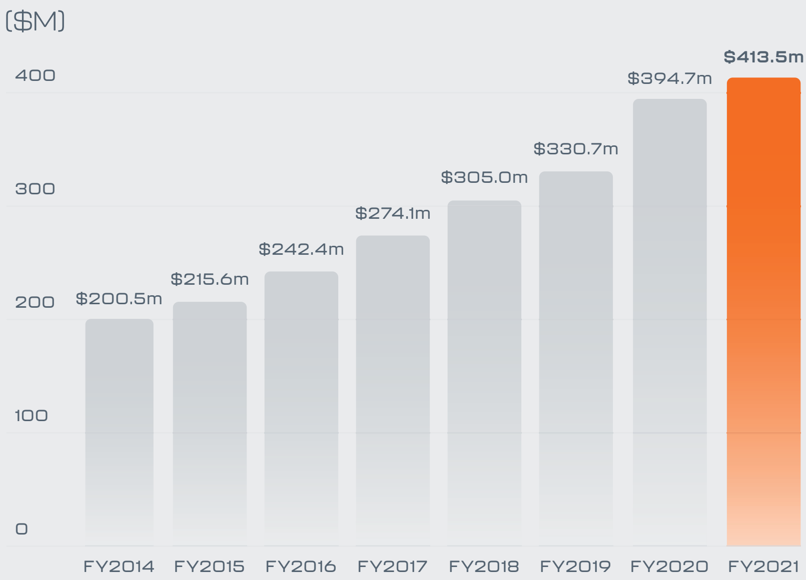
Credit Corp ended the year with over $372 million of cash and undrawn credit lines which, after extending its credit lines by two years, now expire in March 2024 and 2025. The strong capital position allows the Company to maximise its investment at its hurdle return in 2022. It also allows the Company to accelerate investment if market conditions improve more rapidly than anticipated as well as seize any one-off opportunities that might arise. The importance of maintaining capital headroom to execute on one-off opportunities was illustrated in 2020 by the Collection House acquisition.

Despite the strategic decision to retain substantial capital headroom, Credit Corp achieved a Return on Equity (ROE) in excess of its hurdle 16-18 per cent, after adjusting for pro-forma gearing. This reflects the ongoing investment discipline of Credit Corp in deploying capital.

FACILITY HEADROOM AND GEARING



PRE-TAX OPERATING CASH FLOW



OUR **PEOPLE**

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.**

THOMAS BEREGI
Chief Executive Officer

14 years with Credit Corp

Priorities:
Thomas is responsible for the strategic leadership and execution of Credit Corp to deliver solid long-term growth and strong returns on invested capital.

MICHAEL EADIE
Chief Financial Officer

12 years with Credit Corp

Priorities:
Michael is accountable for the financial management of Credit Corp including ASX reporting, forecasting, taxation, treasury and capital management. Alongside the CEO and COO, he is responsible for the strategic planning and execution that has underpinned the growth and diversification of company earnings over the last decade.

CHRISTOPHER MIDLAM
Head of Client Services

14 years with Credit Corp

Priorities:
Chris is responsible for key client relationships and business development for debt purchase and agency collections. His priorities are maintaining strong client relationships with Credit Corp's existing client base whilst exploring and developing future growth opportunities.

TIM CULLEN
Chief Information Officer

7 years with Credit Corp

Priorities:
Tim is responsible for information technology, security, client administration and facilities for the Credit Corp Group. His priorities are to improve and deliver operational excellence, customer experience and drive competitive advantage through automation, digitisation and smart technologies.

MATT ANGELL
Chief Operating Officer

15 years with Credit Corp

Priorities:
Matt is responsible for oversight of the revenue generating businesses of Credit Corp across all geographies. He is committed to delivering on the revenue and profit objectives of the Group each year, whilst also overseeing the execution of strategic priorities which will drive growth into the future.

MARTIN WU
Head of Analytics

7 years with Credit Corp

Priorities:
Martin manages a team responsible for the forecasting, analytics and data reporting that underscores decision making for debt purchase and lending operations across the Group. His focus is on enhancing and embedding advanced analytics capabilities into business processes to inform strategy and execution.

STEPHANIE PALMER
Head of Human Resources

5 years with Credit Corp

Priorities:
Stephanie is responsible for providing a complete HR service with equitable people processes to all business units globally. Her priorities are the attraction and retention of staff, as well as developing interesting and engaging career pathways in a challenging industry, whilst supporting the Company's growth in new markets and geographies.

DAVID BRAND
Head of Marketing

7 years with Credit Corp

Priorities:
David is responsible for the development and implementation of the marketing strategy for Credit Corp's lending operations.

DAVID ACHEATEL
Chief Operating Officer - USA

9 years with Credit Corp

Priorities:
David is responsible for operational strategy and performance, compliance, business development, and vendor management for the US operations. His priority is improving efficiencies to maximise returns, increasing and diversifying our PDL investments and client base, and ensuring regulatory compliance.

CUSTOMER AND **EMPLOYEE**

EVERY CUSTOMER HAS A STORY. **CREDIT CORP LISTENS.**

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

CUSTOMER STORIES

"Aaron is a nice guy and has a good spirit. His whole approach has made me feel comfortable and helped me work my situation out."

MEET OPHELIA, USA

Ophelia found herself going through a difficult time in her life and was initially reluctant to speak with Credit Corp to discuss her situation.

That was until she spoke with Aaron, who became her Customer Relationship Manager. Aaron developed a rapport with Ophelia, and over time as trust grew she became comfortable outlining her situation to him. Aaron was able to suggest a range of affordable repayment options for Ophelia to consider and ultimately agree.

Aaron and Ophelia's relationship strengthened to the extent that she called in one day to remind him to call his mother and even spoke to his manager to make sure she knew what a great job he was doing!

MEET JOHN, AUS

John was going through a difficult time in his life, unwell and unable to work. He was overwhelmed by several debts and had anxiously chosen to avoid rather than manage the situation.

When Adam was finally able to speak with John he reassured him that they would work together to resolve his debt by considering the options available and tailoring a solution to his circumstances.

Through listening to John it became apparent to Adam that he was in a vulnerable positon. To ease his financial stress, and give him time to get back on his feet, Adam provided a debt moratorium to John, and agreed that his situation would be reviewed again at the expiration of the moratorium period.

John messaged Credit Corp to express his appreciation.

"Working with Adam has taken a load off my mind, just knowing that there are options available to help me get my finances in order. Thank you. The experience has been positive and I only wish I had made the call to Credit Corp one and a half years ago, rather than putting it off."

EMPLOYEE STORIES

PROVIDING OUR EMPLOYEES WITH OPPORTUNITIES TO ACHIEVE THEIR CAREER ASPIRATIONS.

MEET STANLEY, AUS

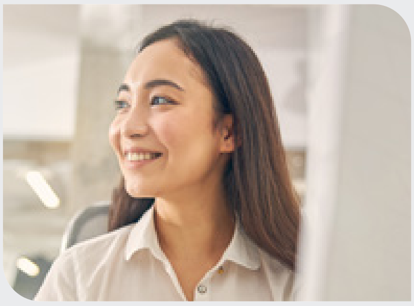
Stanley started at Credit Corp in 2010 as a Customer Relations Manager and since then has had the opportunity to work across a number of different roles, including managing a team of Customer Service Officers and the Loan Verification Team. He is now in a leadership role as a Team Performance Manager for the Lending Hardship team.

After completing his Bachelor of Commerce at Murdoch University in Western Australia, Stanley set his heart on working for an ASX 200 company. His passion for leadership and coaching, together with his analytical approach to maximising the performance and growth of every team he leads has seen him progress his career with Credit Corp.

According to Stanley, the strength of Credit Corp's leadership stands out.

"Credit Corp has shaped my personal growth and career development. It has helped me gain a range of skills that I believe has been fundamental to my success. All the managers I have worked with over the years have been strong leaders and role models. I firmly believe this is the essence of what sets Credit Corp apart from other organisations."

"Working at Credit Corp has helped me grow professionally and personally. I have the opportunity to help customers on a daily basis and contribute positively to the organisation's success. The training and development pathways here are incredible. There is equal opportunity and processes are in place to ensure everybody understands their role, what success looks like and how to get there."



MEET NATALIE, AUS

Natalie joined Credit Corp in 2018 as a Customer Service Officer after a number of years working as a gaming assistant in hospitality. She was attracted by the opportunities for career advancement.

She was recently promoted to Senior Customer Service Officer in the Lending team. Her next goal is to progress to a Team Performance Manager to gain valuable leadership experience in the financial services industry.

Natalie considers the opportunities for growth offered through the career pathway program at Credit Corp to be critical in helping her progress.

MEET DEVONTE, USA

Devonte joined Credit Corp's new Washington State office in December 2019 as a Customer Relationship Manager through the Talent Development Program. Coming from a retail background, Devonte successfully applied his customer service experience and was promoted to a senior role not long after joining.

Devonte expressed an interest in progressing into other leadership roles within our support functions. The skills he developed during the program, his ability to build strong peer relationships, combined with on the job mentoring, led to a cross functional move into the Learning and Development team in November 2020.

Devonte considers Credit Corp to be a leader when it comes to developing its people.

"I am grateful for the opportunity to be a part of something so special here at Credit Corp. I have learned in my life that you don't just 'go through', but you 'grow through'. In my time here I believe that every step I've taken has helped me be successful. I am a firm believer that if you can stay 'teachable' you can stay 'reachable.' I always want to be in a place where I can grow and learn every day and be able to reach and help people. I feel I have found this place in Credit Corp and I'm excited for what the next chapter holds for us in Washington State as we continue to grow the business."

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, CLIENTS, SHAREHOLDERS AND THE COMMUNITY.

COMMITMENT TO **OUR PEOPLE**

Our people are the key to our success. They represent our culture by applying our values every day. Their diverse abilities enable us to interact effectively with our customers and to achieve exceptional results.

STRENGTHENING CULTURE AND ACCOUNTABILITY

The relationship between our people and our customers is based on respect.

Our Employee Code of Conduct defines our workplace principles and sets expectations around how our people should act. To embed the Code of Conduct into our processes and keep it front of mind, we undertake annual refresher training for all employees as well as mandatory monthly refresher training with our operational employees.

VIEW OUR **EMPLOYEE CODE OF CONDUCT**

In the 2021 financial year, zero matters went to an employment tribunal and 0.12 matters per 100 employees were lodged with the Fair Work Commission (FWC).

DEVELOPING OUR PEOPLE

We provide a positive workplace that supports employees' safety, wellbeing and development. Despite the challenges posed by COVID-19 over the last year, our in-house training team who are all Certificate IV Technical and Adult Education qualified, continued support by moving from face to face virtual training sessions. Some of the innovative virtual delivery methods trialled have continued beyond COVID-19 as they have proven to be very effective.

Our in-house training programs focus on a mix of technical and soft skills that lay the foundation for operational success and career growth in operational leadership, including resilience, decision making, workplace partnering, coaching, negotiation and investigative work.

All new operational employees undergo an extensive induction and on-boarding training program administered by the Company's training and operational teams when they join.

1,085
EMPLOYEES COMPLETED
OUR TRAINING PROGRAMS

29,800
TRAINING HOURS
DELIVERED

Starting my career with Credit Corp was daunting as this was my very first office job. Having the career pathway training to work through, from the first program JUMP, to RISE then on to IGNITE really helped drive my progression within the Company. Learning skills such as giving and receiving feedback was a game changer for me personally and professionally. The career pathway delivers on providing a clear cut path to your career at Credit Corp.

Daniel,
Senior Customer Relationship Manager, QLD
on completing the JUMP, RISE and IGNITE programs

The JUMP program has proven invaluable to my career progression and since completion I have been promoted to a Senior Customer Relationship Manager role within my team. JUMP helped me better understand that people respond differently to the same information, giving me the knowledge to tailor my feedback to each situation or individual.

George,
Senior Customer Relationship Manager, Parramatta
on completing the JUMP program

Undertaking Certificate III in Financial Services I learnt all the skills, systems and compliance requirements to excel in my role. Taking the course in-house allowed me to use real life examples from the workplace to show my competence. It has given me the necessary tools to draw on, which in turn has raised my confidence.

Ken,
Customer Relationship Manager, Parramatta
on completing the Certificate III in Financial Services

1,085 (2020:958) employees have completed one of the training programs that form part of our career pathway model. The training benefits those looking for career progression and/or leadership development, for both frontline manager and other management roles.

Our training programs have been the recipient of several prestigious awards, including the Brandon Hall Training Excellence Awards (Gold), LearnX Training Impact Awards (Platinum) and a selection of Australian Institute of Training and Development Excellence Awards.

In Australia, we have a partnership with TAFE NSW (RTO Code 90003) to deliver a nationally recognised and accredited Certificate III and IV qualification in Financial Services to our staff.

93 (2020: 111) employees attained a Certificate III and 20 (2020: 4) went on to complete a Certificate IV qualification.

CREATING A DIVERSE, INCLUSIVE CULTURE

We believe a diverse and inclusive workplace leads to better business outcomes. Employing people from diverse backgrounds and experiences enables us to provide exceptional customer service to our equally diverse customer base.

We aim to attract, develop and retain great talent and to create a more diverse and inclusive workplace where everyone is valued and treated equally regardless of their ethnicity, sexual orientation, gender, background or any other personal characteristic.

VIEW OUR **DIVERSITY POLICY**

GENDER EQUALITY IS A KEY PRINCIPLE OF OUR DIVERSITY STRATEGY

60% | 57%
FEMALE EMPLOYEES

58% | 49%
OPERATIONAL MANAGERS ARE FEMALE

33% | 33%
WOMEN ON THE BOARD

2021 2020

20
ETHNICITIES IN OUR EMPLOYMENT

COLLECTIVELY, OUR TEAM SPEAKS OVER
50
LANGUAGES

151
INTERNAL PROMOTIONS

87%
OF LEADERSHIP POSITIONS FILLED INTERNALLY

OUR COMMITMENT TO **SUSTAINABILITY**

ADVANCING RECONCILIATION

As part of our commitment to a more inclusive future, Credit Corp is joining the reconciliation effort to build relationships, respect and trust between the wider Australian community and Aboriginal and Torres Strait Islander peoples.

In line with this, we have launched our first Reconciliation Action Plan (RAP), which formalises our commitment to increasing First Nations' participation in the financial services sector. From celebrating First Nations cultures and histories, to providing more education and employment opportunities, it sets out the initial steps we will take towards reconciliation within our sphere of influence. Our RAP puts us in a great position to make it happen through meaningful actions and initiatives that we hope will contribute towards Australia's reconciliation with our First Nations peoples.

Our RAP Working Group comprises 13 members and brings together people from across our different business units and locations, including Aboriginal and Torres Strait Islander staff. One of the members, Amber Kerdel, is an Indigenous artist based in our Adelaide office.

VIEW OUR **RECONCILIATION ACTION PLAN**

ABOUT THE ARTIST

Amber Wombat Kerdel is a strong and proud Wirangu, Kokotha, Mirning woman from the Far West Coast of South Australia who lives on Kaurna country. She is strongly connected to her Munda (country) and passionate about her Aboriginal culture and community.

Her artwork is an expression of who she is and showcases the beauty and depth of her culture; the love, connectedness and strength of her community and the spiritual depth, vastness, layers and deep beauty of her Munda.

From her cultural ancestry Amber is able to capture and represent the intricacies and relationships of family and country with each other and individually through an array of colours and symbols. This is her expression of storytelling from the heart and soul.

As the youngest of three sisters, family, community and connection are important to Amber and clearly identifiable through her expressive artwork. It's more than paint on canvas, it's a contemporary celebration of her Aboriginal family and culture as the oldest living culture on the planet.

