



RESIMAC GROUP LTD

Financial Report

for the year ended 30 June 2021

ABN: 55 095 034 003

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DIRECTORS' REPORT

DIRECTORS' REPORT

RESIMAC GROUP LTD AND ITS CONTROLLED ENTITIES

The Directors of Resimac Group Ltd ("Resimac" or "the Company") and its controlled entities ("the Group") submit herewith the financial report for the financial year ended 30 June 2021. In order to comply with the provisions of the *Corporations Act 2001*, the Directors' Report as follows:

Information about the Directors

Names and particulars of the Directors of the Company during or since the end of the financial year are:

Mr Warren McLeland

Chairman since February 2020, Non-Executive Director

Warren is a former stockbroker and investment banker with over 35 years of experience in domestic and international financial services. In addition, Warren acts as an adviser in funds management and business strategy to companies operating in the Asia Pacific region. Warren is the former Executive Chairman of Resimac Limited.

Other listed directorships (last three years)

- Chairman of Thorn Group Limited (since October 2019, Director since August 2019)
- Former Chairman of Somers Limited incorporated in Bermuda (resigned February 2021)
- Former non-executive director of UIL Limited (resigned September 2019)

Special responsibilities

- Chairman of Resimac Group Ltd (since February 2020)
- Chairman of the Risk and Compliance Committee (since February 2017)
- Member of the Remuneration and Nomination Committee (since November 2016)
- Member of the Audit Committee (since August 2017)

Mrs Susan Hansen

Independent Non-Executive Director since October 2016

Susan is a Chartered Accountant and holds a Bachelor of Commerce degree and an MBA from the University of Cape Town. Susan has 35 years of experience including a Big Four Accounting firm and an investment bank (financial analysis and risk assessment). Susan is a Principal of a financial training organisation based in New Zealand.

Other listed directorships (last three years)

- Non-Executive director of Utilico Emerging Markets Limited (since September 2013)

Special responsibilities

- Chair of the Audit Committee (since November 2016)
- Member of the Remuneration and Nomination Committee (since November 2016)
- Member of the Risk and Compliance Committee (since November 2016)
- Member of the Technology, Digital and Innovation Committee (appointed April 2021)
- Chair of Resimac NZ Home Loans Limited (since May 2012)

Mr Wayne Spanner

Independent Non-Executive Director since February 2020

Wayne is currently the Global Chief Strategic Alignment, Innovation and People Officer of Norton Rose Fulbright. He was previously the Managing Partner of the Australian firm from 2012 to 2020. Wayne has extensive experience in executive management and corporate governance at Board level.

Other listed directorships (last three years)

- Nil

Special responsibilities

- Chair of the Remuneration and Nomination Committee (since February 2020).
- Member of the Risk and Compliance Committee (appointed July 2020)
- Member of the Audit Committee (appointed July 2020)

DIRECTORS' REPORT

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RESIMAC GROUP LTD AND ITS CONTROLLED ENTITIES

Mr Duncan Saville

Non-Executive Director since November 2017

Duncan is a Chartered Accountant and an experienced non-executive director. He is chairman of ICM Limited, an international fund manager. Duncan is a fellow of the Institute of Chartered Accountants Australia and New Zealand, the Australian Institute of Company Directors and the Financial Services Institute of Australasia.

Other listed directorships (last three years)

- Non-executive director of West Hamilton Holdings Limited (since 2012); and
- Former non-executive director of Somers Limited (retired February 2019).

Special responsibilities

- Member of the Technology Digital and Innovation Committee (appointed April 2021).

Mrs Caroline Waldron

Independent Non-Executive Director appointed November 2020

Caroline is a non-executive director and cross border advisor with over 30+ years' experience in regulated consumer sectors such as technology, retail and health. Caroline brings to Resimac commercial and governance experience in many areas including technology rollouts and complex transactions. Caroline holds an LLB Hons (London), and has been admitted to the Bars of England and Wales, Malaysia, Australia and New Zealand.

Other listed directorships (last three years)

- Nil

Special responsibilities

- Chair of the Technology, Digital and Innovation Committee (appointed April 2021)
- Member of the Remuneration and Nomination Committee (appointed January 2021)

Company Secretary

Mr Peter Fitzpatrick

Since November 2016

Peter is a Chartered Accountant who worked for a chartered accounting firm and oil explorer prior to joining Resimac Limited in 1987. Peter is responsible for the Group's company secretariat function. He is a member of the Governance Institute of Australia and the Financial Services Institute of Australasia.

The abovenamed directors held office during the financial year and since the end of the previous financial year.

Directors' shareholdings

The following table sets out each director's relevant interest in shares and rights of the company or in a related body corporate as at 30 June 2021:

Directors	Fully paid ordinary shares	Number of rights over ordinary shares
Warren McLeland	12,126,338	Nil
Susan Hansen	203,730	Nil
Wayne Spanner	15,732	Nil
Duncan Saville	254,468,487	Nil
Caroline Waldron	Nil	Nil

DIRECTORS' REPORT

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RESIMAC GROUP LTD AND ITS CONTROLLED ENTITIES

Remuneration of Key Management Personnel

Information about the remuneration of Key Management Personnel (KMP) is set out in the Remuneration Report section of this Directors' Report. The term 'KMP' refers to those persons having authority and responsibility for planning, directing and controlling the activities of the Company and its controlled entities or indirectly, including any director whether executive or otherwise of the consolidated entity.

Share options or rights granted to Directors and senior management

An aggregate of 387,478 shares were granted/exercised:

- 87,478 shares under the Employee Share Plan on 12 April 2021;
- 300,000 options exercised by Scott McWilliam on 28 April 2021 in relation to the FY18 Long Term Incentive Plan. Further details included in the Remuneration report.

Directors' meetings

The following table sets out the number of Directors' meetings (including meetings of committees of Directors) held during the financial year and the number of meetings attended by each director (while they were a director or committee member).

Director	Committees									
	Board Meetings		Audit		Risk and Compliance		Remuneration and Nomination		Technology, Digital and Innovation ²	
	(A)	(B)	(A)	(B)	(A)	(B)	(A)	(B)	(A)	(B)
Warren McLeland	14	14	3	3	5	5	4	4	-	-
Susan Hansen	14	14	3	3	5	5	4	4	2	2
Wayne Spanner	14	14	3	3	5	5	4	4	-	-
Duncan Saville	14	14	-	-	-	-	-	-	2	2
Wayne Spanner	14	14	3	3	5	5	4	4	-	-
Caroline Waldron ¹	8	8	-	-	-	-	2	2	2	2

(A) Number of meetings eligible to attend.

(B) Number of meetings attended.

1. Appointed Independent Non-Executive Director in November 2020.

2. The Technology, Digital & Innovation committee was formed in April 2021 to provide oversight on the Group's strategic direction.

DIRECTORS' REPORT

DIRECTORS' REPORT

RESIMAC GROUP LTD AND ITS CONTROLLED ENTITIES

Results and dividends

The information appearing on pages 7 to 11 forms part of the Directors' Report for the financial year ended 30 June 2021 and is to be read in conjunction with the following information:

	FY21 \$'000	FY20 \$'000
Profit		
Profit attributable to ordinary equity holders of the parent	107,557	55,908
Dividends		
The following dividends have been paid by the Company or declared by the Directors since the commencement of the financial year ended 30 June 2021:		
(a) out of the profits for the year ended 30 June 2020 and retained earnings on the fully-paid ordinary shares:	7,334	6,087
<ul style="list-style-type: none">fully-franked final dividend of 1.80 cents (FY19: 1.00 cents) per share paid on 25 September 2020.fully-franked one off special dividend of nil cents (FY19: 0.50 cents) per share.		
(b) out of the profits for the half-year ended 31 December 2020 and retained earnings on the fully-paid ordinary shares:	9,786	4,879
<ul style="list-style-type: none">fully-franked interim dividend of 2.40 cents (HY20: 1.20 cents) per share paid on 31 March 2021.		
(c) out of the profits for the full year ended 30 June 2021 and retained earnings on the fully-paid ordinary shares:	16,336	7,334
<ul style="list-style-type: none">fully-franked final dividend of 4.00 cents (FY20: 1.80 cents) per share declared on 30 August 2021		
The Company's Dividend Reinvestment Plan (DRP) was applied to all dividends.		

DIRECTORS' REPORT

RESIMAC GROUP LTD AND ITS CONTROLLED ENTITIES

Principal activities

The Group is a residential mortgage and asset finance lending business, distributing Prime and Specialist products across multiple channels. The Group operates in Australia and New Zealand, originating a high quality loan portfolio, loan servicing capability, and global funding program.

The Group's core capabilities include:

- *Product manufacturing:* The Group applies its detailed knowledge of the Australian and New Zealand markets to offer products to address demand, with attractive risk and return profiles;
- *Distribution:* Distributing loans in Australia and New Zealand through relationships with accredited brokers, wholesale partners and a direct-to-consumer channel;
- *Treasury and funding expertise:* Strong long-term relationships with global funding partners, the Group is an experienced issuer in the global and domestic term securitisation markets; and
- *Risk management:* Operating a holistic enterprise risk management and governance framework utilising the three lines of defence model.

Debt funding

The Group maintains access to a diversified funding platform supported by established funding relationships and a Board approved funding strategy.

The following funding channels are used to support the Group's lending activities:

- *Corporate debt facility:* Utilised for investment in business growth;
- *Term securitisations:* Loans that are initially funded via a warehouse facility, are pooled and refinanced by being sold to new funding vehicles that issue limited-recourse independently rated asset-backed securities to institutional investors in multiple jurisdictions;
- *Warehouse facilities:* Third-party funders provide limited-recourse financing to special purpose vehicles established by the Group. At 30 June 2021, the Group had three onshore and four offshore warehouse funders; and
- *Wholesale funding partners:* Provide white-label funding with the Group receiving net interest margin.

Principal risks

The Group's key risks include but are not limited to:

- *Funding risk:* The funding platform currently comprises a mix of warehouse facilities, term securitisations and corporate debt. The Group depends on these sources to fund mortgage originations;
- *Capital and liquidity requirements:* The Group is required to maintain sufficient liquidity levels under Australian Financial Services Licence requirements;

A risk exists that the Group could be required to contribute additional 'first loss' equity capital to support the credit position of senior ranking note holders in the warehouse facilities and term securitisations which could impact the Group's profitability, ability to grow and/or could force it to raise additional capital;

- *Regulatory and licence compliance:* The Group is subject to extensive regulation in each of the jurisdictions in which it conducts business. The Group holds eight Australian Credit Licences. Changes in laws or regulations in a market in which the Group operates could impact the business. The Group is licensed and/or registered to operate a number of its services across a range of jurisdictions. Changes to these licensing regimes, the revocation of existing licences, an inability to renew or receive necessary licences or a change in capital requirements could have a material adverse effect on the Group's business, operating and financial performance;
- *Macroeconomic environment:* A material downturn or increase in unemployment, decreases in house prices, higher interest rates, general reduction in demand for credit and/or a reduction in borrowers' ability to service their debt (credit risk); and
- *COVID-19:* The Group will continue to monitor the effects of COVID-19 on business performance and take action as required. COVID-19 enforced lockdowns and border closures continue to provide macroeconomic headwinds to the economy, with pockets of financial stress evident. The Group's diversified portfolio and conservative credit policies is assisting the Group to manage COVID-19 headwinds.

DIRECTORS' REPORT

RESIMAC GROUP LTD AND ITS CONTROLLED ENTITIES

Business strategy

The Group is focused on a number of growth strategies to continue to drive revenue and profitability.

1. Organic lending growth

The Group is well-positioned to continue strong volume growth driven by:

- Customers favourably viewing the Group as an alternative to the major lenders;
- Opportunity to grow volume in the Specialist and Prime segments of the residential mortgages market;
- Opportunity to grow volume in the asset finance segment under the newly acquired Resimac Asset Finance brand;
- Launch of the new direct to consumer brand *homeloans.com.au*;
- Launch of the new digital customer banking environment in FY22;
- Further investment in the Group's brand positioning; and
- Pursuing diversification opportunities in Australia and New Zealand.

2. Growth through acquisition

- Management has demonstrated an ability to identify and execute profit accretive acquisitions in targeted markets consistent with the Group's strategy;
- On 1 February 2021 Resimac acquired the remaining 40% interest in Resimac Asset Finance ("RAF", formerly known as "IA Group"), increasing its ownership from 60% to 100%. RAF is a finance company participating in both secured commercial and consumer lending. The investment aligns with Resimac's diversification strategy and facilitates expansion into new secured asset classes.

Review of operations

The Group generated a net profit after tax (NPAT) of \$107,557,000 for the year ended 30 June 2021. To reflect the Group's normalised earnings the NPAT has been adjusted to separate one-off items. Management believe the disclosure of the normalised NPAT provides additional insight into the underlying performance for the year, by excluding one off, non-recurring revenue items.

The following table reconciles the unaudited normalised earnings to the statutory NPAT for the year in accordance with International Financial Reporting Standards (IFRS).

Unaudited non-IFRS information	FY21 \$'000
Statutory NPAT ¹	107,557
Fair value gain on investment in financial asset (Athena)	(5,110)
Tax effect of normalised items	1,533
Normalised NPAT	103,980

1. Excludes \$249k NPAT attributable to Non-Controlling interest.

Net interest income increased 29% to \$242,744,000 on prior year driven by higher net interest margin and assets under management growth.

Operating expenses of \$70,677,000 increased 14% on prior year driven by core banking and origination IT project, higher employment and marketing costs.