ABOUT THE ARTWORK

Amber's artwork design brings to life Credit Corp's reconciliation journey and was born from a collaboration between members of the RAP Working Group.

The artwork depicts the beginning of Credit Corp's journey along the path to reconciliation, and the continuous efforts of employees to grow and develop, both together and within their widespread communities.

Through her artwork, Amber tells a story of connection and shared knowledge amongst our geographically dispersed teams, reaching out to our customers and the broader community. This connectivity is what allows us to further the understanding of our nation, and strengthen our path to reconciliation.

PRIORITISING HEALTH, SAFETY AND WELLBEING

This year, more than ever, the workplace health and safety (WHS) of our people has been a priority and has included a focus on wellbeing.

To support our staff through the pandemic we developed a COVID-19 hub on our intranet with resources to assist employees. We formalised our Working From Home Policy, with a focus on ensuring that employees had an appropriate and safe work area at home.

We continued to support our Mental Health First Aiders who sit alongside the First Aiders in each of our locations. They receive external training from organisations offering a certificate recognised by Mental Health First Aid Australia, to act as a first point of contact for people experiencing mental health problems in emergency situations.

We are also piloting the Happify app across 100 of our employees. This provides tools to help overcome negative thoughts, stress and life challenges.

Our Work Health Safety Policy is readily accessible to all staff and forms part of the induction process for new employees and complements our mandatory annual refresher training for all employees.

We are committed to a safety culture. We are continuously evaluating and improving our work processes and environment to ensure the safety and wellbeing of all employees. To assist with this we have recently engaged an external consultant to conduct an audit of our WHS policies, systems and processes and make recommendations for improvement.

We regularly review potential risks to minimise the occurrence of injuries and occupational diseases. All incidents are logged and reported monthly at Board level and appropriate changes are made to further improve health and safety.

OUR WHS PERFORMANCE

	2021	2020	2019
Injuries per 100 employees	**0.02**	0.05	0.09
Occupational disease recorded per 100 employees	**0**	0	0.01
Work-related fatalities	**0**	0	0

OUR COMMITMENT TO **SUSTAINABILITY**

SUPPORTING **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 as a pathway towards mainstream financial inclusion.

CUSTOMER **HIGHLIGHTS**

2.2M
CUSTOMERS
GLOBALLY

722K
CUSTOMERS
US DEBT PURCHASE

1.3M
CUSTOMERS
AUS/NZ DEBT PURCHASE

145K
CUSTOMERS
LENDING

$1.78
BILLION
IN FACE VALUE OF RECEIVABLES IN ONGOING REPAYMENT ARRANGEMENTS

$11.26
BILLION
IN FACE VALUE OF RECEIVABLES GLOBALLY

SUSTAINABLE AND RESPONSIBLE LENDING

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

Credit Corp's market-leading loan products are lower cost and more sustainable than products of competitors operating in our segment.

In fact, our flagship fast cash loan product Wallet Wizard is up to 76 per cent cheaper than competitor products.

AUSTRALIAN FAST CASH LOAN PRICING[1]

Credit Corp	$141
Typical competitor	$600

1. Total interest and fees based on a $1,500 loan over 9 fortnights.

Wallet Wizard

OUR FLAGSHIP FAST LOAN PRODUCT

76%
CHEAPER THAN
COMPETITOR PRODUCTS

We aim to deliver the best outcomes for our customers and believe Net Promoter Score (NPS) is a good overall measure of our customers' experience with us as it subtracts our detractors from our promoters.

Our NPS includes surveyed customers in all groups, including new and returning customers, approved and declined customers, as well as those customers who have withdrawn or let their application expire.

18 NPS
LENDING CUSTOMERS
(-5 VS. PCP)

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.

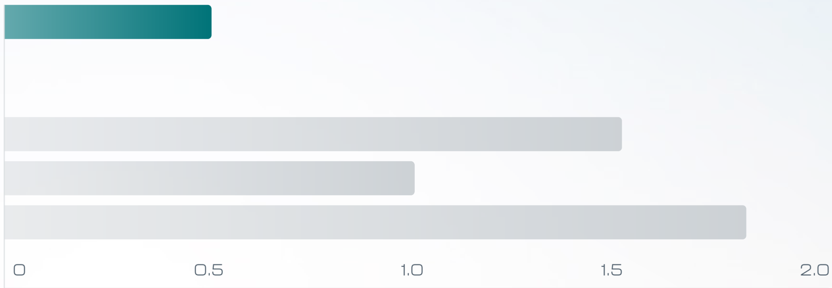
We work with our customers to ensure a sustainable and realistic repayment solution. 84 per cent of collections are received from mutually agreed repayment arrangements in Australia and New Zealand.

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. Our complaint rate is 50 per cent lower than our nearest competitor.

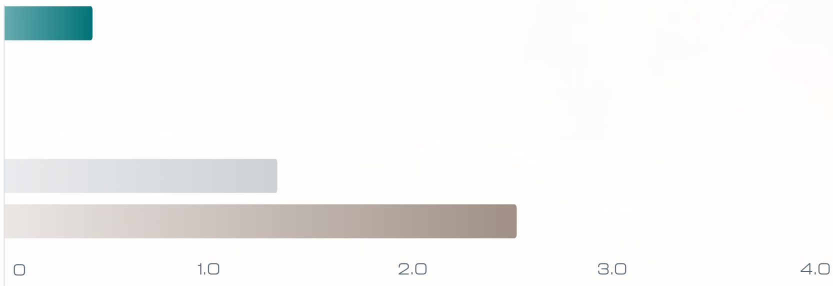
In the US, we maintain a dispute rate per million dollars collected significantly lower than our publicly-traded competitors as reported by the federal regulator.

Credit Corp maintains a number of proactive controls to identify and respond to hardship, sensitive issues or dissatisfaction in order to provide the best service to our customers.

H1 FY2021 AUS EDR RATE[1]



12 MONTHS TO MAR 21 US DISPUTE RATE[2]



SUPPORT FOR OUR CUSTOMERS DURING COVID-19

In addition to the proactive controls we ordinarily have in place, we introduced new measures to identify and assist customers facing unprecedented personal and economic challenges due to the COVID-19 pandemic.

These included freezing interest accruals on our entire debt purchase portfolio for the period from 1 April to 1 December 2020. We placed some customers on repayment moratoriums for periods up to 6 months and ceased any new legal action for accounts in arrears.

- These concessions supported consumers in respect of 343,234 accounts
- Repayment moratoriums were granted on 20,000 AU/NZ customer accounts, deferring collection activity on $169 million in face value of debt

We also ensured that Financial Counselling Australia was aware of the support being offered to our customers and reinforced contact points within our business for escalation of any particular cases their members wished to discuss.

1. Number of complaints reported by external dispute resolution (EDR) provider (The Australian Financial Complaints Authority) for the six-month period to December 2020 divided by total annual PDL collections expressed in millions of dollars.
2. Complaint metrics from Consumer Financial Protection Bureau (CFPB) database for the 12 months to Mar-2021 divided by reported collections https://www.consumerfinance.gov/data-research/consumer-complaints/search/?from=0&searchField=all&searchText=&size=25&sort=created_date_desc

OUR COMMITMENT TO **SUSTAINABILITY**

CUSTOMER ADVOCACY

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

We offer a dedicated escalation point for financial counsellors through our Customer Experience function.

We recognise the important role financial counsellors play in assisting vulnerable consumers and we sponsor a number of financial counsellor conferences every year. This year we continued to sponsor and participate in conferences in Queensland, Victoria, Western Australia as well as the National Conference in Darwin.

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.

We have a long standing relationship with Uniting Kildonan, a leading not for profit financial counselling service, involving the hosting of 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.

Our market-leading fast loan product conforms to interest and fee parameters recommended by consumer advocacy groups during regulatory consultation.

In December 2019 Financial Counselling Australia's member survey recognised Credit Corp as having the highest ranked response to financial hardship of all financial services providers across Australia.

THE 2019 FINANCIAL COUNSELLING AUSTRALIA'S

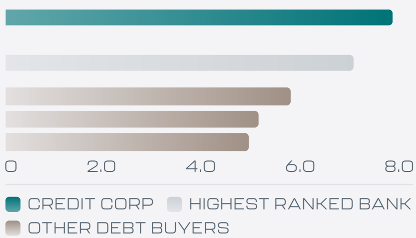
"RANK THE BANKS" SURVEY

RANKED CREDIT CORP'S CONSUMER HARDSHIP RESPONSE

7.8/10 **HIGHEST SCORE**

ACHIEVED BY ANY FINANCIAL SERVICES PROVIDER

FINANCIAL COUNSELLOR RATING OF BANKS AND DEBT BUYERS[1]



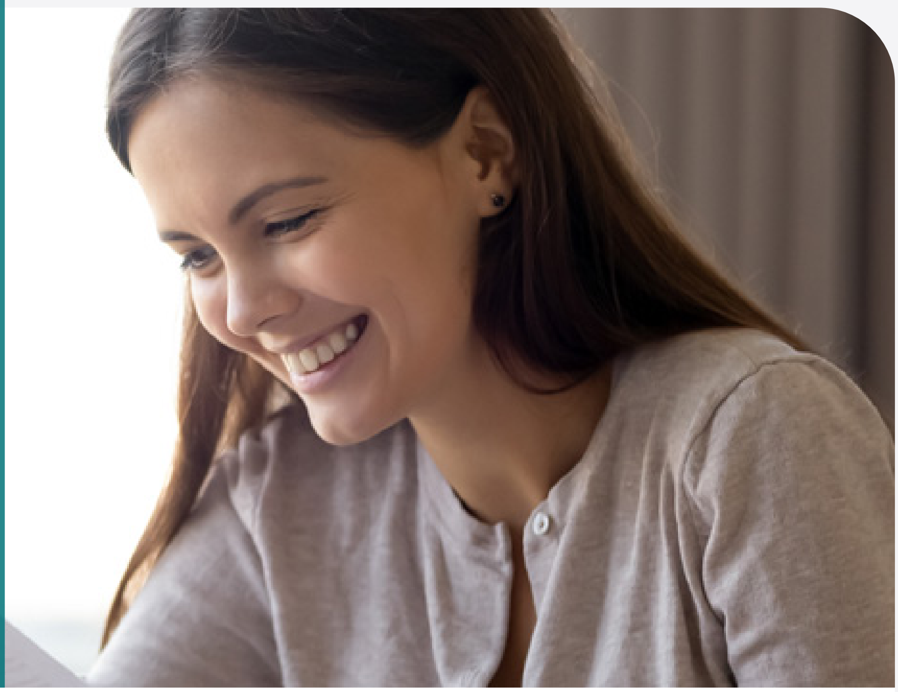
1. Financial Counselling Australia: Rank the Banks and Other Creditors 2019 - Rating of response to consumer hardship, July 2020, pages 7 and 19

For the last six years, Credit Corp has granted an annual scholarship through the Jan Pentland Foundation, aimed at providing an opportunity for a recipient in the not for profit sector to gain their Diploma in Financial Counselling.

The Foundation honours Jan Pentland, who championed the cause for financial counselling and campaigned for a better deal for people on low incomes or who were vulnerable.

The 2021 scholarship recipient is from rural Western Australia and impressed us with her professionalism and commitment to providing financial counselling services within regional areas.

Eleanor was our inaugural recipient in 2016 and her story illustrates how the scholarship made a difference and helped progress her career in financial counselling.



"It was a wonderful validation to receive the scholarship as a new financial counsellor. Financially it was invaluable and the industry recognition helped instil a confidence and professional development grounding for me to move forward to where I am today. I have recently joined the National Leadership Team at The Salvation Army Moneycare with an opportunity to mentor others. There I was in 2016 not even sure whether I should apply! Credit Corp's vocal appreciation of my casework efforts relating to overturning an insolvency agency's unethical practices was extremely rewarding and reinforced my commitment to promoting social justice."

GOOD BUSINESS PRACTICE

MANAGING OUR SUPPLY CHAIN

We work with over 1,300 Australian and international suppliers and during the year procured goods and services worth more than $35 million to support our global operations. It is important we fulfil our responsibilities to those businesses as well as manage potential risks.

We generally pay small business suppliers within 30 days and in line with our contractual arrangements with them.

Our Supplier Code of Conduct outlines how we manage supply chain risks such as data security and privacy, human rights, environmental impact and conflicts of interest. We require suppliers to acknowledge this code as part of their contractual agreement with us.

VIEW OUR
SUPPLIER CODE OF CONDUCT

WORKING WITH OVER
1,300
SUPPLIERS

OUR APPROACH TO HUMAN RIGHTS AND MODERN SLAVERY

We recognise that human rights are universal and acknowledge that our role in respecting and promoting the fundamental human rights of our people, suppliers, customers and the communities impacted by our operations and supply chain is an important one.

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

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 respect our employees and do not discriminate against any attribute protected by law, including free association.

Minimising the risks of Modern Slavery

We have no tolerance for modern slavery and human trafficking. Whether in our operations or our supply chain, we are committed to taking all necessary steps to operate our business in an ethical, sustainable and responsible manner, and to mitigate the risk of modern slavery and human trafficking.

READ OUR
MODERN SLAVERY STATEMENT
in line with the *Modern Slavery Act 2018* (Cth)

TREATING DATA WITH CARE- PRIVACY AND DATA SECURITY

Protecting the personal data of our customers and employees as well as our confidential business information is a priority across our organisation. To do this, we adopt customer, client and employee privacy policies and continually strengthen our systems and educate our people.

Credit Corp is ISO 9001 certified in quality management and ISO 27001 certified in information security management.

All new operations employees undergo an extensive induction training program 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.

Third party suppliers to Credit Corp are subject to robust external security and privacy assessments to ensure compliance with the Company's policies and procedures.

Credit Corp's data security and privacy controls are subject to regular auditing by our clients. As a consequence, we are continually upgrading our controls and systems.

EXCEEDING COMPLIANCE EXPECTATIONS

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**

OUR COMMITMENT TO **SUSTAINABILITY**

PROTECTING **THE ENVIRONMENT**

As a non carbon intensive office and technology-based business, our environmental impact is relatively minimal and primarily arises from the energy used by our offices and three data centres, and from consumables, primarily paper.

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

In recent years we have focused on reducing our business air travel to lower our CO2/GHG emissions and this has reduced even further with the travel restrictions imposed by COVID-19.

Our largest office, our head office in Sydney, produced 0.48 tonnes per FTE in CO2 emissions from energy usage consistent with the previous year. The building has a 5-star NABERS energy rating and a 3-star NABERS water rating.

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 per cent carbon neutral.

Waste management and recycling programs are in place at all our locations. At our Sydney head office this includes a broad range of items being recycled such as food organics, paper and cardboard, e-waste, coffee cups and commingled items.

500kgs of e-waste was recycled across our Australian offices.

We have a cartridge recycling program in place for our office printers.

OUR CO2 EMISSIONS

	FY2021	FY2020	FY2019
CO2 emissions – Business air travel (tonnes)	3.18 tonnes	94.02 tonnes	132.39 tonnes
CO2 emissions from energy usage (Sydney office) per FTE	0.48 tonnes	0.48 tonnes	0.52 tonnes

ASSESSING OUR PERFORMANCE

We benchmark our progress as we strive to deliver better economic, social and environmental outcomes. We take part in a range of sustainability indices and surveys, including:

Morgan Stanley Capital International (MSCI):

In July 2021, Credit Corp Group received a rating of "AA" (on a scale of AAA-CCC) in the MSCI ESG Ratings Assessment, unchanged from the year before.