Loan impairment expense decreased 88% to \$2,676,000 on prior year due to COVID-19 provision in FY20.

Total home loan settlements across the Group's direct and third party distribution channels were \$4.8 billion, up 3% on prior year.

The Group's assets under management at 30 June 2021 comprise:

- On balance sheet home loans and advances to customers of \$13.8 billion, up 11% compared to 30 June 2020;
- On balance sheet asset finance loans of \$0.1 billion
- White label portfolio of \$1.9 billion, down 24% compared to 30 June 2020 in line with the Group's strategy to cease originating White label loans; and
- Combined these make up the total assets under management of \$15.8 billion.

DIRECTORS' REPORT

RESIMAC GROUP LTD AND ITS CONTROLLED ENTITIES

COVID-19

The impact of COVID-19 on customer serviceability decreased during the year, however continues to present challenges to a small portion of the Group's customers. Resimac's conservative approach to credit risk and strong funding relationships have mostly insulated the impacts of COVID-19. Resimac remains committed to the safety of employees and supporting customers and the broader community through the ongoing challenges COVID-19 poses.

Resimac continues to support customers throughout their home loan journey, particularly where impacted by one off events. Resimac provided financial assistance to customers impacted by COVID-19 in the form of hardship payment moratoriums and repayment flexibility during the year and continues to work with individual customers who require ongoing assistance.

Whilst the economic rebound in FY21 in Australia was comforting, we expect FY22 to provide further macroeconomic challenges. Australia's vaccine rollout remains slow in comparison to other countries, whilst State lockdowns and border closures continue to drive economic headwinds. Furthermore, international borders are expected to remain closed for the majority of FY22 stifling the recovery in a number of industries.

Political Donations

In the year ended 30 June 2021, the Group's political contributions totalled \$10,000 to the Liberal National Party of Australia.

Funding programmes

During the year ended 30 June 2021, the following new Residential Mortgage Backed Securities (RMBS) and Medium Term Notes (MTNS) were issued to facilitate assets under management growth, optimise term duration and funding costs:

The RESIMAC Bastille Series 2020-1NC transaction was settled on 30 July 2020 and is a domestic non-conforming issue with a total issuance size of \$1 billion;

The RESIMAC Versailles Series 2020-1 transaction was settled on 10 September 2020 and is a New Zealand prime and non-conforming issue with a total issuance size of NZ\$300 million;

The RESIMAC Premier Series 2020-1 transaction was settled on 1 October 2020 and is a multi-currency prime issue with a total issuance size of \$1 billion equivalent;

The RESIMAC Premier Series 2020-3 transaction was settled on 10 December 2020 and is a multi-currency prime issue with a total issuance size of \$1 billion equivalent;

The RESIMAC Premier Series 2021-1 transaction was settled on 11 March 2021 and is a multi-currency prime issue with a total issuance of \$1.5 billion equivalent; and

The RESIMAC Bastille Series 2021-1NC transaction was settled on 29 April 2021 and is a domestic non-conforming issue with a total issuance size of \$1 billion equivalent.

DIRECTORS' REPORT

DIRECTORS' REPORT

HOMELOANS LIMITED AND ITS CONTROLLED ENTITIES

Indemnification of officers and auditors

During the financial year, the Company paid a premium in respect of a contract insuring the Directors of the Company, the Company Secretary and all executive officers of the Company against a liability incurred as such a Director, Secretary or executive officer to the extent permitted by the *Corporations Act 2001*. The contract of insurance prohibits disclosure of the nature of the liability and the amount of the premium.

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

Subsequent events

Final dividend declared

The Board of Resimac Group Ltd has declared a fully franked final dividend of \$0.04 per share. The Record Date is 3 September 2021. The payment date will be 21 September 2021. The dividend has not been provided for in this financial report.

Sale of White label portfolio

On 27 July 2021 Resimac executed the sale of \$0.2b of White label loans (off balance sheet) for consideration of \$1.6m plus GST. The net present value of this loan tranche future trail commission receivable is \$1.4m, and is recognised on the Statement of Financial Position at 30 June 2021. A gain of \$0.2m on the sale will be recognised in FY22.

Non-audit services

Details of amounts paid or payable to the auditor for non-audit services provided during the year by the auditor are outlined in Note 28 to the financial report.

The Directors are satisfied that the provision of non-audit services during the year, by the auditor is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*.

The Directors are of the opinion that the services as disclosed in Note 28 to the financial report do not compromise the external auditor's independence, based on advice received from the Audit Committee, for the following reasons:

- All non-audit services have been reviewed and approved to ensure that they do not impact the integrity and objectivity of the auditors; and
- None of the services undermine the general principles as set out in APES *Code of Ethics for Professional Accountants* issued by the Accounting Professional and Ethical Standards Board, including reviewing or auditing the auditor's own work, acting in a management or decision making capacity for the Company, acting as advocate for the Company or jointly sharing economic risks and rewards.

Auditor's independence declaration

The auditor's independence declaration is included on page 124 of this financial report.

Rounding off amounts

Unless otherwise indicated, the Company has rounded off amounts in this Directors' Report and the accompanying financial statements to the nearest thousand dollars in accordance with *ASIC Corporations Instrument 2016/191*.

REMUNERATION REPORT 2021 (AUDITED)**Contents**

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REMUNERATION REPORT 2021 (AUDITED)

1. Summary

This Remuneration Report provides shareholders with an overview of Resimac Group's (the Group) remuneration strategy and framework that applies to the Group's Directors, Key Management Personnel (KMP), Executive Management and employees (referred to collectively as Employees) for the year ended 30 June 2021.

Resimac's mission is to be a customer focused organisation, leveraging technology and data analytics coupled with expansion of our sustainability and Environment, Social and Governance (ESG) footprint. This mission is facilitated by promoting a culture of transparency, innovation and empowerment and establishment of a remuneration framework that provides positive outcomes for our customers, shareholders and employees while providing fair and equitable benefits.

2. Remuneration Objectives, Strategy and Principles

The Group's objective is to reward its employees with a level of remuneration and benefits that is commensurate with their individual responsibilities and position within the business.

The Board's remuneration strategy is aligned to the following objectives:

- To attract, motivate and retain high calibre employees to drive outcomes;
- To provide fair and equitable remuneration to all employees in line with the Group's Diversity & Inclusion Policy;
- To promote and reward behaviours within the business that are in the interest of all stakeholders which includes customers and shareholders;
- Align effective risk management and demonstration of appropriate behaviours, values and ethics;
- To reinforce a culture of continual employee growth and skills development;
- To ensure the Group's Governance framework operates within and above industry best practice.

The following principles provide the basis of the remuneration framework at Resimac:

- Resimac remunerates its employees in a manner that is market competitive whilst being acceptable to its shareholders;
- Total remuneration for KMP is achieved by a balance of fixed and variable components;
- Key Performance measures for Resimac management (i.e. KMP and executive management) are linked to both financial and non-financial measures, and designed to be in the best interest of all stakeholders including customers and shareholders;
- Fixed and variable remuneration for KMP are periodically benchmarked to ensure remuneration is in line with the external market;
- Pay parity is paramount. Fair and equitable remuneration is applied to all employees regardless of gender, sexual identity, age, religion, ethnicity or disability.

REMUNERATION REPORT 2021 (AUDITED)**3. Remuneration and Cultural Activities**

Continuous review and assessment of our remuneration and benefits continued throughout FY21 with a number of initiatives being included as part of the Remuneration and Cultural Activities plan.

These activities included:

- Employee Diversity & Inclusion survey;
- Pay parity reporting;
- Establishment of an Employee Share Scheme offered in March 2021 to all permanent employees with more than 6 months tenure;
- Introduction of Purchased Leave for employees with more than 6 months tenure;
- Flexible working arrangements expanded to allow for eligible employees to work from home 2 days per week
- Active encouragement of 'Keeping in Touch Days' for employees on parental leave;
- Expansion of existing Wellbeing Program including wellness hours, mindfulness program, professional online exercise classes and senior leadership health assessments;
- Workforce planning by identifying individual career development plans, training and development and shadowing opportunities. The purpose of the activity is to enhance career development through the identification of skills, interests and learning opportunities, and to assist with succession planning. This activity enabled risk mitigation strategies and further employee engagement activities to be implemented after gaining an understanding of modernised workforce motivators.

4. Key Management Personnel

The KMP are the people who have the authority and responsibility for planning, directing, implementing and controlling the activities of the Resimac business. The KMP are:

Name	Position	Term as KMP
Current		
Scott McWilliam	Chief Executive Officer (CEO)	Full Term
Jason Azzopardi	Chief Financial Officer (CFO)	Full Term
Andrew Marsden	General Manager Treasury and Securitisation	Full Term
Danielle Corcoran	General Manager Governance, Change and Culture	Full Term
Majid Muhammad	General Manager Technology	Full Term
Former		
Mary Ploughman	Joint Chief Executive Officer (Joint CEO)	N/A ¹

¹ Referenced due to Remuneration drawn in FY20, did not serve as KMP in FY21.

REMUNERATION REPORT 2021 (AUDITED)

4. Key Management Personnel (continuation)

The Directors classified as KMP and required to be disclosed as part of this report are:

Name	Position	Term as KMP
Current		
Warren McLeland	Chairman, Non-Executive Director	Full Term
Susan Hansen	Independent Non-Executive Director	Full Term
Duncan Saville	Non-Executive Director	Full Term
Wayne Spanner	Independent Non-Executive Director	Full Term
Caroline Waldron	Independent Non-Executive Director	Appointed 17 November 2020
Former		
Chum Darvall	Chairman, Independent Non-Executive Director	N/A ¹
Michael Jefferies	Independent Non-Executive Director	N/A ¹

¹ Referenced due to Remuneration drawn in FY20, did not serve as KMP in FY21.

REMUNERATION REPORT 2021 (AUDITED)

5. KMP Remuneration Policy (excluding Non-Executive Directors)

Resimac's remuneration strategy for KMP and Executive Management focuses on both financial and non-financial measures and the Board's Remuneration & Nomination Committee assist with reviewing and recommending remuneration arrangements for KMP and Executive Management that is both consistent and competitive with the market. The total remuneration of the KMP and Executive Management comprise a fixed component and an at-risk variable component. The at-risk variable component is comprised of a short-term and long-term incentive.

Remuneration is based on the:

- role in which the person is performing (i.e. accountability, responsibility, qualifications, skills and experience required);
- market benchmarking;
- performance against set Key Performance Indicators (KPIs); and
- achievement of performance hurdles which includes tenure.

The KMP remuneration arrangements are as follows:

5.1 Fixed Remuneration

The fixed component includes base salary and superannuation and is known as Total Fixed Remuneration (TFR). Annually the TFR for the role in which the KMPs and Executive Managers are performing is reviewed to market and considered by the Remuneration and Nomination Committee.

5.2 Short-Term Incentive (STI)

Each KMP and Executive Manager is eligible to receive an annual STI. The Committee approves annual STI, corporate and personal objectives for each KMP and Executive Manager which comprise financial and non-financial targets at the end of each performance period (i.e. 1 July to 30 June). The Committee measures KMP and Executive Managers performance against those objectives. The amount of an STI award will depend on whether and to what extent those objectives are achieved. The STI assessment is undertaken in July of each year and any award is payable in September of the same year.

KPIs include:

- Strategic (brand awareness and acquisition activity);
- Financial metrics including NPAT growth, cost to income ratio and demonstrated innovative cost initiatives;
- Innovation and technology initiatives and enhancements to allow for scale and digitalisation;
- Operational efficiency and effectiveness to allow scale;
- People and culture; and
- Governance through Resimac's Risk and Compliance frameworks which focuses on adherence to obligations, reduction of customer complaints, incidents and breaches.

5.3 Long-Term Incentive (LTI)

The LTI is a combination of an equity arrangement of options over ordinary shares and a cash component (pursuant to the Resimac Group Ltd Employee Share Option and Rights Plan Rules). The grant of options relies on the satisfaction of service and performance conditions over a 3 year period.

The aim of the LTI is:

- to retain key talent;
- to link performance measures that align with sustainable long-term growth;
- to align long-term company performance with shareholders expectations; and
- to ensure continual regulatory and compliance adherence.

REMUNERATION REPORT 2021 (AUDITED)

6. Long-Term and Short-Term Incentive plans

6.1 Long-Term Incentive Plan (LTIP)

FY18 LTI Plan: CEO

The CEO, Scott McWilliam, was offered a LTI in FY18. The details of the offer were:

- Granted 900,000 Options pursuant to the Resimac Group Employee Share Options and Rights Plan;
- Grant Date 18 August 2017;
- Exercise price of \$0.55 per option;
- Options vest in equal tranches of 300,000 on each anniversary of the Grant Date:
 - First tranche of 300,000 vested on 1 July 2018 and was exercised on 26 April 2021,
 - Second tranche of 300,000 vested on 1 July 2019 and is exercisable,
 - Third tranche of 300,000 vested on 1 July 2020 and is exercisable.
- Exercise period was 3 years for every tranche vesting; and
- Vesting condition was 100% tenure.

FY20 LTI Plan: KMPs and Executives

In 2019 the Board established a Long-Term Incentive Plan (LTIP) for the CEO, KMPs and executive management pursuant to the Resimac Group Ltd Employee Share Option & Rights Plan Rules. The CEO, KMPs and eligible executives were offered options over ordinary shares, and a combined total cash component of up to \$2.4m. 3,900,000 options were granted on 15 August 2019 (900,000 allocated to the CEO and 375,000 for each eligible Executive).