MSCI ESG RATINGS AA

CCC	B	BB	BBB	A	AA	AAA

Sustainalytics:

In February 2021, Credit Corp Group received an ESG Risk Rating of 18.9 and was assessed by Sustainalytics to be at Low Risk of experiencing material financial impacts from ESG factors. The score is out of 100, where 0 equals negligible risk and 40 or above equals severe risk.

Credit Corp's ESG Risk Rating places it in the 14th percentile in the Diversified Financials industry assessed by Sustainalyics.

SUSTAINALYTICS a Morningstar company RATED

Corporate governance statement

CORPORATE GOVERNANCE OVERVIEW

Credit Corp Group Limited (the Company) and its subsidiaries (collectively, the Group) maintains governance policies and practices that provide a framework for and guide our decision-making to meet stakeholder expectations of sound corporate governance, acknowledging Credit Corp's responsibilities to its shareholders, creditors, clients, customers, employees and the communities in which it operates.

The Group's corporate governance practices comply closely with the 4th edition of the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations released by the ASX Corporate Governance Council.

Our purpose is to grow long-term shareholder wealth through successfully operating within the credit-impaired consumer segment of financial services in a sustainable and responsible way by providing customers with genuine solutions as a pathway to increased financial inclusion. Our objective is to be the leading global provider of sustainable and responsible financial services in the credit-impaired consumer segment.

Our business demands high standards of governance and control. Financial services have become a basic need in modern economies and the sector is heavily scrutinised. In our segment of the market we are more likely to encounter consumers suffering from different forms of hardship and vulnerability. Mitigating the risk associated with working with such customers requires a strong control framework overseen by the Group's Board.

Credit Corp has a positive governance culture supported by its values of discipline, accountability and transparency. Discipline involves the adherence to established standards and controls. Accountability ensures that targets for stakeholder outcomes are set and achieved to deliver continuous improvement. Transparency keeps stakeholders informed of all material aspects of performance and promotes the timely recognition of opportunities for improvement.

Our corporate governance practices also reflect these values.

This statement relates to the financial year ended 30 June 2021, and is current as at 3 August 2021.

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 the 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.

In fulfilling its roles and responsibilities, the key focus areas of the Board during the 2021 financial year are set out below.

Key focus areas of the Board during the 2021 financial year included:
Guiding and supporting management in relation to the Group's response to the COVID-19 outbreak, with a key focus on the health and safety of the Group's employees.
Approving the extension of the Group's banking lines for a further two years to enhance the strong balance sheet position.
Reviewing and updating the strategic plan of the Group including overseeing management's performance in strategy implementation during FY2021.
Approval of the acquisition of the Collection House Australian purchased debt ledger book for a total consideration of ~$146 million, the largest single investment in the Group's history, adding significantly to FY2021 profitability and future earnings.
With the assistance of the Audit and Risk Committee, reviewing and refreshing the Group's risk appetite and risk management framework and monitoring operations to ensure adherence to the risk appetite set by the Board.
Monitoring the Group's liquidity, financial position and key metrics, including financial covenants.

Key focus areas of the Board during the 2021 financial year included:

With the support of the Remuneration and HR Committee, overseeing the Group's remuneration framework and remuneration outcomes for senior management and the processes in place to attract, develop, motivate and retain talent.
Reviewing and evaluating the adequacy of the Group's insurance arrangements to ensure appropriate cover for identified operational and business risks.
Reviewing policies, reporting and processes to improve the Group's system of corporate governance.
Establishing a Nomination Committee to put ongoing focus on Board renewal and performance.

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 to ensure the Group is 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, with the support of the Nomination Committee, 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 the Nomination Committee, 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 or conflict of interest. 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.

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 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 Group also has a specific objective for achieving gender diversity in the composition of the Board, which is to have not less than 30 per cent of each gender.

The table below sets out these diversity objectives and the progress made towards achieving them in the 2021 financial year. The Board will review these objectives in the 2022 financial year and report on progress being made towards their achievement.

Objectives	Progress in achieving objectives
Provide equal opportunities for candidates regardless of 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 individuals who identify as females in the Group is as follows: (see table below) — Over the past two years, a number of employees worked under flexible work arrangements to balance family and other commitments with their employment. During the reporting period, 6 per cent of the Group's workforce utilised a formal flexible work arrangement. Since the onset of the COVID-19 pandemic, more than three-quarters of the Group's workforce have worked flexibly between remote and office-based work.
Provide development opportunities for employees regardless of cultural, gender or any other difference.	— The Group provided nationally recognised accredited training to all eligible employees. — Leadership training was provided to all employees in management positions during the year. — Documented career pathways enabled 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 inclusive culture. — The annual employee engagement survey enables the Group to gather data on issues relating to equality, respect and fairness and uses this data to set measurable goals. — During 2021, Credit Corp launched its first Reconciliation Action Plan (RAP) in conjunction with Reconciliation Australia. The RAP sets out the initial steps the Group will take to build relationships, respect and trust between the wider Australian community and Aboriginal and Torres Strait Islander peoples. This process will be facilitated by the RAP Working Group established to set relevant objectives and foster understanding across the Group. The RAP Working Group brings together people from across the different business units and locations, including Aboriginal and Torres Strait Islander staff.
Ensure internal promotion decisions within the Group are merit-based.	— 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 participating in the decision-making process.

	2021	2020
Board	**33%**	33%
CEO and Executive management[1]	**14%**	14%
Frontline management	**58%**	49%
The Group's workforce	**60%**	57%

1. The CEO and Executive direct reports of the CEO.

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 ensure that individual directors and the Board work effectively in meeting their responsibilities as described in the Board and Committee charters. These reviews occurred during FY2021.

EXECUTIVE PERFORMANCE REVIEW

The performance of all key executives is reviewed annually against the Group's performance targets 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 FY2021.

PRINCIPLE TWO: STRUCTURE THE BOARD TO ADD VALUE

NOMINATION COMMITTEE

The Group formed a Nomination Committee in FY2021 to ensure a formal, rigorous and transparent process for the appointment and reappointment of directors to the Board. The responsibilities of the Nomination Committee are set out in the Nomination Committee Charter, which is available on the Company's website, and includes the following:

- Assist the Board to develop and maintain a Board skills matrix;
- Make recommendations to the Board on the size and composition of the Board including reviewing Board succession plans;
- Review the ongoing independence of non-executive directors;
- Make recommendations to the Board on the criteria for nomination as a director and the membership of the Board more generally;
- Assist the Board in relation to it's performance evaluation as well as Committees and individual directors;
- Assist the Board with its appointment and succession planning responsibilities; and
- Review and provide recommendations to the Board on the content of the Corporate Governance Statement in so far as it pertains to matters of Board succession, performance and appointment.

The Nomination Committee consists of three of the Group's independent directors: Leslie Martin (Chairman), Trudy Vonhoff and Eric Dodd. The Nomination Committee has met twice during the year.

Key focus areas of the Nomination Committee during the 2021 financial year included:
Identifying and considering potential candidates to fill Board vacancies leading to the appointment of a new non-executive director in July 2021 as part of a process of Board renewal.
Identifying the mix of skills, experience, diversity, independence and other qualities of existing and prospective directors.
Establishing Board, Committee and individual non-executive directors' accountabilities and key performance indicators to be used in undertaking the performance evaluation processes for the Board, Committees and Individual non-executive directors.

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 Eric Dodd (Chairman)	12 years	Independent
Mr Donald McLay	13 years	Independent
Ms Leslie Martin	7 years	Independent
Ms Trudy Vonhoff	2 years	Independent
Mr John Nesbitt (resigned 19 March 2021)	1.5 years	Independent
Mr Richard Thomas	15 years	Independent
Mr Phillip Aris [1]	—	Independent

1. Mr Phillip Aris was appointed an independent director on 15 July 2021.

The roles of the Board members are summarised as follows:

	Member of			
	Board	Audit & Risk Committee	Remuneration & HR Committee	Nomination Committee
Mr Eric Dodd	○	●	●	●
Mr Donald McLay	●	○	●	
Ms Leslie Martin	●	●		○
Ms Trudy Vonhoff	●		○	●
Mr Richard Thomas	●	●		
Mr Phillip Aris	●			

○ Chairman of Board or Sub-Committee ● Member of Board or Sub-Committee

The Chairman of the Board is Mr Eric Dodd, 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 to enable directors to seek independent professional advice in the carrying out of their duties, at the Group's expense.

The Board has specifically reviewed the independence of the directors with tenure of more than ten years and is satisfied that their independence is not compromised by their relatively long tenure.

During the 2021 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 Listed public company experience. Experience in the establishment and oversight of governance frameworks, policies and processes.	4
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 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 the ability to assess the effectiveness of financial controls.	6
Risk Experience in anticipating, recognising and managing risks, including regulatory, financial and non-financial risks. Experience in 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.	4
People, culture and remuneration Experience in people matters including workplace culture, management development, succession and remuneration. A demonstrated commitment to the promotion of diversity and inclusion.	3
Strategy Experience in developing and setting 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. Exposure to a range of political, cultural, regulatory and business environments.	3

INDUCTION OF NEW DIRECTORS

New directors undergo an induction program which includes meetings with members of management, the Chairman of the Board and the Chairman of each relevant Committee to gain an insight into the Group's business, values and culture. The Directors utilise various programs and opportunities including via their professional associations and accreditations to maintain and enhance their skills and knowledge.

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.

OUR VALUES

The Group believes that its values represent its culture and underpin its success. All staff are encouraged to embrace these values. During induction, new staff are introduced to the values and staff are publicly recognised across the business where they demonstrate exceptional alignment to one or more of the Group's values.

The Group's values are:

- *'Doing the right thing' or Discipline:*
  Doing the right thing means adhering to controls to ensure that established standards are always achieved.
- *'Making it happen' or Accountability:*
  Making it happen is all about delivering the right results by taking responsibility for setting targets and measuring outcomes.
- *'Being open and honest' or Transparency:*
  Being open and honest means providing accurate and balanced communication to stakeholders together with recognising challenges and issues so they can be addressed.

WHISTLEBLOWER POLICY

The Group's Whistleblower Policy is designed to ensure alignment to the values of the Group, with transparency being one of its core values. This policy ensures that the confidentiality of the whistleblower's identity is safeguarded and the whistleblower is protected from retaliation or victimisation. The policy provides direction for staff, contractors, and service providers to raise concerns to the Group in relation to unlawful, unethical or irresponsible behaviour. Training is provided to staff annually on what whistleblowing is, how to make a whistleblowing complaint, what process the Group will follow if it receives such a complaint and the protections that are available for whistleblowers.

ANTI-BRIBERY AND ANTI-CORRUPTION POLICY

The Group's anti-bribery and anti-corruption policy is included in the Gifts and Entertainment Policy which is available on the Group's website. The policy identifies that giving or receiving bribes or other improper payments is prohibited. The policy requires that breaches are reported to the Risk and Compliance team who then report any material breaches to the Board. Training is provided to staff annually.

PRINCIPLE FOUR: SAFEGUARD INTEGRITY OF CORPORATE REPORTS

AUDIT AND RISK COMMITTEE

The Group has formed an Audit and Risk Committee to assist the Board in fulfilling its responsibilities for the Group's financial reporting and related processes including the external audit process, the effectiveness of the Group's risk management framework (for both financial and non-financial risks), systems of internal control and the Group's compliance with applicable laws and regulations.

The responsibilities of the Audit and Risk Committee are set out in the Audit and Risk Committee Charter which is available on the Group's website and includes accountabilities to review and provide recommendations to the Board on the following:

- Approval of the annual and interim financial statements of the Group with the review process to include consideration as to whether the financial statements provide a true and fair view of the financial position and performance of the Group;
- Reviewing the Group's risk management framework to ensure that it continues to be sound and that the Group is operating with due regard to the risk appetite set by the Board;
- The appointment, re-appointment, rotation or removal of the external auditor with such appointment subject to shareholder approval in a general meeting; and
- Reviewing and assessing the effectiveness of the Group's compliance program in ensuring compliance with relevant legal and regulatory requirements, having regard to the Group's obligations in all jurisdictions in which it operates.

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

- Mr Richard Thomas
- Mr Donald McLay
- Mr John Nesbitt (resigned from Board on 19 March 2021)
- Ms Leslie Martin
- Mr Eric Dodd

The Chairman of the Audit and Risk Committee is Mr Donald McLay. The qualifications of the members and their attendance at meetings of the Audit and Risk Committee are disclosed in the directors' report.

Key focus areas of the Audit and Risk Committee during the 2021 financial year included:

Reviewing and assessing the Group's processes which ensure the integrity of financial statements and reporting and associated compliance with accounting, legal and regulatory requirements.

Monitoring the Group's information security framework, including data security management and third party data risk management.

Reviewing and refreshing the Group's risk appetite and risk management framework and monitoring that the Group is operating within the risk appetite set by the Board.

Monitoring the Group's tax compliance program both in Australia and overseas to ensure its obligations are met in the jurisdictions in which the Group operates.

Reviewing the Group's Anti-Money Laundering (AML) policy and the business continuity plan (BCP) to ensure both remain compliant and conform to best practice.

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 them.

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 views 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 Secretary, 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 access balanced, understandable and timely information concerning the operations of the Group. The CEO and the Company Secretary 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 other 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.

In addition, shareholders may electronically communicate with the share registry, Boardroom Pty Limited (Boardroom). The relevant contact details are disclosed in the Corporate Directory section of the annual report.

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 via the Group's share registry or the Group's auditor.

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 a review function in respect of the risk framework and aggregated risk profiles at the Group level on behalf of the Board. 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 2021 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 risks. The Group recognises the risks associated with the provision of financial services to credit-impaired customers and maintains a strong framework of internal controls to mitigate these risks. Over many years of operation this framework has proved effective in producing very strong compliance metrics.

PRINCIPLE EIGHT: REMUNERATE FAIRLY AND RESPONSIBLY

REMUNERATION AND HR COMMITTEE

The Board has formed a Remuneration and Human Resources (HR) Committee to assist it in fulfilling its responsibilities in overseeing Board and executive remuneration.

The responsibilities of the Remuneration and HR Committee are set out in the Remuneration and HR Committee Charter which is available on the Group's website and includes accountabilities to review and provide recommendations to the Board on the following:

- The Company's executive remuneration framework, policy and practice to ensure that it supports the Company's strategic objectives and core values and delivers outcomes consistent with the Company's risk management framework and risk appetite;
- The structure, design and maximum award values applicable to the Company's short-and long-term incentive plans;
- Non-Executive Director remuneration including any aggregate NED fee cap amendments;
- The design of the performance appraisal system and the annual performance appraisals of Executives other than the CEO;
- Employee engagement surveys and action plans;
- Succession planning for executives other than the CEO; and
- Objectives to achieve gender diversity in the composition of Executives and the total workforce and the Group's progress in achieving its objectives.

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 Trudy Vonhoff

The Chairman of the Remuneration and HR Committee is Ms Trudy Vonhoff. 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.

Key focus areas of the Remuneration and HR Committee during the 2021 financial year included:

Reviewing and making recommendations to the Board in respect of the fixed and variable remuneration of the Group CEO and other executives.

Reviewing and making recommendations to the Board in respect of the Group's short-and long-term executive incentive plans, including the structure, design and maximum award values under each plan and incentive award outcomes, including the exercise of potential discretion.

Reviewing and making a recommendation to the Board on non-executive director fees. Reviewing the succession and transition plans for the Group CEO and executives.

Reviewing and monitoring gender pay equality.

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 2021.

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 ERIC DODD	**Chairman, Director (Non-Executive) Age 69**
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 and has been Chairman since 4 February 2021. 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 the Chairman of the Board (since 4 Feburary 2021) and a member of the Nomination, Remuneration and HR and Audit and Risk Committees.
Interest in shares and options	6,927 ordinary shares of Credit Corp Group Limited.

MR DONALD MCLAY	**Director (Non-Executive) Age 71**
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 was Chairman from 30 June 2008 to 4 February 2021. 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 to October 2020. Registry Direct Limited from 30 May 2016 to October 2020.
Special responsibilities	Mr McLay was Chairman of the Board (until 4 February 2021) and is Chairman of the Audit and Risk Committee and a member of the Remuneration and HR Committee.
Interest in shares and options	663,552 ordinary shares of Credit Corp Group Limited.

MS LESLIE MARTIN	**Director (Non-Executive) Age 66**
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 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.
Special responsibilities	Ms Martin is the Chairman of the Nomination Committee and 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 76**
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	17,272 ordinary shares of Credit Corp Group Limited.

MS TRUDY VONHOFF	Director (Non-Executive) Age 58
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 the Chairman of the Remuneration & HR Committee and a member of the Nomination Committee.
Interest in shares and options	9,975 ordinary shares of Credit Corp Group Limited.

PHILLIP ARIS	Director (Non-Executive) Age 60
Qualifications	Bachelor of Economics and Masters of Management.
Experience and expertise	Appointed as a Non-Executive Director on 15 July 2021. Mr Aris brings extensive senior executive and board experience across a range of roles within the financial services and technology sectors across Australia, the United Kingdom and Asia. Past executive roles include Head of Credit Cards for Commonwealth Bank of Australia (ASX: CBA), as Chief Executive Officer of CountPlus Limited (ASX: CUP) and as the Regional Head of Strategy & Business Development for Thorn-EMI Asia Pacific.
Interest in shares and options	–

MR JOHN NESBITT	Director (Non-Executive) Age 62 (resigned 19 March 2021)
Qualifications	Fellow of the 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 of 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 was the Chairman of the Audit and Risk Committee prior to his resignation.

Mr Eric Dodd, Mr Donald McLay, Ms Leslie Martin, Mr Richard Thomas and Ms Trudy Vonhoff held office during the whole financial year. Mr John Nesbitt held office from the beginning of the 2021 financial year until 19 March 2021. Mr Phillip Aris held office from 15 July 2021.

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 & HR Committee		Nomination Committee	
	Number eligible to attend	Number attended	Number eligible to attend	Number attended	Number eligible to attend	Number attended	Number eligible to attend	Number attended
Mr Eric Dodd	16	16	3	3	6	6	2	2
Mr Donald McLay	16	16	8	8	6	6	–	–
Ms Leslie Martin	16	16	9	9	–	–	2	2
Mr Richard Thomas	16	16	9	9	–	–	–	–
Ms Trudy Vonhoff	16	16	–	–	6	6	2	2
Mr John Nesbitt	13	13	6	6	–	–	–	–

PRINCIPAL ACTIVITIES

The principal activities of the Group during the course of the financial year were debt purchasing 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 very strong Net Profit After Tax (NPAT) of $88.1 million for the 2021 financial year. The highlights include the following:

- 11 per cent increase in NPAT over the prior year to $88.1 million;
- Strong US segment result, with NPAT doubling to $17.7 million;
- Near record purchased debt ledger (PDL) investment outlay of $293 million;
- Record second half gross lending volume of $105 million;
- Record committed FY2022 starting PDL investment pipeline of $150 million; and
- Substantial investment capacity with cash and undrawn lines totaling $372 million.

Despite challenging market conditions all segments exceeded ingoing expectations and finished the year with significant investment momentum for sustained earnings growth.

Australian / New Zealand debt buying

Australian / New Zealand PDL collections were within 4 per cent of FY2020's stimulus-induced result. This was achieved with limited organic purchasing as a consequence of reduced PDL supply arising from the temporary impact of COVID-19 stimulus and forbearance on charge-off volumes. Acquisition of the Collection House PDL book contributed to the collections result and helped produce lifts in segment productivity and earnings of 9 per cent and 11 per cent respectively.

The Collection House investment brought together the Company's operating strengths in analytics, operational capability and financial capacity to execute on the largest individual PDL transaction in Australian history. After seven months the purchase continues to perform to expectations.

US debt buying

The US debt buying business was the biggest single contributor to earnings growth in FY2021. Operational improvement combined with several years of elevated purchasing and a strong consumer position to produce a 26 per cent increase in collections. To offset a temporary contraction in market sale volumes arising from COVID-19 stimulus and forbearance, the Company grew share across its diverse range of purchasing relationships, completing acquisitions from three new credit issuers during the year.

A re-fit of the Washington State office was completed late in the year, boosting US operational capacity to 700 seats as a platform for a further step-up in purchasing and earnings growth. Unsecured credit has returned to growth and charge-off volumes are rising.

The tightly integrated US platform has the operational effectiveness and infrastructure required to achieve, and surpass, the medium-term objective of $200 million in annual US PDL investment. This is demonstrated by the US platform benchmarking strongly with the large, publicly-traded debt buyers on key efficiency and effectiveness metrics.

Consumer lending

As COVID-19 stimulus was withdrawn the lending business experienced a rapid increase in demand, particularly from returning customers. This was supplemented with rising new customer volume when approval criteria returned to pre-COVID-19 settings at the start of the fourth quarter. Gross lending exceeded pre-COVID-19 levels over the second half. Arrears and losses remain at historic lows, but this is not expected to continue and the Company has provisioned accordingly.

The auto loan product was relaunched in the fourth quarter and produced encouraging early volumes. Other new products are either in pilot or in development for pilot commencement during FY2022.

Outlook

Credit Corp enters FY2022 with considerable momentum, having invested heavily during FY2021 and secured a record committed starting PDL investment pipeline for FY2022. Charge-off volumes are growing across all markets and the Company anticipates further opportunities to grow purchasing over the course of the year. This anticipated increase in organic PDL investment, together with the ongoing impact of the Collection House PDL acquisition is expected to produce solid earnings in FY2022.

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 2021	Cents per share	Total amount $'000	Date of payment
Interim 2021 ordinary	36.0	24,221	12 Mar 2021
Total		**24,221**	

After balance date, the following dividend was proposed by the directors:

Declared after end of year	Cents per share	Total amount $'000	Date of payment
Final 2021 ordinary	36.0	24,221	10 Sep 2021

The financial effect of this dividend has not been brought to account in the consolidated financial statements for the year ended 30 June 2021 and will be recognised in the 2022 financial report.

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.

ENVIRONMENTAL REGULATIONS

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

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	109,400
— Taxation services in relation to PDL acquisition from Collection House	22,045
Total	131,445

AUDITOR'S INDEPENDENCE DECLARATION

The auditor's independence declaration for the period ended 30 June 2021 has been received and can be found on page 58 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. Amounts in the directors' report have been rounded off in accordance with the instrument to the nearest thousand dollars, unless otherwise indicated.

Credit Corp Group

Dear Fellow Shareholders

On behalf of the Board, I am pleased to present Credit Corp's 2021 Remuneration Report.

INTRODUCTION FROM THE CHAIRMAN OF THE REMUNERATION & HR COMMITTEE

As outlined in the directors' report, financial performance for the Group in 2021 was very strong with Net Profit After Tax (NPAT) growing by 11 per cent to $88.1 million. The result exceeded the mid-point of the Group's initial guidance for 2021 by 31 per cent, reflecting a substantial recovery in performance over the course of the year.

At the start of 2021, the operating environment was both uncertain and unfavourable. Collection performance was still being supported by government stimulus across all markets and this was in the process of being withdrawn. Debt sale volumes had contracted significantly in the Australian / New Zealand and US markets. The consumer loan book was in run-off as stimulus was directed to loan prepayment and consumer demand for unsecured credit had evaporated. As a consequence, the expectation was for 2021 NPAT to decline by approximately 15 per cent compared to 2020 NPAT, adjusted for COVID-19 impairments and provisioning. For the triennium to 2021, this represented a projected compound annual growth rate (CAGR) in NPAT of just 2 per cent.

During 2021 management executed a significant turnaround in performance. Diversified US purchasing relationships were leveraged to grow share of purchasing and offset the impact of the contraction in sale volumes in that market. Lending volumes improved after a decision to commit to advertising in advance of any recovery in consumer demand. A strong capital position was applied to acquire the Collection House purchased debt ledger book at an attractive price and this offset the impact of the contraction in organic sales volumes in the domestic market. Operating metrics improved as systems and methods were adapted to a combination of at-home and in-office work.

A strategic decision was made by the Board and management to continue to retain substantial capital headroom. The Group ended the 2021 financial year debt-free and had $372 million in cash and undrawn credit lines. Due to the capital management decision to retain substantial investment capacity, return on equity (ROE) was 14 per cent in 2021, just falling short of the ROE hurdle.

The decision to retain capital headroom has put the Group in a strong position. Debt sale volumes are growing and 2022 will commence with a record committed purchasing pipeline of $150 million. Lending volumes have recovered to pre-COVID-19 levels and the re-launched auto loan product is producing encouraging results. At the same time the Group retains the capacity to invest opportunistically and accelerate growth.

2021 REMUNERATION OUTCOMES

The 2020 remuneration report anticipated that the long-term incentive (LTI) program that operated over the 2019 to 2021 triennium performance period would not result in any performance rights converting to ordinary shares and vesting. The strong turnaround in performance described above, transformed both the 2021 NPAT growth and NPAT CAGR over the 2019-2021 triennium to 11 per cent each.

As a result, the LTI hurdle of 8-11 per cent NPAT CAGR has been achieved in respect of the 2019-2021 program. In addition to the NPAT hurdle being achieved, the ROE hurdle of 16 per cent would have also been achieved but for the decision, as noted above, to maintain surplus capital to maximise future investment as opportunity arises.

The Board has determined to allow the performance rights issued under the 2019-2021 LTI to convert and vest based on an assessment against the originally-set performance hurdles. For the total shareholder return (TSR) component of the LTI, this assessment will be completed in November as the final TSR performance is determined based on the 90-day volume weighted average share price (VWAP) after the release of the 2021 year-end results.

The performance rights that convert and vest following the assessment against the hurdles in November 2021 will do so in November 2021, as contemplated in the originally approved structure of the scheme.

Allowing the 2019-2021 LTI to convert and vest based on the achievement of the original performance hurdles, other than the relaxation of the ROE hurdle, ensures there is a strong executive retention incentive in place to maximise the probability of the executive team remaining in place through the present challenging market conditions.

The 2021 short-term incentive (STI), although still to be assessed against the Board-set key performance indicators (KPIs) in the upcoming performance review process, is likely to be awarded to participating executives. The details of the STI program, the CEO KPIs and the performance against them are set out in the remuneration report.

PROSPECTIVE CHANGES TO REMUNERATION

1. Non-Executive Director (NED) fees

As detailed in this report, the Remuneration and HR Committee has recommended and the Board has approved an increased level of fees to take effect from 1 July 2021. The last adjustment to fee levels was five years ago, in 2016, when Credit Corp had a market capitalisation of less than $500 million. The adjusted fee levels benchmark appropriately with comparable listed companies.

2. Review of current LTI scheme pool sizes

As detailed in the 2020 remuneration report, the maximum opportunity size of the two current LTI schemes (the 2020-2022 and 2021-2023 schemes) was increased by 50 per cent at the end of 2020. This decision took into account the assessment, at the time, that the 2019-2021 LTI scheme was unlikely to vest; executive fixed base remuneration reductions of 50 per cent during a four-month period early in the pandemic; and the foregone 2020 STI.

In light of the much stronger than expected 2021 performance resulting in the 2019-2021 LTI NPAT hurdles being achieved, the decision to expand the opportunity size of the 2020-2022 and 2021-2023 schemes will be reviewed in November to ensure that the incentive remains appropriately aligned with the interests of shareholders.

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

TRUDY VONHOFF,
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 2021 and is prepared and audited in accordance with section 300A of the *Corporations Act 2001*.

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

The following diagram demonstrates how the Board, 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 2021 financial year:

Name	Position	Term as KMP
Non-Executive Directors		
Mr Eric Dodd	Chairman	Full financial year
Mr Donald McLay	Non-Executive Director	Full financial year
Ms Leslie Martin	Non-Executive Director	Full financial year
Mr Richard Thomas	Non-Executive Director	Full financial year
Ms Trudy Vonhoff	Non-Executive Director	Full financial year
Mr John Nesbitt	Non-Executive Director	Until 19 Mar 2021
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

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; and
  - 50 per cent dependent on total shareholder return (TSR) relative to the ASX 200 (excluding materials and energy shares) over the same three-year performance period; and
  - There continues to be no termination benefits payable under any contract.

Use of NPAT as a performance measure

Whilst exceeding earnings targets is a key metric under both the STI and LTI schemes, the derivation of the targets in their application under each scheme are quite distinct:

- The STI NPAT target is similar to the annual budget approved by the Board shortly before the start of the financial year and is generally at or above the initial NPAT guidance range issued at the start of the financial year to the market. This target represents a minority of the STI performance measures or KPIs (30 per cent in 2020) with the majority related to the achievement of operational metrics and strategic milestones designed to support the achievement of NPAT growth in the medium-to long-term. This is designed to ensure there is not an excessive focus on current year profitability at the expense of sustained earnings growth; and
- In the case of the LTI, NPAT hurdles are expressed as a percentage of average annual growth in NPAT sustained over a three-year period that should exceed the expectations of shareholders. Exceeding shareholder earnings growth expectations represents 50 per cent of the LTI performance hurdles with the other 50 per cent attributable to shareholder returns against a broad benchmark.

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

The Board believes that the Group's remuneration framework is designed to support and align with the business strategy and encourages executives to maximise performance in the best interests of shareholders. The at-risk components of remuneration are tied to measures that reflect successful execution of the Group's business strategy in both the short-and long-term.

The Group's strategic drivers are reflected in STI and LTI performance measures so the Group's performance directly affects the remuneration that executives are paid. Both the potential STI and half of the potential LTI are linked directly to achieving earnings targets. This ensures that remuneration outcomes are substantially linked to earnings growth as the most influential driver of share price performance and shareholder returns. The other half of the LTI is directly linked to shareholder returns, based on market performance relative to the ASX 200. This directly aligns a substantial proportion of remuneration to the actual returns achieved by shareholders. The emphasis in the STI and LTI on medium-term earnings growth mitigates the risk that the shareholder return component of the LTI leads to an excessive focus on the share price by executives.