The vesting date for all options is 31 August 2022, subject to the Group achieving:

- Net Profit After Tax (NPAT) growth hurdles;
- Digital transformation;
- Compliance hurdles; and
- Participant remaining employed with the Group until the vesting date.

REMUNERATION REPORT 2021 (AUDITED)

6. Long-Term and Short-Term Incentive plans (continuation)

6.2 Short-Term Incentive Plan (STIP)

KMPs and executives participate in the annual STIP whereby they have an opportunity to earn up to a capped percentage of their TFR.

CEO, Scott McWilliam is eligible for a STI up to a cap of 75% of his TFR. Mr McWilliam's performance is assessed against predetermined KPIs by the Remuneration and Nomination Committee at the end of each performance period. Any STI awarded is paid in cash; 66.7% at the end of the performance period with the remaining 33.3% in cash deferred for 12 months subject to a look back being undertaken by the Remuneration and Nominations Committee.

The performance of KMPs and Executives are measured against predetermined KPIs assessed by the CEO at the end of each performance period and the Remuneration and Nomination Committee are responsible for reviewing and approving any awarded STI which will be paid 100% in cash at the end of the performance period.

KPIs and relevant measurements will be set at the commencement of the performance period and will be assessed by the Remuneration and Nomination Committee at the end of each performance period.

7. FY21 Outcomes

With consideration of the uncertain economic environment due to the impact of COVID-19 in FY21, the Remuneration and Nominations Committee determined that KMPs (including the CEO) would not receive an increase in fixed remuneration for FY21 however remained eligible to participate in the short-term incentive plan for FY21. The long-term incentive plan granted to eligible executives remains in place.

In July 2021, the Remuneration & Nominations Committee resolved to recommend to the Board that the KMPs (including the CEO) be eligible for a remuneration review, resulting in an increased to the fixed remuneration for KMPs for FY22.

7.1 Overview of company performance

The table below summarises details of Resimac's performance for key financial measures over the past four financial years.

REMUNERATION REPORT 2021 (AUDITED)

7. FY21 Outcomes (continuation)

Financial year ended 30 June	FY21	FY20	FY19	FY18
NPAT (\$'000) ¹	107,557	55,908	47,185	25,332
Total dividends per share (cents)	4.00	2.70	1.90	1.65
Dividend payout ratio (%)	24.3	19.6	16.1	25.9
Basic earnings per share (cents)	26.37	13.75	11.75	6.37
Return on equity (ROE) (%) ²	36.9	25.5	17.3	17.2
Return on assets (%) ³	7.3	4.3	4.4	2.8

1 NPAT excludes non-controlling interest (FY21: \$249k, FY20: \$99k)

2 ROE based on normalised NPAT and average shareholders' equity per consolidated statement of financial position.

3 ROA based on statutory NPAT and total assets. As a result of the requirement under AASB 10 – *Consolidated Financial Statements*, the parent company exercises control over the Special Purpose Vehicles (SPVs) and securitisation trusts, therefore significant assets have been added to the consolidated statement of financial position without any appreciable increase in net profit.

DIRECTORS' REPORT

REMUNERATION REPORT 2021 (AUDITED)

8. Statutory remuneration

The table set out below provides a summary of the actual remuneration awarded to KMP in respect of the full year ended 30 June 2021.

	Short-term benefits			Post-employment benefits	Long-term benefits		Share-based payments ⁶	Total		
	Salary	STI awarded	Non-monetary benefits	Super-annuation ⁴	Leave ⁵	Termination benefits	Option rights		Percentage performance related ⁷	Percentage rights related
	(\$)	(\$)	(\$)	(\$)	(\$)	(\$)	(\$)	(\$)	(%)	(%)
CURRENT KMP										
Scott McWilliam										
FY21	550,000	366,562	-	25,000	9,166	-	157,375	1,108,103	33.1	14.2
FY20	550,000	409,688	-	25,000	9,167	-	171,023	1,164,878	35.2	14.7
Jason Azzopardi										
FY21	330,000	150,000	-	25,000	5,500	-	63,966	574,466	26.1	11.1
FY20	330,000	130,000	-	25,000	6,116	-	58,635	549,751	23.6	10.7
Andrew Marsden										
FY21 ¹	322,500	150,000	10,000	25,000	5,375	-	63,966	576,841	26.0	11.1
FY20 ¹	303,570	140,000	10,000	25,000	5,396	-	58,635	542,601	25.8	10.8
¹ Includes a period of leave without pay										
Danielle Corcoran										
FY21	385,000	200,000	-	25,000	6,417	-	63,966	680,383	29.4	9.4
FY20 ²	376,920	150,000	-	25,000	6,786	-	58,635	617,341	24.3	9.5
² Includes a period of leave without pay										

REMUNERATION REPORT 2021 (AUDITED)

8. Statutory remuneration (continuation)

	Short-term benefits			Post-employment benefits	Long-term benefits		Share-based payments ⁶	Total		
	Salary	STI awarded	Non-monetary benefits	Super-annuation ⁴	Leave ⁵	Termination benefits	Option rights		Percentage performance related ⁷	Percentage rights related
	(\$)	(\$)	(\$)	(\$)	(\$)	(\$)	(\$)	(\$)	(%)	(%)
Majid Muhammad										
FY21 ³	345,000	175,000	-	25,000	5,750	-	63,966	614,716	28.5	10.4
FY20	-	-	-	-	-	-	-	-	-	-
³ Added as KMP in FY21										
FORMER KMP										
Mary Ploughman (ceased as KMP on 17 July 2019)										
FY21	-	-	-	-	-	-	-	-	-	-
FY20	21,964	-	-	2,087	283,130	-	-	307,181	-	-
TOTAL										
FY21	1,932,500	1,041,562	10,000	125,000	32,208	-	413,239	3,554,509		
FY20	1,582,454	829,688	10,000	102,087	310,595	-	346,928	3,181,752		

⁴ Superannuation concessional contributions cap was subject to \$25,000

⁵ Long-term benefits relate to long service leave accrued during the year. FY20 Long-term benefits paid to Mary Ploughman include Annual Leave and Long Service Leave loading.

⁶ Share based payment expense related to options granted to KMP on 18 August 2017 and 15 August 2019.

⁷ The percentage performance related column is the STI divided by the total remuneration, reflecting the actual percentage of remuneration at risk for the year.

REMUNERATION REPORT 2021 (AUDITED)

9. Non-Executive Director Remuneration

9.1 Overview of Non-Executive Directors' Remuneration Arrangements

9.1.1 Policy objectives

- **To be market competitive:** aim to set Directors' fees competitive with Non-Executive Directors in comparable businesses with respect to product mix, market capitalisation, geographical market and employee size;
- **To ensure complementary skills:** aim to ensure that the mix of Directors at any one time is diverse and adequate to carry out the objectives of the business; and
- **To safeguard independence:** to exclude any performance related element in order to preserve the independence of the Non-Executive Directors.