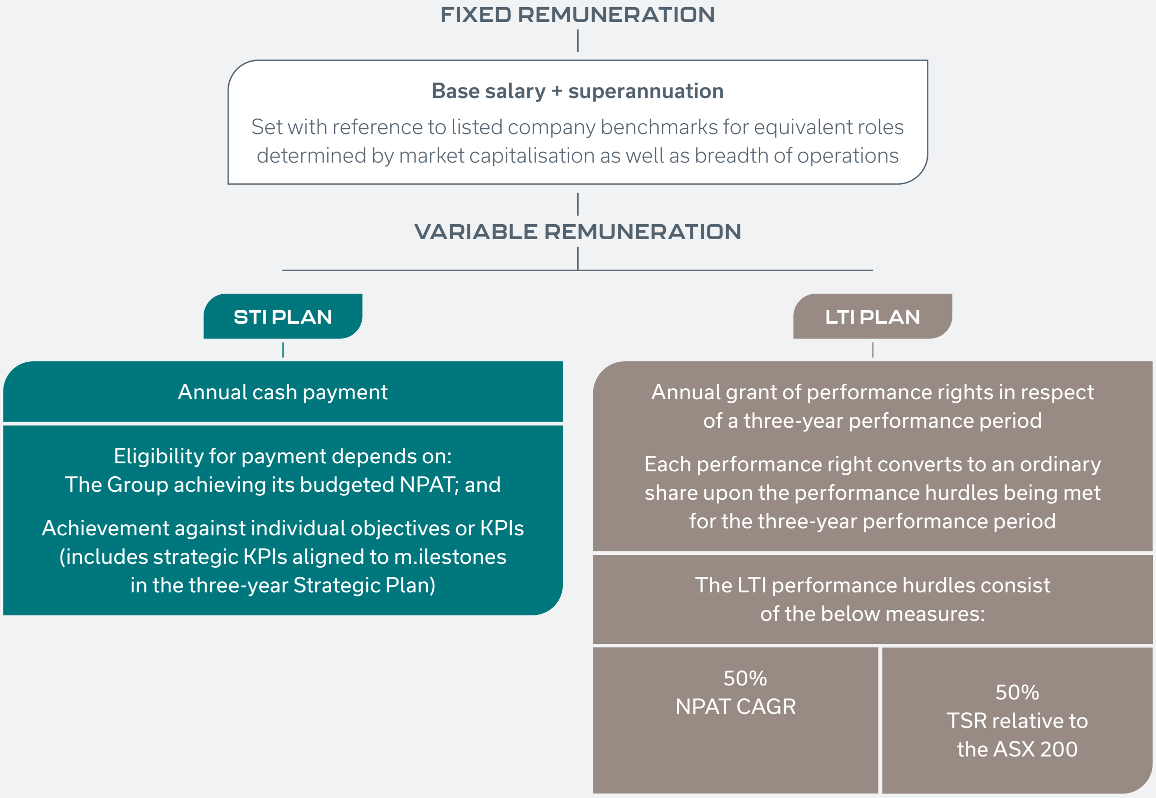
Strategic Drivers	STI Performance Measures	LTI Performance Measures	Performance Outcomes	Remuneration
FINANCIAL PERFORMANCE Create sustainable value for shareholders		**RELATIVE TSR** Measures the performance of the Group's securities over a 3-year period, relative to the ASX 200	**TSR** The cumulative TSR from FY2019-21 will be measured in November 2021	The LTI vesting outcome will be finally determined in November 2022 after the cumulative TSR measurement over the three-year performance period. The NPAT CAGR for the FY2019-21 performance period was within the LTI performance hurdle
		NPAT CAGR Measures compound annual growth of NPAT	**NPAT CAGR** The Group's NPAT CAGR over the three-year period from FY2019-21 was 11 per cent, within the LTI performance hurdle of 8-11 per cent	
	BUDGETED NPAT Reflects the annual earnings growth required to be on track with the LTI three-year NPAT CAGR hurdle		**IN 2021** NPAT is $88.1 million, an 11 per cent increase on FY2020, pre-COVID-19 provisions and impairment charges	Executive KMP have met NPAT target in respect of the 2021 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 2021** The Group achieved its operational and strategic objectives	Executive KMP have met the majority of operational and strategic targets in respect of the 2021 financial year
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 & 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			

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
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.
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.
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.

REMUNERATION STRUCTURE



i) Fixed remuneration

Fixed remuneration comprises base salary and superannuation. Fixed remuneration for the executive KMP is determined by benchmarking to equivalent roles in companies with similar market capitalisation as well as breadth of operations.

FIXED REMUNERATION OUTCOMES

There were no increases to the fixed remuneration during the 2021 financial year.

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.

The following table outlines the major features of the 2021 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 2020 to 30 June 2021
Approval	Post completion of the annual financial statement audit and performance review process in September 2021, 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 2021
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.

2021 PERFORMANCE OUTCOMES

The Group NPAT in 2021 of $88.1 million exceeded the STI NPAT hurdle of $71.0 million by 24 per cent and exceeded the 2020 NPAT, adjusted for COVID-19-related impairment and provisions, by 11 per cent.

As financial performance exceeded the budget and banking covenants were complied with during 2021, the STI in respect of the 2021 year is eligible to be funded.

The remuneration report discloses the expected maximum STIs payable in respect of 2021. The actual STI payable to each executive will be a maximum of this amount and may reduce subject to the performance review process to occur in the first quarter of 2022. Each executive will be assessed on their individual performance against their KPIs and role accountabilities.

CEO's KPIs

A summary of the CEO's KPIs for 2021 is as follows:

Category	KPIs	Method of assessment	Weighting	Level of achievement
Group performance	NPAT > $71.0 million	Based upon NPAT as per the Group's audited financial statements for FY2021 versus target.	30%	Achieved: $88.1 million
Growth	PDL acquisition targets	Purchasing volumes for FY2021 and committed purchases for FY2022, in accordance with Board-approved return criteria.	15%	Achieved: investment in PDLs was $293 million in FY2021 and the FY2022 pipeline was $150 million as at July 2021.
	Australian and Philippines business and operational performance	Australian and Philippines business performance and achievement of budgeted operational metrics, including forecast collections and efficiency.	10%	Achieved: PDL collections of $348 million for FY2021 represented a 4 per cent reduction on FY2020, while collection efficiency improved by 9 per cent on FY2020.
	Consumer lending: business size and profitability metrics	Achievement of consumer loan book targets in the 2021 budget, maintenance of loan book loss rate and milestones in the rollout of pilot lending products.	20%	Achieved: Loss rates within pro-forma levels. Settlements and book growth ahead of expectations after initial high levels of prepayment.
	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:PDL collections of $157 million were 26 per cent ahead of FY2020; whilst collection efficiency improved by 31 per cent on FY2020.
Financing / Strategy	Extend tenor of debt facilities by an average 18 months by June 2021	Review and renew the existing debt facilities.	10%	Achieved: Corporate banking facility extended for a further two years, expiring in 2024 and 2025.

2021 STI OUTCOMES

There were no STI payments made in respect of the 2020 financial year and the STI payments were forfeited. The following table outlines the STI awarded to each executive KMP during the 2021 financial year in respect of the 2020 financial year:

Name	Target STI opportunity for 2020[1]	STI opportunity as % of fixed remuneration	STI earned as % of target	STI forfeited as % of target
Executive KMP				
Mr Thomas Beregi	$700,000	100%	0%	100%
Mr Matthew Angell	$400,000	100%	0%	100%
Mr Michael Eadie	$150,000	50%	0%	100%

1. Excluding COVID-19-related temporary fixed remuneration reductions in late 2020 and early 2021.

With regards to the 2021 STI, refer to 2021 performance outcomes above as well as 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 2020 to 2022 and 2021 to 2023 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.

In 2020, the decision was taken to amend the structure of the LTI program. For the three-year performance cycle for 2020 to 2022 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. This change was for the following reasons:

- 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.

The final LTI scheme relating to the three-year performance period was the scheme that operated 2019 to 2021. This featured a bullet grant of performance rights with vesting potentially occurring after 2021. As noted above, this scheme is now likely to result in a component of the performance rights converting and vesting due to the unexpected transformation of 2021 financial performance.

There are two LTI schemes that are on foot post the 2021 year both featuring annual grants of performance rights:

- A scheme with a performance period from 2020-2022; and
- A scheme with a performance period from 2021-2023.

The detailed features of these schemes are as described 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 September 2020, in proportion to their level of participation in each LTI scheme, 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 will be allocated and converted into shares after the three-year performance period in November 2022 and November 2023 respectively for each LTI scheme.
Allocation	The allocation of performance rights to executive KMP, as set by the Remuneration and HR Committee and the Board, for the 2020 to 2022 and 2021 to 2023 Strategic Plan period was as follows: — CEO 37% — COO 22% — CFO 11% The remaining 30 per cent of performance rights issued were allocated to nine other executives not considered KMP.
Performance eligibility	— A minimum return on equity (ROE) of 16 per cent 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 2020 to 2022 and from 2021 to 2023. The testing period is the 90 days to 31 October 2022 and 30 October 2023, respectively. 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). The use of a broad peer group: — Reflects the absence of a relevant peer group amongst financial services stocks with Credit Corp's operating model being relatively unique; and — Effectively compares the returns achieved from investing in Credit Corp shares with returns available from alternative investments in Australian equities by Credit Corp's investors. **NPAT CAGR (50%)** The proportion of awards vesting is as follows: **FY2020-FY2022:** 8% CAGR: 40% >8% and ≤ 11% CAGR: Pro-rata 40%-100% >11% CAGR: 100% vesting **FY2021-FY2023:** Utilising the $79.6 million pre-COVID-19 FY2020 result as the base NPAT figure (rather than the statutory FY2020 NPAT of $15.5 million), the 8 – 11 per cent hurdle growth rate implies the following FY2023 earnings target range: 8 per cent: $100.3 million 11 per cent: $108.9 million The NPAT CAGR performance condition will be tested in November 2022 and November 2023, following the conclusion of the three-year Strategic Plan period. The benefit of assessing earnings growth over the three-year periods on a CAGR basis is that it represents sustained earnings growth over a three-year period from 2020 to 2022 and from 2021 to 2023.

Features	Description
Dividends	An LTI participant has no entitlement to dividends until the performance rights have been converted into shares and vested..
Performance period	The performance period for the NPAT hurdle is a three-year period (from 2020 to 2022 and from 2021 to 2023) with earnings growth being assessed on a cumulative basis with the minimum CAGR hurdle 8 per cent. Similarly, performance under the TSR is also assessed on a cumulative basis over the same three-year periods.
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 per cent 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 per cent 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

No performance rights converted or vested to LTI scheme participants during the 2020 year. As noted above, there is the prospect of some of the performance rights issued in respect of the 2019-2021 LTI scheme converting and vesting in November 2021 after the TSR component of the performance hurdles is assessed. Performance under the NPAT earnings growth hurdle has been achieved.

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 will result in no performance pay being awarded.

	2021	**2020**	**2019**	**2018**	**2017**
Earnings					
Total revenue ($'000)	**374,786**	313,403	324,254	298,978	265,947
NPAT ($'000)	**88,130**	79,557	70,285	64,290	55,158
Change in NPAT	**11%**	13%	9%	17%	20%
5-year NPAT CAGR	**14%**				
Shareholder value					
Share price at the end of the year ($)	**29.73**	17.17	26.52	18.07	17.71
Change in share price ($)	**12.56**	(9.35)	8.45	0.36	5.70
Total dividends paid / declared per share (cents)	**72**	36	72	67	58
ROE	**14%**	14%	21%	24%	24%

DIRECTOR REMUNERATION

REMUNERATION POLICY

Under the Group's Remuneration Policy, non-executive directors are to be awarded fair remuneration that is appropriate to their responsibilities, performance, knowledge and skills. Fees for non-executive 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 2018 AGM.

The remuneration structure is set out below:

	2021[1] $	2020[1] $
Chairman	**220,000**	220,000
Director and Committee Chairman	**120,000**	120,000
Director and Committee member	**110,000**	110,000
Director	**95,000**	95,000

1. Fee levels are before the 50 per cent voluntary reductions from April-July 2020.

The above remuneration does not include the 9.5 per cent (2020: 9.5 per cent) statutory superannuation entitlement.

All 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. The temporary four-month reduction includes July 2020 which is part of FY2021.

Director's fees were reviewed with effect from 1 July 2021.

	$
Chairman	250,000
Director and Committee Chairman	135,000
Director and Committee member	125,000
Director	110,000

These increases have been benchmarked to comparable listed entities to the Group in terms of market capitalisation, total assets, revenue and operational scope. It is further noted that director remuneration was last reviewed in 2016, five years ago, and in the intervening period, market capitalisation has increased four-fold and NPAT has nearly doubled.

REMUNERATION TABLES AND DATA

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

		Short-term benefits				Post-employment benefits	Long-term benefit			
		Salary and fees $	Short-term incentive[1] $	Non-monetary benefits $	Total $	Superannuation $	Long-term incentive[2] $	Long service leave $	Total $	Proportion of remuneration performance-related %
Directors										
Mr Eric Dodd Non-Executive Director Chairman of Board Member of Remuneration and HR and Audit and Risk Committees	**2021**	**150,385**	**—**	**8,766**	**159,151**	**14,287**	**—**	**—**	**173,438**	**—**
	2020	108,461	—	—	108,461	10,304	—	—	118,765	—
Mr Donald McLay Non-Executive Director Chairman of Audit and Risk Committee	**2021**	**169,231**	**—**	**13,149**	**182,380**	**16,077**	**—**	**—**	**198,457**	**—**
	2020	198,846	—	20,310	219,156	18,138	—	—	237,294	—
Mr Richard Thomas Non-Executive Director Member of Audit and Risk Committee	**2021**	**103,654**	**—**	**—**	**103,654**	**9,847**	**—**	**—**	**113,501**	**—**
	2020	99,423	—	—	99,423	9,445	—	—	108,868	—
Ms Leslie Martin Non-Executive Director Chairman of Nomination Committee	**2021**	**107,385**	**—**	**—**	**107,385**	**10,201**	**—**	**—**	**117,586**	**—**
	2020	99,423	—	—	99,423	9,445	—	—	108,868	—
Ms Trudy Vonhoff Non-Executive Director Chairman of Remuneration and HR Committee	**2021**	**114,955**	**—**	**—**	**114,955**	**2,631**	**—**	**—**	**117,586**	**—**
	2020	74,112	—	—	74,112	2,446	—	—	76,558	—
Mr John Nesbitt[3] Non-Executive Director Chairman of Audit and Risk Committee before resignation	**2021**	**83,077**	**—**	**—**	**83,077**	**7,892**	**—**	**—**	**90,969**	**—**
	2020	75,058	—	—	75,058	7,130	—	—	82,188	—
Mr Robert Shaw[4] Non-Executive Director	**2021**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**
	2020	73,846	—	—	73,846	7,015	—	—	80,861	—
Executive KMP										
Mr Thomas Beregi Chief Executive Officer Company Secretary	**2021**	**639,173**	**700,000**	**21,915**	**1,361,088**	**21,694**	**1,110,000**	**12,900**	**2,505,682**	**72**
	2020	613,709	—	20,310	634,019	21,003	—	10,446	665,468	—
Mr Matthew Angell Chief Operating Officer	**2021**	**363,465**	**400,000**	**21,915**	**785,380**	**21,694**	**660,000**	**7,230**	**1,474,304**	**72**
	2020	354,094	—	20,310	374,404	21,003	—	5,831	401,238	—
Mr Michael Eadie Chief Financial Officer Company Secretary	**2021**	**269,314**	**150,000**	**21,915**	**441,229**	**21,694**	**330,000**	**5,213**	**798,136**	**60**
	2020	263,709	—	20,310	284,019	20,416	—	4,292	308,727	—
Total remuneration	**2021**	**2,000,639**	**1,250,000**	**87,660**	**3,338,299**	**126,017**	**2,100,000**	**25,343**	**5,589,659**	**60**
	2020	1,960,681	—	81,240	2,041,921	126,345	—	20,569	2,188,835	—

1. The STI has been included in the above table on an accrual basis and has been recorded at 100 per cent of the maximum potential payment. Individual performance reviews to be conducted after the finalisation of the 2021 audited consolidated financial statements will determine the final entitlement.
2. The LTI has been included in the above table on an accrual basis. It is payable in the form of performance rights, convertible into shares upon achievement of the earnings-based and/or relative TSR performance hurdles over a three-year performance period. The LTI is accrued as one-third of total performance rights to vest 100 per cent.
3. Resigned from Board on 19 March 2021.
4. Resigned from Board on 4 November 2019.