9.1.2 Aggregate fees approved by shareholders

At the Annual General Meeting (AGM) of shareholders held on 25 November 2016, the shareholders approved the maximum aggregate fee pool per annum for non-executives of \$550,000. The Board will be proposing an increase to the aggregate fees at the 2021 AGM.

9.1.3 Regular reviews of Directors' fees

The Board reviews the level of Directors' fees annually to ensure the fees are in line with market and are suitable for the level of skill and expertise required to carry out the duties of directors in a listed environment in conjunction with holding an Australian Financial Services Licence and several Australian Credit Licences.

The agreed fee structure is that a fee is paid to reflect the Chairman's responsibilities. Each Director receives a base fee and if a Director chairs a Board committee, an additional fee is applied. Superannuation is payable in addition to the base fee where a Director is paid via the Resimac employee payroll system. No fee is paid for committee membership.

The FY21 fee levels inclusive of superannuation where applicable were as follows:

Name	Position	Maximum Fee (\$)
Warren McLeland	Chairman and Risk and Compliance Chair	131,400 p.a
Susan Hansen	Independent Non-Executive Director, Audit Chair and Resimac New Zealand Chair	134,955 p.a
Wayne Spanner	Independent Non-Executive Director and Remuneration and Nomination Chair	82,125 p.a
Duncan Saville ¹	Non-Executive Director	70,000 p.a
Caroline Waldron ²	Independent Non-Executive Director	82,125 p.a

1. Duncan Saville's fee is exclusive of superannuation.

2. Caroline Waldron commenced on 17 November 2020.

REMUNERATION REPORT 2021 (AUDITED)

9. Non-Executive Director Remuneration (continuation)**9.1.4 Board skills**

A key objective for Resimac is to ensure that we have a Board of Directors that is balanced (i.e. independence), diverse, with a complementary mix of skills and experience. The Board undertakes an assessment of the skills that each director holds biennially which is then summarised in a skills matrix.

Although it is not expected that all directors will have the same skills and experience, the purpose of the matrix is to ensure there is a balance within the board to ensure we have diversity of thought. The matrix skills categories include:

- Strategy, planning, monitoring and policy development
- Governance
- Risk and compliance
- Relevant technical and industry knowledge
- Stakeholder relations
- Finance and audit
- Commitment and contribution
- Leadership
- Ethics and integrity
- Technology, digital and innovation

The assessment of skills ties into board succession and selection of directors.

9.1.5 Board Evaluation Reporting

The Board is committed to transparency in determining board membership and in assessing the performance of directors. The Board undertook performance reviews in 2018 and 2020. At the conclusion of the last full evaluation in 2020 the board determined to undertake more frequent assessments which resulted in an assessment at the conclusion of each board meeting. By rotation a director is responsible for collation of the feedback and change recommendations. In addition, the Board carries out an evaluation on their effectiveness at the conclusion of each Board meeting. The purpose of this is to assess the performance of the Board as a whole with respect to time keeping, relevance, preparation and outcomes.

The performance of directors are assessed against a range of criteria including contribution at meetings, understanding the major risks affecting the Group, contributing to the development of the strategy, committing the time required to fulfill the role and perform their responsibilities effectively, listening and respecting the ideas of fellow directors and management and consistently taking the perspective of creating shareholder value.

The Board with the assistance of the Remuneration and Nominations Committee conducts a review of the performance of each director seeking re-election at the Annual General Meeting.

REMUNERATION REPORT 2021 (AUDITED)

9. Non-Executive Director Remuneration (continuation)

9.1.6 Non-Executive Director Remuneration

The fees paid or payable to the Non-Executive Directors in relation to the 2021 financial year are set out below:

	Short-term benefits	Post -employment benefits	
	Fees \$	Superannuation ¹	Total
Current	\$	\$	\$
Warren McLeland²			
FY21	120,000	11,400	131,400
FY20	90,000	8,550	98,550
Susan Hansen³			
FY21	126,880	8,075	134,955
FY20	127,056	8,075	135,131
Wayne Spanner⁴			
FY21	75,000	7,125	82,125
FY20	25,288	2,283	27,571
Duncan Saville			
FY21	70,000	-	70,000
FY20	70,000	-	70,000
Caroline Waldron⁵			
FY21	46,635	4,430	51,065
FY20	-	-	-
Former Chum Darvall⁶			
FY20	80,000	7,600	87,600
Michael Jefferies⁷			
FY20	28,359	2,694	31,053
Total remuneration			
FY21	438,515	31,030	469,545
FY20	420,703	29,202	449,905

1. Australian superannuation is paid where applicable. New Zealand Kiwisaver is not paid.

2. Appointed Chairman on 28 February 2020, fee reflects a prorated increase received from this date.

3. Director remuneration paid in NZD, FY21 variance due to exchange rates, no changes to base fees.

4. Appointed Independent Non-Executive Director on 28 February 2020, FY20 fee is prorated.

5. Appointed Independent Non-Executive Director on 17 November 2020.

6. Resigned as Chairman & Independent Non-Executive Director on 28 February 2020.

7. Resigned as Independent Non-Executive Director on 26 November 2019.

REMUNERATION REPORT 2021 (AUDITED)

10. Other Remuneration Information

10.1 Remuneration governance

10.1.1 Remuneration Governance and Responsibility

The Resimac Board of Directors has responsibility for setting and overseeing the Company's remuneration policies, practices and structure. The Board considers recommendations made by the Remuneration and Nomination Committee.

The remuneration framework and matters considered by the Remuneration and Nomination Committee and the Board include:

- Review of Board size and composition (mix of skills, qualifications, experience, independence, diversity and other competencies);
- Identification and recommendation of candidates to the Board for nomination as members of the Board or its Committees;
- Development and implementation process for induction and orientation of new Directors;
- Review and approval of Company objectives and appropriate KPIs relevant to the KMP annual short-term incentive arrangement, and evaluate KMP performance in light of those KPIs;
- Review and approval of the remuneration of KMP, Directors and senior management (including total fixed remuneration, short-term incentives and long-term incentives);
- Approval of executive recruitment practices;
- Succession planning and talent management; and
- Diversity and inclusion in the workplace.

10.1.2 Remuneration and Nomination Committee

The Board has established a Remuneration and Nomination Committee. This Committee has a formal charter and is available on the Company's website www.resimac.com.au.

The Remuneration and Nomination Committee members are:

- Wayne Spanner – Chair; and
- Susan Hansen
- Warren McLeland

Committee changes:

- Caroline Waldron appointed 17 November 2020.