Directors' report – audited remuneration report continued

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

	Fixed remuneration		Remuneration linked to performance	
	2021	2020	2021	2020[1]
Directors				
Mr Donald McLay	100%	100%	–	–
Mr Eric Dodd	100%	100%	–	–
Ms Leslie Martin	100%	100%	–	–
Mr Richard Thomas	100%	100%	–	–
Ms Trudy Vonhoff	100%	100%	–	–
Mr John Nesbitt	100%	100%	–	–
Executive KMP				
Mr Thomas Beregi	28%	100%	72%	–
Mr Matthew Angell	28%	100%	72%	–
Mr Michael Eadie	40%	100%	60%	–

1. No STI or LTI was accrued in respect of the 2020 year.

KMP EQUITY HOLDINGS

The movements during 2021 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 2020	Shares vested during the year	Shares acquired during the year	Other changes during the year	Closing balance at 30 June 2021
	Number	Number	Number	Number	Number
Directors					
Mr Eric Dodd	6,927	–	–	–	6,927
Mr Donald McLay	773,552	–	–	(110,000)	663,552
Ms Leslie Martin	11,063	–	–	–	11,063
Mr Richard Thomas	15,272	–	2,000	–	17,272
Ms Trudy Vonhoff	7,675	–	2,300	–	9,975
Mr John Nesbitt[1]	6,019	–	–	(6,019)	–
	820,508	–	4,300	(116,019)	708,789
Executive KMP					
Mr Thomas Beregi	41,086	–	–	–	41,086
Mr Matthew Angell	399	–	–	–	399
Mr Michael Eadie	–	–	–	–	–
	41,485	–	–	–	41,485
Total	861,993	–	4,300	(116,019)	750,274

1. Movement in shares for Mr John Nesbitt was due to his resignation on 19 March 2021.

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 2020	Granted as remuneration	Converted to deferred ordinary shares	Closing balance at 30 June 2021
	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

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

TRUDY VONHOFF
Chairman of Remuneration and HR Committee
Date: 3 August 2021

ERIC DODD
Chairman of Board

Financial statements

HALL CHADWICK (NSW)

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

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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 Group Limited for the year ended 30 June 2021, 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

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

S Kumar

SANDEEP KUMAR
Partner
Dated: 3 August 2021

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Consolidated income statement

For the year ended 30 June 2021

	Note	2021 $'000	2020 $'000
Purchased debt ledger (PDL) interest revenue	4	**266,843**	255,320
PDL change in lifetime expected credit losses	4	**—**	(68,576)
Consumer lending revenue	4	**78,886**	99,445
Other revenue	4	**29,057**	27,214
Finance costs		**(5,932)**	(10,944)
Employee benefits expense		**(137,408)**	(143,530)
Onerous forward purchasing contract provision		**—**	(11,816)
Depreciation and amortisation expense		**(10,838)**	(10,905)
Office facility expenses		**(17,786)**	(17,497)
Collection expenses		**(29,700)**	(33,551)
Consumer loans loss provision expense		**(32,891)**	(46,209)
Marketing expenses		**(8,390)**	(10,561)
Other expenses		**(5,899)**	(6,230)
Profit before income tax		**125,942**	22,160
Income tax expense	5	**(37,812)**	(6,706)
Profit for the year		**88,130**	15,454
Earnings per share for profit attributable to owners of the Company			
Basic earnings per share (cents per share)	6	**130.9**	25.5
Diluted earnings per share (cents per share)	6	**129.9**	25.5

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

Consolidated statement of comprehensive income

For the year ended 30 June 2021

	2021 $'000	2020 $'000
Profit for the year	**88,130**	15,454
Other comprehensive income		
Items that may be reclassified subsequently to profit / (loss):		
Foreign currency translation reserve, net of income tax	**–**	–
Other comprehensive income for the year, net of income tax	**–**	–
Total comprehensive income for the year	**88,130**	15,454

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

Consolidated statement of financial position

As at 30 June 2021

	Note	2021 $'000	2020 $'000
Current assets			
Cash and cash equivalents	8	**61,677**	48,660
Trade and other receivables	9	**15,531**	6,433
Consumer loans receivables	10	**95,814**	99,748
Purchased debt ledgers	11	**234,856**	168,356
Finance lease receivables	15	**756**	170
Current tax receivables	5	–	4,254
Other assets	12	**3,623**	3,508
Total current assets		**412,257**	331,129
Non-current assets			
Consumer loans receivables	10	**39,358**	37,559
Purchased debt ledgers	11	**232,465**	254,264
Plant and equipment	13	**6,502**	6,605
Right-of-use assets	14	**21,783**	27,782
Finance lease receivables	15	**303**	234
Deferred tax assets	5	**67,782**	64,277
Intangible assets	16	**800**	800
Total non-current assets		**368,993**	391,521
Total assets		**781,250**	722,650
Current liabilities			
Trade and other payables	17	**39,027**	27,972
Current tax liabilities	5	**7,934**	–
Lease liabilities	14	**7,067**	7,640
Provisions	18	**19,512**	30,916
Total current liabilities		**73,540**	66,528
Non-current liabilities			
Borrowings	19	**3,608**	22,420
Deferred tax liabilities	5	**8,006**	8,723
Lease liabilities	14	**17,607**	21,996
Provisions	18	**11,426**	8,773
Total non-current liabilities		**40,647**	61,912
Total liabilities		**114,187**	128,440
Net assets		**667,063**	594,210
Equity			
Issued capital	21	**346,738**	346,738
Reserves	22	**24,963**	16,019
Retained earnings		**295,362**	231,453
Total equity		**667,063**	594,210

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

Consolidated statement of changes in equity

For the year ended 30 June 2021

	Note	Issued capital $'000	Reserves $'000	Retained earnings $'000	Total equity $'000
Balance at 1 July 2020		**346,738**	**16,019**	**231,453**	**594,210**
Total comprehensive income for the year					
Profit for the year		—	—	**88,130**	**88,130**
Foreign currency translation reserve	22	—	**6,444**	—	**6,444**
Total comprehensive income for the year		—	**6,444**	**88,130**	**94,574**
Transactions with owners in their capacity as owners					
Shares issued net of transaction costs and tax	21	—	—	—	—
Performance rights issued net of transaction costs		—	**2,500**	—	**2,500**
Dividends paid or provided for	7	—	—	**(24,221)**	**(24,221)**
Transactions with owners in their capacity as owners		—	**2,500**	**(24,221)**	**(21,721)**
Balance at 30 June 2021		**346,738**	**24,963**	**295,362**	**667,063**
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
Foreign currency translation reserve	22	—	179	—	179
Total comprehensive income for the year		—	179	15,454	15,633
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)
Transactions with owners in their capacity as owners		153,038	2,500	(39,515)	116,023
Balance at 30 June 2020		346,738	16,019	231,453	594,210

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

Consolidated statement of cash flows

For the year ended 30 June 2021

	Note	2021 $'000	2020 $'000
Cash flows from operating activities			
Receipts from customers and debtors		**600,870**	617,875
Payments to suppliers and employees		**(183,135)**	(206,671)
Interest received on bank deposits		**134**	215
Interest paid – leases		**(907)**	(712)
Interest paid – other		**(3,474)**	(8,902)
Income tax paid		**(27,480)**	(35,165)
Cash flows from operating activities before changes in operating assets		**386,008**	366,640
Changes in operating assets arising from cash flow movements			
Net funding of consumer loans		**(25,167)**	(5,344)
Acquisition of purchased debt ledgers		**(293,115)**	(245,650)
Changes in operating assets arising from cash flow movements		**(318,282)**	(250,994)
Net cash inflow from operating activities	20	**67,726**	115,646
Cash flows from investing activities			
Acquisition of plant and equipment	13	**(2,783)**	(3,145)
Payment for acquisition of subsidiary, net of cash acquired	23	**—**	(67,715)
Net cash outflow from investing activities		**(2,783)**	(70,860)
Cash flows from financing activities			
Proceeds from issue of share capital		**—**	152,209
Proceeds from borrowings		**30,000**	232,548
Repayment of borrowings		**(49,944)**	(356,937)
Repayment of lease principal		**(7,907)**	(7,140)
Dividends paid	7	**(24,221)**	(39,515)
Net cash outflow from financing activities		**(52,072)**	(18,835)
Net increase in cash and cash equivalents		**12,871**	25,951
Cash and cash equivalents at 1 July		**48,660**	22,709
Effect of exchange rate fluctuations on cash held		**146**	—
Cash and cash equivalents at 30 June	8	**61,677**	48,660

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

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 2021 were authorised for issue in accordance with a resolution of the directors on 3 August 2021.

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, as well as mercantile collections 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 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	73
Impairment of financial assets	9, 10 & 11	71, 72 & 73
Provisions	9, 10 & 18	71, 72, 77 & 78
Share based payments	32	86
Goodwill and impairment	16	76

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 2021. 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.

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

The Australian and New Zealand collections outcomes (liquidations) realised from the starting book closely tracked the ingoing expectations which were reflected by the impairment allowance which was booked in the year ended 30 June 2020. The majority of this impairment was attributable to assets purchased just before and during the start of the COVID-19 pandemic due to the reduced ability to agree new repayment plans at that stage.

Collections on ledger investments made during the year ended 30 June 2021, have produced liquidations that closely resemble pre-COVID-19 expectations. As a result of these outcomes, no additional impairment allowance was taken up against the carrying value of the PDL assets as at 30 June 2021.

After high levels of prepayment in the first quarter of the year ended 30 June 2021, the consumer loan book grew back as demand increased and credit settings were adjusted back to pre-COVID-19 levels. This mirrored the reduction in some government and private stimulus measures following the peak September quarter.

Arrears and losses on the consumer loan book were at record low levels during the year. Despite this, new loans were still provided for at pre-COVID-19 levels resulting in the provision for losses increasing to 26.5 per cent of the pre-provision carrying value of the loan book. The assumption is that this phenomenon is temporary and that the additional loan provision will be absorbed as more normal economic conditions resume.

Staff have worked flexibly between remote and office-based work across all jurisdictions based on local health regulations and best practice. There has been no discernible loss of efficiency or effectiveness as a result of the adoption of remote work.

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 2019-1 Amendments to Australian Accounting Standards – References to the Conceptual Framework

AASB 2018-6 Amendments to Australian Accounting Standards – Definition of a Business

AASB 2018-7 Amendments to Australian Accounting Standards – Definition of Material

AASB 2019-5 Amendments to Australian Accounting Standards – Disclosure of the Effect of New IFRS Standards Not Yet Issued in Australia

AASB 2020-4 Amendments to Australian Accounting Standards – COVID-19-related Rent Concessions

The adoption of these Accounting Standards and Interpretations did not have any significant impact on the profit or loss or financial position of the Group.

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 and New Zealand.

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 2021				
Segment revenue				
External revenue	**219,446**	**76,454**	**78,886**	**374,786**
Segment result				
Segment profit	**93,101**	**26,266**	**23,345**	**142,712**
Finance costs				**(5,932)**
Depreciation and amortisation expense				**(10,838)**
Profit before income tax expense				**125,942**
Income tax expense				**(37,812)**
Profit after income tax expense				**88,130**
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

b) Geographical information

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

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:

	2021 $'000	2020 $'000
PDL interest revenue	**266,843**	255,320
PDL change in lifetime expected credit losses	—	(68,576)
Interest and fee income from consumer lending	**78,886**	99,445
Other interest received	**134**	215
Other income	**28,923**	26,999
Total	**374,786**	313,403

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 recognised directly 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.

NOTE 5: INCOME TAX continued

Components of the tax balances are detailed below:

	2021 $'000	2020 $'000
a) income tax expense		
Current tax	**(42,014)**	(32,948)
Deferred tax	**4,222**	26,193
(Under provision) / over provision in respect of prior years	**(20)**	49
Total	**(37,812)**	(6,706)
b) Reconciliation between tax expense and pre-tax accounting profit		
Profit for the year	**125,942**	22,160
Prima facie tax payable on profit from ordinary activities before income tax at 30% (2020: 30%)	**(37,783)**	(6,648)
Difference in overseas tax rate	**151**	41
Tax effect of amounts that are not (deductible) taxable in calculating taxable income:		
Other non-deductible items	**(160)**	(148)
	(37,792)	(6,755)
(Under provision) / overprovision in respect of prior years	**(20)**	49
Income tax expense	**(37,812)**	(6,706)
Applicable weighted average effective tax rates (%)	**30%**	30%
c) Tax assets and liabilities		
Current tax assets		
Tax receivable	**—**	4,254
Non-current tax assets		
Deferred tax assets	**67,782**	64,277
Total	**67,782**	68,531
Current tax liabilities		
Tax liabilities	**7,934**	—
Non-current liabilities		
Deferred tax liabilities	**8,006**	8,723
Total	**15,940**	8,723

NOTE 5: INCOME TAX continued

	Assets		Liabilities		Net	
	2021 $'000	2020 $'000	**2021 $'000**	2020 $'000	**2021 $'000**	2020 $'000
Deferred tax assets and liabilities are attributable to:						
Provision for employee benefits	**3,211**	4,815	**—**	—	**3,211**	4,815
ROU assets	**—**	—	**(6,476)**	(8,261)	**(6,476)**	(8,261)
Lease liabilities	**7,336**	8,891	**—**	—	**7,336**	8,891
Provision for impairment of trade receivables	**29**	29	**—**	—	**29**	29
Provision for expected credit losses	**14,607**	13,081	**—**	—	**14,607**	13,081
Accruals on wages and bonuses	**118**	44	**—**	—	**118**	44
Accruals on employee share plan	**2,040**	750	**—**	—	**2,040**	750
Difference between accounting and tax depreciation	**904**	(209)	**—**	—	**904**	(209)
Onerous forward purchasing contract provision	**45**	3,545	**—**	—	**45**	3,545
Acquired on business combination	**—**	15,135	**—**	—	**—**	15,135
US PDL change in lifetime ECL	**14,278**	8,014	**—**	—	**14,278**	8,014
Other accruals not tax deductible until expense incurred	**25,214**	10,182	**(1,530)**	(462)	**23,684**	9,720
Net tax assets	**67,782**	64,277	**(8,006)**	(8,723)	**59,776**	55,554

	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 2021				
Provision for employee benefits	**4,815**	**(1,604)**	**—**	**3,211**
ROU assets	**(8,261)**	**1,785**	**—**	**(6,476)**
Lease liabilities	**8,891**	**(1,555)**	**—**	**7,336**
Provision for impairment of trade receivables	**29**	**—**	**—**	**29**
Provision for expected credit losses	**13,081**	**1,526**	**—**	**14,607**
Accruals on wages and bonuses	**44**	**74**	**—**	**118**
Accruals on employee share plan	**750**	**1,290**	**—**	**2,040**
Difference between accounting and tax depreciation	**(209)**	**1,113**	**—**	**904**
Onerous forward purchasing contract provision	**3,545**	**(3,500)**	**—**	**45**
Acquired on business combination	**15,135**	**(15,135)**	**—**	**—**
US PDL change in lifetime ECL	**8,014**	**6,264**	**—**	**14,278**
Other accruals not tax deductible until expense incurred	**9,720**	**13,964**	**—**	**23,684**
Total	**55,554**	**4,222**	**—**	**59,776**

	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 assets	—	(8,261)	—	(8,261)
Lease liabilities	—	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**

NOTE 6: EARNINGS PER SHARE

	2021	2020
Basic earnings per share (cents)	**130.9**	25.5
Diluted earnings per share (cents)	**129.9**	25.5
Weighted average number of ordinary shares – basic ('000)	**67,316**	60,668
Add: Adjustment for calculation of diluted earnings per share (performance rights) ('000)	**517**	–
Weighted average number of ordinary shares at 30 June – diluted ('000)	**67,833**	60,668

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.

NOTE 7: DIVIDENDS PAID AND PROPOSED

	Cents per share	Total $'000	Franked / unfranked	Date of payment
The following dividends were declared and paid by the Group:				
Year ended 30 June 2021				
Interim 2021 ordinary	**36.0**	**24,221**	**Franked**	**12 Mar 2021**
Total		**24,221**		
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		

After 30 June 2021 the following dividends were proposed by the directors. The dividends have not been provided for and there are no income tax consequences.

	Cents per share	Total $'000	Franked / unfranked	Date of payment
Final 2021 ordinary	36.0	24,221	Franked	10 Sep 2021

	2021 $'000	2020 $'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	**164,367**	139,682
Subsequent to year-end, the franking account would be reduced by the proposed dividend	**(10,380)**	–
Total	**153,987**	139,682

NOTE 8: CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise bank deposits with maturities of less 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.

	2021 $'000	2020 $'000
Cash and cash equivalents	**61,677**	48,660

The cash and cash equivalents as at end of 30 June 2021 includes $6 million (2020: $6.5 million) of cash held on behalf of clients.

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.

	2021 $'000	2020 $'000
Current		
Trade receivables	**4,326**	4,628
Less: Provision for impairment	**(71)**	(95)
	4,255	4,533
Other receivables	**11,307**	1,908
Less: Provision for impairment	**(31)**	(8)
	11,276	1,900
Total	**15,531**	6,433

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.

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 2021 and 30 June 2020. 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 the 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 2021					
Expected loss rate	**0%**	**0%**	**0%**	**100%**	
Gross carrying amount	**13,788**	**1,405**	**338**	**102**	**15,633**
Provision for impairment	**—**	**—**	**—**	**(102)**	**(102)**
Net carrying amount	**13,788**	**1,405**	**338**	**—**	**15,531**
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

The fair value of the trade and other receivables is $15.5 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:

	2021 $'000	2020 $'000
Lifetime expected credit loss		
Opening balance	**(103)**	(109)
Decrease in loss allowance recognised in profit or loss during the year	**1**	6
Closing balance	**(102)**	(103)

No trade receivables are recognised at balance date that are past due and deemed impaired. The Group has provided a loss allowance of $0.071 million at reporting date (2020: $0.095 million).

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 24 per cent of the gross loan book to 27 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.

	2021 $'000	2020 $'000
Current		
Consumer loans receivables	**129,146**	129,958
Less: Provision for expected credit losses	**(33,332)**	(30,210)
	95,814	99,748
Non-current		
Consumer loans receivables	**54,774**	50,951
Less: Provision for expected credit losses	**(15,416)**	(13,392)
	39,358	37,559
Total	**135,172**	137,307

Provision for expected credit losses		
Movement in the provision for expected credit losses		
Opening balance	**(43,602)**	(39,641)
Net movement for the year	**(5,146)**	(3,961)
Closing balance	**(48,748)**	(43,602)

Loan book arrears performance management

The arrears composition of the loan products is monitored closely to ensure that there is no significant increased delinquency which may indicate that future losses could be greater than the pro-forma benchmarks. With payments being made on the loan book weekly, fortnightly and monthly by customers, monitoring the collections and changes in arrears compositions provides a timely lead indicator of changes in the credit risk of the loan book based on the real-time data provided. At present the 30 plus day arrears have maintained below pro-forma as a result of customers prioritising debt repayments.

Sensitivity analysis

The Group performed sensitivity analysis to assess the impact of changing loss allowance for expected credit loss balances compared to the carrying value of the loss allowance. The variance across the various scenarios is immaterial.

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 the Group's exposure to credit risk.

	2021 $'000	2020 $'000
Current	**234,856**	168,356
Non-current	**232,465**	254,264
Total	**467,321**	422,620

	2021 $'000	2020 $'000
Debt ledger balance movement		
Opening balance	**422,620**	414,122
PDLs acquired as part of Baycorp acquisition	—	70,118
Other PDL investments	**293,115**	244,438
Amortisation	**(225,295)**	(233,020)
Realisation of onerous forward contract provision	**(11,656)**	—
Foreign currency revaluation	**(11,463)**	(4,282)
Impairment due to COVID-19	—	(68,756)
Total	**467,321**	422,620

The Australian and New Zealand collections outcomes (liquidations) realised from the starting book closely tracked the ingoing expectations which were reflected by the impairment allowance which was booked in the year ended 30 June 2020. The majority of this impairment was attributable to assets purchased just before and during the start of the COVID-19 pandemic due to the reduced ability to agree new repayment plans at that stage.

Collections on ledger investments made during the year ended 30 June 2021, have produced liquidations that closely resemble pre-COVID-19 expectations. As a result of these outcomes, no additional impairment allowance was taken up against the carrying value of the PDL assets as at 30 June 2021.

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

Sensitivity analysis

The Group performed sensitivity analysis on PDL carrying value by analysing the trend of asset carrying value changes impacted by the increase or decrease in future collections over the six-year period. The result shows that the change in asset carrying value is relatively the same ratio as the change in future collections.

NOTE 12: OTHER ASSETS

	2021 $'000	2020 $'000
Prepayments	**3,227**	3,060
Inventory	**396**	448
Total	**3,623**	3,508

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 property, 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 2021				
Opening balance	**12,222**	**4,979**	**9,359**	**26,560**
Additions	**846**	**145**	**1,792**	**2,783**
Revaluation	**370**	**(4)**	**(8)**	**358**
Reclassification	**(56)**	**—**	**56**	**—**
Closing balance	**13,382**	**5,120**	**11,199**	**29,701**
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
b) Accumulated depreciation or amortisation				
Year ended 30 June 2021				
Opening balance	**(9,722)**	**(2,972)**	**(7,261)**	**(19,955)**
Revaluation	**(389)**	**(2)**	**(5)**	**(396)**
Depreciation / amortisation for the year	**(1,295)**	**(814)**	**(739)**	**(2,848)**
Closing balance	**(11,406)**	**(3,788)**	**(8,005)**	**(23,199)**
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)
Depreciation / amortisation for the year	(1,396)	(716)	(1,535)	(3,647)
Disposals	2,567	2,154	1,578	6,299
Closing balance	(9,722)	(2,972)	(7,261)	(19,955)
c) Carrying amounts				
At 1 July 2020	**2,500**	**2,007**	**2,098**	**6,605**
At 30 June 2021	**1,976**	**1,332**	**3,194**	**6,502**
At 1 July 2019	1,433	222	2,446	4,101
At 30 June 2020	2,500	2,007	2,098	6,605

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.

The Group recognises leases as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use. Each lease payment is allocated between the liabilities and finance cost. The finance cost is charged to the 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;

— Initial direct costs incurred;

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

— Restoration costs.

	2021 $'000	2020 $'000
Opening balance / initial recognition on adoption of AASB16	**27,782**	**10,884**
Additions through business combination	—	2,511
Additions – other	**3,742**	22,030
Depreciation charge	**(7,990)**	(7,211)
Transfer to finance lease receivables	**(1,155)**	(426)
Effects on exchange rate changes	**(596)**	47
Disposals	—	(53)
Closing balance	**21,783**	27,782
Cost	**30,803**	35,224
Accumulated depreciation	**(9,020)**	(7,442)
Closing balance	**21,783**	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 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.

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.

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.

	2021 $'000	2020 $'000
Current lease liabilities	**7,067**	7,640
Non-current lease liabilities	**17,607**	21,996
Closing balance	**24,674**	29,636

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

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

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 less. Low-value assets mainly comprise IT and office equipment.

NOTE 15: FINANCE LEASE RECEIVABLES

The Group has entered into two more lease arrangements (previously one in FY2020) 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:

	2021 $'000	2020 $'000
Current	**756**	170
Non-Current	**303**	234
Closing balance	**1,059**	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:

	2021 $'000	2020 $'000
Less than 1 year	**785**	176
1 to 2 years	**331**	176
2 to 3 years	**—**	103
Total undiscounted lease payment receivable	**1,116**	455
Unearned finance income	**(57)**	(51)
Net investment in the lease	**1,059**	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.

	2021 $'000	2020 $'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 2021 and 2020 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 2021 (2020: nil).

NOTE 17: TRADE AND OTHER PAYABLES

	2021 $'000	2020 $'000
Current		
Unsecured liabilities		
Trade payables	**8,123**	1,428
Employee-related accruals	**3,997**	11,761
Other payables and accruals	**26,907**	14,783
Total	**39,027**	27,972

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

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 were re-negotiated to reflect the reduced collections outlook as a consequence of COVID-19. The provision balance represents the portion that extends beyond 30 June 2021.

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 of 30 June 2021, $6.9 million of the $15.8 million provision taken up on 16 August 2019 had not been utilised.

	2021 $'000	2020 $'000
Current		
Employee benefits	**15,760**	14,528
Onerous forward purchasing contract provision	**160**	11,816
Restructuring provision	**3,482**	4,572
Other provisions	**110**	–
	19,512	30,916
Non-current		
Employee benefits	**6,200**	1,523
Restructuring provision	**3,434**	5,810
Other provisions	**1,792**	1,440
	11,426	8,773
Total	**30,938**	39,689

NOTE 18: PROVISIONS continued

	Employee benefits $'000	Onerous forward purchasing contract provision $'000	Restructuring provision $'000	Other provisions $'000	Total $'000
Year ended 30 June 2021					
Opening balance	**16,051**	**11,816**	**10,382**	**1,440**	**39,689**
Reclassification	**(377)**	**—**	**—**	**377**	**—**
Additional provisions	**37,490**	**—**	**—**	**85**	**37,575**
Amounts used	**(31,204)**	**(11,656)**	**(3,466)**	**—**	**(46,326)**
Closing balance	**21,960**	**160**	**6,916**	**1,902**	**30,938**
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)	—	(5,430)	—	(24,587)
Closing balance	16,051	11,816	10,382	1,440	39,689

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.

	2021 Facility limit $'000	2021 Carrying amount $'000	2020 Facility limit $'000	2020 Carrying amount $'000
Bank loan facilities	**312,000**	**3,608**	375,000	22,420
Total	**312,000**	**3,608**	375,000	22,420

The Group has a corporate 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 $212 million and expires in March 2024 and March 2025. 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 $440 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.

All undertakings under the bank loan facilities, including the TNW and LVR requirements, were complied with during the year ended 30 June 2021.

NOTE 20: CASH FLOW INFORMATION

	2021 $'000	2020 $'000
a) Reconciliation of cash flow from operations with profit after income tax		
Cash flows from operating activities		
Profit for the year	**88,130**	15,454
Non-cash items in profit and loss		
– Foreign currency revaluation	**(349)**	14
– Depreciation and amortisation	**10,838**	10,905
– Share based payments	**7,000**	2,500
– Amortisation of borrowing cost	**1,551**	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	**32,891**	46,209
(Increase) / decrease in assets		
– Trade and other receivables	**(15,873)**	(223)
– Consumer loans receivables	**(24,062)**	(11,883)
– Purchased debt ledgers	**(52,465)**	(13,465)
– Finance lease receivables	**307**	–
– Other assets	**(107)**	956
– Deferred tax assets	**(1,121)**	(16,447)
Increase / (decrease) in liabilities		
– Trade and other payables	**11,054**	6,240
– Tax provision	**12,315**	(18,737)
– Provisions	**(1,602)**	5,631
– Deferred tax liability	**(799)**	6,218
Net cash inflow from operating activities	**67,726**	115,646

b) Non-cash investing and financing activities

The Group did not make a dividend reinvestment plan (DRP) offer in the current year (2020: 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).

	Borrowings $'000	Leases $'000	Total $'000
Debt as at 1 July 2020	**22,420**	**29,636**	**52,056**
Cash flows	**(19,944)**	**(7,907)**	**(27,851)**
Acquisition of leases	**–**	**3,742**	**3,742**
Reclassification	**–**	**(197)**	**(197)**
Foreign exchange movements	**(419)**	**(600)**	**(1,019)**
Amortisation of borrowing cost	**1,551**	**–**	**1,551**
Closing balance as at 30 June 2021	**3,608**	**24,674**	**28,282**
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 of leases	–	21,570	21,570
Acquisition through business combination	–	2,824	2,824
Foreign exchange movements	2,971	–	2,971
Amortisation of borrowing cost	1,136	–	1,136
Closing balance as at 30 June 2020	22,420	29,636	52,056

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.

	2021 $'000	2020 $'000
Issued capital		
Opening balance	**346,738**	193,700
Shares issued during the year	—	153,038
Total	**346,738**	346,738

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.

	2021 '000	2020 '000
Number of fully paid ordinary shares		
On issue at 1 July	**67,316**	54,918
Shares issued during the year:		
— Institutional placement	—	9,600
— Share purchase plan	—	2,798
On issue at 30 June	**67,316**	67,316

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

NOTE 22: RESERVES

	2021 $'000	2020 $'000
Share based payment reserve	**18,340**	15,840
Foreign currency translation reserve	**6,623**	179
Total	**24,963**	16,019

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 on pages 55 and 56, 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 the controlled foreign subsidiaries.

NOTE 23: BUSINESS COMBINATION

There was no business acquisition during the financial year ended 30 June 2021.

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 complemented the Group's existing operations.

Comparatives include assets and liabilities recognised as a result of the acquisition are as follows:

	2021 $'000	2020 $'000
Cash and cash equivalents	–	3,757
Trade and other receivables	–	3,902
Other current assets	–	1,194
Right-of-Use assets	–	2,511
Property, plant and equipment	–	5,234
Purchased debt ledgers	–	70,118
Deferred tax assets	–	17,641
Trade and other payables	–	(8,106)
Provisions – current	–	(2,317)
Lease liabilities	–	(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

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	2021 $'000	2020 $'000
Financial assets			
Cash and cash equivalents	8	**61,677**	48,660
Trade and other receivables	9	**15,531**	6,433
Current tax receivable	5	–	4,254
Consumer loans receivables	10	**135,172**	137,307
Purchased debt ledgers	11	**467,321**	422,620
Total		**679,701**	619,274
Financial liabilities			
Trade and other payables	17	**39,027**	27,972
Current tax liabilities	5	**7,934**	–
Borrowings	19	**3,608**	22,420
Total		**50,569**	50,392

NOTE 24: FINANCIAL RISK MANAGEMENT continued

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 have the potential to impact the Group's financial results. The Group adopts a hedging strategy to hedge the revaluation of foreign currency denominated assets and liabilities to minimise the impact of these revaluations on earnings.

As a result, 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	2021 $'000	2020 $'000	2021 $'000	2020 $'000	2021 $'000	2020 $'000	2021 $'000	2020 $'000
Financial assets									
Cash and cash equivalents	8	—	—	**61,677**	48,660	—	—	**61,677**	48,660
Trade and other receivables	9	—	—	—	—	**15,531**	6,433	**15,531**	6,433
Current tax receivable	5	—	—	—	—	—	4,254	—	4,254
Consumer loans receivables	10	**135,172**	137,307	—	—	—	—	**135,172**	137,307
Purchased debt ledgers	11	**467,321**	422,620	—	—	—	—	**467,321**	422,620
Total		**602,493**	559,927	**61,677**	48,660	**15,531**	10,687	**679,701**	619,274
Financial liabilities									
Trade and other payables	17	—	—	—	—	**39,027**	27,972	**39,027**	27,972
Current tax liabilities	5	—	—	—	—	**7,934**	—	**7,934**	—
Borrowings	19	—	—	**3,608**	22,420	—	—	**3,608**	22,420
Total		—	—	**3,608**	22,420	**46,961**	27,972	**50,569**	50,392

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.