The Remuneration and Nomination Committee reviews and makes recommendations to the Board on remuneration governance, policies, practices and structure which will apply to the KMP, senior management and the non-executive directors. The Committee also makes recommendations to the Board on the Company's overall remuneration framework. The Remuneration and Nomination Committee receives regular reports from Human Resources and ensures it is abreast of all regulatory change. The Committee meets at least 4 times per year.

REMUNERATION REPORT 2021 (AUDITED)**10. Other Remuneration Information (continuation)****10.1.3 Board changes**

Caroline Waldron was appointed to the Board in November 2020. Caroline's appointment brings increased independence to the Board and provides further skill with respect to governance and technology.

Other changes to the structure of the Board and its committees was the establishment of a Technology, Digital and Innovation committee chaired by Caroline. Further information on board committees is set out in the Directors' Report.

10.1.4 Services from remuneration consultants

The Remuneration and Nomination Committee may request advice from independent external consultants where appropriate. These consultants will be engaged directly by the Remuneration and Nomination Committee. The Company did not engage any remuneration consultants during the year.

10.1.5 KMP share ownership

The table below sets out the number of shares held directly, indirectly or beneficially by the current and former KMP (including their related parties):

Name	Held at 1 July 2020	Net change	Held at 30 June 2021
Non-Executive directors			
Warren McLeland	12,159,222	(32,884)	12,126,338
Susan Hansen	199,941	3,789	203,730
Wayne Spanner	-	15,732	15,732
Duncan Saville	254,468,487	-	254,468,487
Caroline Waldron	-	-	-
	266,827,650	(13,363)	266,814,287
Senior executives			
Scott McWilliam	1,001,600	300,000	1,301,600
Jason Azzopardi	190,000	(110,000)	80,000
Andrew Marsden	-	-	-
Danielle Corcoran	90,351	2,291	92,642
Majid Muhammad	-	-	-
	1,281,951	192,291	1,474,242
Total	268,109,601	178,928	268,288,529

REMUNERATION REPORT 2021 (AUDITED)**10. Other Remuneration Information (continuation)****10.1.5 Share trading restrictions**

Resimac Securities Trading Policy reflects the *Corporations Act 2001* prohibition on KMP and their closely related parties entering into any arrangement that would have the effect of limiting the KMP's exposure to risk relating to an element of their remuneration that remains subject to restrictions on disposal.

Resimac Directors, management team, and certain members of their immediate family and controlled entities are also required to obtain written consent and clearance for security trading during trading windows from the Chairman. All other employees must adhere to the Securities Trading Policy and are restricted from trading within the blackout periods.

The policy is available on the Corporate Governance section of the Company's website at www.resimac.com.au. Breaches of the policy are subject to disciplinary action, which may include termination of employment.

10.1.6 Further information on remuneration**10.1.6.1 Service agreements**

Each KMP has entered into an employment contract with the Company (Resimac Limited). These contracts have unlimited duration however may be terminated with relevant notice as set out below unless in the case of serious misconduct in which the KMP may be terminated immediately.

All KMPs are entitled to receive payment in lieu of notice of any accrued statutory entitlement (i.e. annual and long service leave) on cessation of their employment.

Name	Notice period/termination payment
Scott McWilliam	Six months' notice (or payment in lieu) May be terminated immediately for serious misconduct
Jason Azzopardi	Three months' notice (or payment in lieu) May be terminated immediately for serious misconduct
Andrew Marsden	Three months' notice (or payment in lieu) May be terminated immediately for serious misconduct
Danielle Corcoran	Three months' notice (or payment in lieu) May be terminated immediately for serious misconduct
Majid Muhammad	One month notice (or payment in lieu) May be terminated immediately for serious misconduct

REMUNERATION REPORT 2021 (AUDITED)**10. Other Remuneration Information (continuation)****10.1.7 Related party transactions**

Loans to KMP and their related parties are secured residential mortgage loans provided in the ordinary course of the Group's mortgage lending business. All loans have normal commercial terms. No amounts have been written down or recorded as specific provisions as the balances are considered fully collectable.

Details regarding loans outstanding at the reporting date to KMP and their related parties, where the aggregate loan balance exceeded \$100,000 at any time during the reporting period, are outlined below.

Name	Balance 1 July 2020 \$	Balance 30 June 2021 \$	Interest payable for the year ¹ \$	Highest Balance during the year \$
Non-Executive director				
Duncan Saville	9,548,343	9,322,631	334,826	9,571,874
Executive director				
Scott McWilliam	1,500,000	1,925,541	43,361	1,929,059
Jason Azzopardi	1,577,079	1,620,914	45,045	1,623,693
Danielle Corcoran	379,201	370,080	11,837	379,699
	13,004,623	13,239,166	435,069	13,504,325

1. Interest is charged on an arm's-length basis

10.1.7.1 Other transactions and balances with KMP

From time to time, Directors of the Company or its controlled entities, or their Director-related entities may obtain loans or ad hoc services from the Group, on the same terms and conditions as those entered into by other group employees or customers.

DIRECTORS' REPORT

This Directors' report, including the remuneration report, is signed in accordance with a resolution of the Directors made pursuant to s.298 (2) of the *Corporations Act 2001*.

On behalf of the Directors of Resimac Group Ltd



Warren McLeland
Chairman

Sydney
30 August 2021

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FINANCIAL STATEMENTS

CONSOLIDATED STATEMENT OF PROFIT OR LOSS FOR THE YEAR ENDED 30 JUNE 2021

	Note	FY21 \$'000	FY20 \$'000
Interest income	1	467,637	459,305
Interest expense	2	(224,893)	(270,680)
Net interest income		242,744	188,625
Fee and commission income	1	9,856	11,340
Fee and commission expense	2	(35,193)	(36,088)
Other income	1	8,022	658
Employee benefits expense	2	(37,489)	(35,886)
Other expenses	2	(33,188)	(26,358)
Loan impairment expense	2	(2,676)	(22,012)
Profit before tax		152,076	80,279
Income tax expense	3	(44,270)	(24,272)
PROFIT AFTER TAX		107,806	56,007
Attributable to:			
Owners of the parent		107,557	55,908
Non-controlling interest		249	99
		107,806	56,007

FINANCIAL STATEMENTS

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2021

	Note	FY21 \$'000	FY20 \$'000
PROFIT AFTER TAX		107,806	56,007
Other comprehensive income, net of income tax			
<i>Items that will not be reclassified subsequently to profit or loss:</i>			
Fair value movement on investment in BNK Banking Corporation Limited ("BNK") through OCI, net of tax		126	(657)
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Changes in fair value of cash flow hedges		(6,294)	522
Tax effect		1,888	(157)
Currency translation differences		(204)	(508)
Other comprehensive income, net of tax		(4,484)	(800)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		103,322	55,207
Attributable to:			
Owners of the parent		103,072	55,112
Non-controlling interest		250	95
		103,322	55,207
		FY21 cents per share	FY20 cents per share
Earnings per share			
Basic	21	26.37	13.75
Diluted	21	26.21	13.72

Notes to the consolidated financial statements are included on pages 36 to 122.