	2021 $'000	2020 $'000
Change in net profit after tax		
Increase in interest rates by two percentage points	**(51)**	(314)
Decrease in interest rates by two percentage points	**51**	314
Change in equity		
Increase in interest rates by two percentage points	**(51)**	(314)
Decrease in interest rates by two percentage points	**51**	314

NOTE 24: FINANCIAL RISK MANAGEMENT continued

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	2021 $'000	2020 $'000	2021 $'000	2020 $'000	2021 $'000	2020 $'000	2021 $'000	2020 $'000
Non-derivative financial liabilities									
Trade and other payables	17	**39,027**	27,972	**—**	—	**—**	—	**39,027**	27,972
Current tax liabilities	5	**7,934**	—	**—**	—	**—**	—	**7,934**	—
Borrowings	19	**—**	—	**—**	16,096	**3,608**	6,324	**3,608**	22,420
Total		**46,961**	27,972	**—**	16,096	**3,608**	6,324	**50,569**	50,392

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	2021 $'000	2020 $'000
Cash and cash equivalents	8	**61,677**	48,660
Trade and other receivables	9	**15,531**	6,433
Current tax receivable	5	**—**	4,254
Consumer loans receivables	10	**135,172**	137,307
Purchased debt ledgers	11	**467,321**	422,620
Total		**679,701**	619,274
AA-rated counterparties		**62,522**	53,398
Counterparties not rated		**617,179**	565,876
Total		**679,701**	619,274

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

	2021 $'000	2020 $'000
Government	**80**	4,266
Banks	**62,442**	49,132
Other	**617,179**	565,876
Total	**679,701**	619,274

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 2020:

— 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 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 2021 and 30 June 2020 are as follows:

	Note	2021 $'000	2020 $'000
Borrowings	19	**3,608**	22,420
Less: Cash and cash equivalents	8	**(61,677)**	(48,660)
Net debt / (cash)		**(58,069)**	(26,240)
Total consumer loans receivables and PDLs		**602,493**	559,927
Gearing ratio		**—**	—

NOTE 26: SUBSIDIARIES

Interests in subsidiaries are:

	Country of incorporation	Percentage owned 2021	Percentage owned 2020
Alpha Credit Pty Limited	Australia	**100**	100
Alupka Holdings Pty Limited	Australia	**100**	100
Alliance Factoring Pty Limited	Australia	**100**	100
BC Holdings I Pty Limited	Australia	**100**	100
BC Holdings II Pty Limited	Australia	**100**	100
Baycorp (Aust) Pty Limited	Australia	**100**	100
Baycorp (NZ) Limited	New Zealand	**100**	100
Baycorp (WA) Pty Limited	Australia	**100**	100
Baycorp Collection Services Pty Limited	Australia	**100**	100
Baycorp Collection Services (Aust) Pty Limited	Australia	**100**	100
Baycorp Group Finance Pty Limited	Australia	**100**	100
Baycorp Holdings Pty Limited	Australia	**100**	100
Baycorp Holdings (NZ) Limited	New Zealand	**100**	100
Baycorp Legal Pty Limited	Australia	**100**	100
Baycorp International Branch	Philippines	**100**	100
Baycorp International Pty Limited	Australia	**100**	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
Credit Corp Australia Pty Limited	Australia	**100**	100
Credit Corp BC AU Pty Ltd	Australia	**100**	100
Credit Corp Baycorp Holdings I Pty Limited	Australia	**100**	100
Credit Corp Baycorp Holdings II Pty Limited	Australia	**100**	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

NOTE 26: SUBSIDIARIES continued

	Country of incorporation	Percentage owned 2021	Percentage owned 2020
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**	100
Credit Corp Management (NZ) Limited	New Zealand	**100**	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**	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

NOTE 27: CONTINGENT LIABILITIES

The Group had contingent liabilities in respect of:

	2021 $'000	2020 $'000
US collections agency licensure bonds [1]	**2,036**	2,111
Collection House out-performance participation (maximum amount payable) [2]	**15,000**	–
Total	**17,036**	2,111

1. Licensure bonds are issued in the normal course of business to the State Board of Collection Agencies in the United States to guarantee that collected funds are remitted to clients under contracts.
2. On 24 December 2020, Credit Corp entered into a binding agreement with Collection House to acquire their Australian PDL book. Under the terms of the transaction, Collection House is eligible to receive a proportion of cumulative collections, up to a maximum of $15 million, over an eight-year period, if the acquired assets produce returns well in excess of, the Group's hurdle investment return.

NOTE 28: CAPITAL COMMITMENTS

	2021 $'000	2020 $'000
Within one year	**150,000**	85,750

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 $150 million (2020: $85.8 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.

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:

	2021 $	2020 $
Short-term employee benefits	**3,338,299**	2,041,921
Post-employment benefits	**126,017**	126,345
Other long-term benefits	**25,343**	20,569
Equity-settled share based payments	**2,100,000**	–
Total	**5,589,659**	2,188,835

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.

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.

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 those inputs.

Performance rights are eligible for conversion and vesting based on achievement of performance hurdles. Please refer to the remuneration report for further details on the Group's LTI plan.

NOTE 33: AUDITOR'S REMUNERATION

	2021 $	2020 $
Audit services		
Audit and review of financial reports	**335,000**	247,000
Services other than statutory audit		
Taxation compliance services	**109,400**	44,810
Taxation services in relation to PDL acquisition from Collection House	**22,045**	–
Taxation services in relation to business acquisition	**–**	37,092
Total	**466,445**	328,902

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

NOTE 34: CROSS GUARANTEE continued

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.

	2021 $'000	2020 $'000
a) Statement of profit or loss		
Revenue	**290,920**	252,242
Finance costs	**(5,650)**	(10,655)
Employee benefits expense	**(100,283)**	(98,872)
Depreciation and amortisation expenses	**(7,912)**	(7,092)
Office facility expenses	**(12,611)**	(12,729)
Collection expenses	**(8,781)**	(16,311)
Consumer loans loss provision expense	**(32,331)**	(35,454)
Marketing expenses	**(8,144)**	(10,191)
Other expenses	**(4,653)**	(5,238)
Profit before income tax expense	**110,555**	55,700
Income tax expense	**(38,542)**	(16,710)
Profit for the year	**72,013**	38,990
b) Other comprehensive income		
Profit for the year	**72,013**	38,990
Other comprehensive income net of income tax	**—**	—
Total comprehensive income for the year	**72,013**	38,990
c) Movements in retained earnings		
Opening balance	**270,205**	270,729
Dividends recognised during the year	**(24,221)**	(39,514)
Net profit attributable to parties in the Deed of Cross Guarantee	**72,013**	38,990
Closing balance	**317,997**	270,205

NOTE 34: CROSS GUARANTEE continued

	2021 $'000	2020 $'000
d) Statement of financial position		
Current assets		
Cash and cash equivalents	**33,186**	37,280
Trade and other receivables	**12,461**	299,511
Consumer loans receivables	**94,315**	98,231
Purchased debt ledgers	**141,695**	161,432
Finance lease receivables	**756**	–
Other assets	**2,967**	3,157
Total current assets	**285,380**	599,611
Non-current assets		
Consumer loans receivables	**39,358**	37,560
Purchased debt ledgers	**143,437**	69,851
Plant and equipment	**2,912**	4,028
Deferred tax assets	**41,812**	52,192
Intangible assets	**800**	800
Investment in subsidiaries	**252,686**	–
Finance lease receivables	**303**	–
ROU assets	**15,086**	19,548
Total non-current assets	**496,394**	183,979
Total assets	**781,774**	793,590
Current liabilities		
Trade and other payables	**28,698**	32,927
Current tax liabilities	**4,830**	–
Provisions	**17,919**	15,582
Lease liabilities	**5,033**	4,976
Total current liabilities	**56,480**	53,485
Non-current liabilities		
Borrowings	**3,608**	22,420
Provisions	**11,038**	26,123
Deferred tax liabilities	**11,602**	8,317
Lease liabilities	**5,514**	15,825
Total non-current liabilities	**31,762**	72,685
Total liabilities	**88,242**	126,170
Net assets	**693,532**	657,420
Equity		
Issued capital	**346,738**	346,738
Reserves	**28,797**	40,477
Retained earnings	**317,997**	270,205
Total equity	**693,532**	657,420

NOTE 35: PARENT ENTITY INFORMATION

	2021 $'000	2020 $'000
a) Statement of comprehensive income		
Profit for the year	**27,564**	36,989
Other comprehensive income net of income tax	**—**	—
Total comprehensive income for the year	**27,564**	36,989
b) Statement of financial position		
Assets		
Current assets	**358,460**	519,696
Non-current assets	**246,452**	156,650
Total assets	**604,912**	676,346
Liabilities		
Current liabilities	**40,261**	87,521
Non-current liabilities	**29,828**	61,912
Total liabilities	**70,089**	149,433
Net assets	**534,823**	526,913
Equity		
Issued capital	**346,738**	346,738
Reserves	**20,586**	16,019
Retained earnings	**167,499**	164,156
Total equity	**534,823**	526,913

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 (2020: nil).

Directors' declaration

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

1) The financial statements and notes, as set out on pages 58 to 90 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 2021 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.
2) 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.
3) 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.

ERIC DODD
Chairman

3 August 2021

DONALD MCLAY
Non-Executive Director

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 ENTITIES

SYDNEY
Level 40
2 Park Street
Sydney NSW 2000
Australia
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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 2021, the consolidated statement income statement, consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the 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 2021 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* has been given to the directors of the company.

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 2021. 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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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 ENTITIES

1. Carrying value of purchased debt ledgers ($467 Million)

Refer to Note 11 Purchased Debt Ledgers

The carrying value of purchased debt ledgers is mainly dependent on the forecast 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 assessed and performed appropriate procedures on the valuation models used to determine the PDL carrying value including reviewing the relevant data and calculations that produce the associated journals and also tested the mathematical accuracy of the models.

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

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

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

2. Provision for expected losses on the consumer loans ($48.7 Million)

Refer to Note 10 Consumer Loans Receivables

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

Past arrears and write-offs are analysed to determine an expected loss curve by product which is used to determine the estimated life of loan expected loss levels to be provided against each product. Levels of provisions are reviewed and updated for the most recent expected life of loan loss estimates at each reporting date.

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

Our procedures included, amongst others:

We have tested the mathematical accuracy of the arrears model.

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

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

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 ENTITIES

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 2021, but does not include the financial report and the auditor's report thereon.

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

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

If, based on the work we have performed, we conclude that there is a material misstatement of 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.

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 ENTITIES

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.

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 ENTITIES

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 46 to 56 of the directors' report for the year ended 30 June 2021.

In our opinion the remuneration report of Credit Corp Group Limited for the year ended 30 June 2021 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
Sydney NSW 2000

S Kumar

SANDEEP KUMAR
Partner
Dated: 3 August 2021

Five-year financial summary

	2021 $'000	2020 $'000	2019 $'000	2018 $'000	2017 $'000
Income and profit					
Purchased debt ledger collections	**492,138**	488,340	403,794	380,901	355,674
Less: Purchased debt ledger amortisation	**(225,295)**	(233,020)	(183,789)	(173,329)	(166,100)
PDL change in lifetime expected credit losses	—	(68,576)	—	—	—
Interest revenue from purchased debt ledgers	**266,843**	186,744	220,005	207,572	189,574
Interest and fee income from consumer lending	**78,886**	99,445	93,839	79,259	66,374
Other revenue	**29,057**	27,214	10,410	12,147	9,999
Total revenue	**374,786**	313,403	324,254	298,978	265,947
NPAT	**88,130**	15,454	70,285	64,290	55,158
Financial position					
Current assets	**412,257**	331,129	304,375	281,196	216,855
Non-current assets	**368,193**	390,721	344,296	284,725	293,812
Intangible assets	**800**	800	800	800	800
Total assets	**781,250**	722,650	649,471	566,721	511,467
Current liabilities	**73,540**	66,528	40,573	48,859	49,851
Non-current liabilities	**40,647**	61,912	145,296	231,359	213,867
Total liabilities	**114,187**	128,440	185,869	280,218	263,718
Net assets	**667,063**	594,210	463,602	286,503	247,749
Borrowings	**3,608**	22,420	142,702	227,888	209,613
Shares on issue ('000)	**67,316**	67,316	54,918	47,709	47,353
Cash flows					
From operating activities	**67,726**	115,646	(3,083)	23,934	(37,204)
From investing activities	**(2,783)**	(70,860)	(1,894)	(1,481)	(1,261)
From financing activities	**(52,072)**	(18,835)	11,670	(12,543)	42,029
Net increase / (decrease) in cash	**12,871**	25,951	6,693	9,910	3,564
Key statistics					
Earnings per share					
— Basic (cents)	**130.9**	25.5	141.9	135.1	116.8
— Diluted (cents)	**129.9**	25.5	141.2	133.7	114.7
Dividends per share (cents)	**72.0**	36.0	72.0	67.0	58.0
NPAT / revenue	**24%**	5%	22%	22%	21%
ROE	**14%**	3%	21%	24%	24%
NTA backing per share (cents)	**957.4**	840.3	842.7	598.8	521.5

Shareholder information

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

Twenty largest shareholders as at 30 June 2021	Ordinary shares Number	%
Citicorp Nominess Pty Limited	16,759,360	24.9
J P Morgan Nominees Australia Pty Limited	10,904,020	16.2
HSBC Custody Nominees (Australia) Limited	9,570,315	14.2
National Nominees Limited	4,008,920	6.0
BNP Paribas Noms Pty Limited	2,546,522	3.8
BNP Paribas Nominees Pty Limited	2,513,309	3.7
Dixson Trust Pty Limited	854,688	1.3
Netwealth Investments Limited	552,248	0.8
152 Pty Limited	492,572	0.7
Torres Industries Pty Limited	331,908	0.5
Uptons Salvage Trading Pty Limited	305,977	0.5
DB18 Pty Limited	200,000	0.3
Nagarit Pty Limited	183,666	0.3
HSBC Custody Nominees	143,838	0.2
Mr Frederick Benjamin Warmbrand	142,930	0.2
Mr Donald Evan McLay	140,289	0.2
Broadgate Investments Pty Limited	135,000	0.2
Torres Holdings Pty Limited	133,540	0.2
Investment Custodial Services Limited	127,064	0.2
Marich Nominees Pty Limited	108,716	0.2
Total	**50,154,882**	**74.6**

Substantial shareholders

At 30 June 2021 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
AustralianSuper Pty Limited	4,117,075	6.1	24 June 2021

Details of ordinary shareholdings

Details of the spread of ordinary shareholdings at 30 June 2021 are:

Category	Number of shareholders	Number of shares	%
1 – 1,000	8,903	2,636,484	3.92
1,001 – 5,000	2,423	5,333,315	7.92
5,001 – 10,000	369	2,611,181	3.88
10,001 – 100,000	311	6,960,148	10.34
100,001 and over	26	49,774,639	73.94
Total	**12,032**	**67,315,767**	**100.00**

300 shareholders (representing 1,383 fully paid ordinary shares) held less than a marketable parcel.

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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INTRODUCTION HIGHLIGHTS ABOUT US OUR BUSINESS CHAIRMAN'S REPORT CEO'S REPORT BOARD REVIEW OF OPERATIONS OUR PEOPLE STORIES SUSTAINABILITY CGS DIRECTORS' REPORT FINANCIAL STATEMENTS OTHER

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.
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
Ms Trudy Vonhoff
Mr Phillip Aris

Company Secretaries

Mr Thomas Beregi
Mr Michael Eadie

Head office and registered office

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Credit Corp Group