FINANCIAL STATEMENTS

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2021

	Note	FY21 \$'000	FY20 \$'000
ASSETS			
Cash and cash equivalents	4	619,809	365,987
Trade and other receivables	5	4,581	5,974
Loans and advances	6	13,925,760	12,506,012
Contract assets	1	33,299	41,954
Other financial assets	7	15,083	7,181
Derivative financial assets	23	2,256	52,592
Other assets	10	3,773	3,627
Plant and equipment	9	1,919	2,192
Right-of-use assets	8	10,638	12,279
Deferred tax assets	3	482	-
Goodwill and intangible assets	11	27,566	28,893
		14,645,166	13,026,691
LIABILITIES			
Trade and other payables	12	34,537	25,891
Current tax payable	3	20,437	24,293
Provisions	17	5,218	4,630
Interest-bearing liabilities	13	14,170,651	12,685,616
Lease liabilities	14	12,482	13,622
Other financial liabilities	15	15,789	20,797
Derivative financial liabilities	23	60,976	3,277
Other liabilities	16	3,545	3,339
Deferred tax liabilities	3	392	3,540
		14,324,027	12,785,005
NET ASSETS		321,139	241,686
EQUITY			
Share capital	20	181,675	181,895
Reverse acquisition reserve	20	(61,541)	(61,541)
Total issued capital	20	120,134	120,354
Reserves	20	(18,126)	(7,556)
Retained earnings	20	219,131	128,694
Equity attributable to owners of the parent		321,139	241,492
Non-controlling interest		-	194
		321,139	241,686

Notes to the consolidated financial statements are included on pages 36 to 122.

FINANCIAL STATEMENTS

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2021

	Share capital	Reverse acquisition reserve ¹	Total issued capital	Reserves ²	Retained earnings	Attributable to owners of the parent	Non-controlling interest	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Balance as at 1 July 2020	181,895	(61,541)	120,354	(7,556)	128,694	241,492	194	241,686
Profit for the year	-	-	-	-	107,557	107,557	249	107,806
Other comprehensive income, net of income tax	-	-	-	(4,485)	-	(4,485)	1	(4,484)
Total comprehensive income for the year	-	-	-	(4,485)	107,557	103,072	250	103,322
Transactions with owners in their capacity as owners								
Acquisition of non-controlling interest without a change in control	-	-	-	(7,984)	-	(7,984)	(444)	(8,428)
Option to acquire the shares of subsidiary	-	-	-	188	-	188	-	188
Issue of shares under the Dividend Reinvestment Plan	951	-	951	-	-	951	-	951
Exercise of share options	165	-	165	-	-	165	-	165
Equity dividends	-	-	-	-	(17,120)	(17,120)	-	(17,120)
Treasury shares	(1,336)	-	(1,336)	-	-	(1,336)	-	(1,336)
Share-based payments	-	-	-	1,711	-	1,711	-	1,711
Balance at 30 June 2021	181,675	(61,541)	120,134	(18,126)	219,131	321,139	-	321,139

¹ As a result of reverse acquisition accounting on the Resimac/Homeloans merger, an equity account was created as a component of equity. This account called 'Reverse acquisition reserve' is similar in nature to share capital. The Reverse acquisition reserve is not available for distribution.

² Comprises cash flow hedge reserve, foreign currency translation reserve, fair value reserve, share-based payment reserve and other reserve. Refer to Note 20 for more detail.

FINANCIAL STATEMENTS

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2021

	Share capital	Reverse acquisition reserve ¹	Total issued capital	Reserves ²	Retained earnings	Attributable to owners of the parent	Non-controlling interest	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Balance as at 1 July 2019	180,548	(61,541)	119,007	(7,197)	84,314	196,124	-	196,124
Adoption of AASB 16, net of income tax	-	-	-	-	(339)	(339)	-	(339)
Adjusted Balance as at 1 July 2019	180,548	(61,541)	119,007	(7,197)	83,975	195,785	-	195,785
Profit for the year	-	-	-	-	55,908	55,908	99	56,007
Other comprehensive income, net of income tax	-	-	-	(796)	-	(796)	(4)	(800)
Total comprehensive income for the year	-	-	-	(796)	55,908	55,112	95	55,207
Transactions with owners in their capacity as owners								
Acquisition of non-controlling interest	-	-	-	-	-	-	99	99
Option to acquire the shares of subsidiary	-	-	-	(188)	-	(188)	-	(188)
Issue of shares under the Dividend Reinvestment Plan	1,017	-	1,017	-	-	1,017	-	1,017
Exercise of share options	330	-	330	-	-	330	-	330
Equity dividends	-	-	-	-	(10,966)	(10,966)	-	(10,966)
Share-based payments	-	-	-	402	-	402	-	402
Reallocation	-	-	-	223	(223)	-	-	-
Balance at 30 June 2020	181,895	(61,541)	120,354	(7,556)	128,694	241,492	194	241,686

¹ As a result of reverse acquisition accounting on the Resimac/Homeloans merger, an equity account was created as a component of equity. This account called 'Reverse acquisition reserve' is similar in nature to share capital. The Reverse acquisition reserve is not available for distribution.

² Comprises cash flow hedge reserve, foreign currency translation reserve, fair value reserve, share-based payment reserve and other reserve. Refer to Note 20 for more detail.

Notes to the consolidated financial statements are included on pages 36 to 122.

FINANCIAL STATEMENTS

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 JUNE 2021

	Note	FY21 \$'000	FY20 \$'000
Cash flows from operating activities			
Interest received		478,160	471,027
Interest paid		(211,859)	(263,991)
Receipts from loan fees and other income		49,781	46,728
Payments to suppliers and employees		(167,742)	(154,961)
Payments of net loans to borrowers		(1,545,974)	(3,573,593)
Income tax paid		(49,827)	(9,079)
Net cash used in operating activities	4	(1,447,461)	(3,483,869)
Cash flows from investing activities			
Payment for plant, equipment and intangible assets		(200)	(279)
Repayment of loans to related parties		(2)	(2,408)
Payments for new investments		(1,403)	(3,000)
Acquisition of subsidiary (RAF)		(8,240)	(6,000)
Cash acquired on acquisition of subsidiary (RAF)		-	1,087
Balance of proceeds on disposal of Paywise		1,700	250
Net cash used in investing activities		(8,145)	(10,350)
Cash flows from financing activities			
Proceeds from borrowings		11,793,151	9,560,872
Repayment of borrowings		(10,201,002)	(7,364,980)
Proceeds of loans sold to external party (Athena)		138,849	1,453,212
Proceeds from exercise of options		165	330
Payment of lease liabilities		(1,679)	(1,671)
Swap payments		(2,502)	(2,090)
Payment of dividends		(16,169)	(9,949)
Payment for acquisition of treasury shares		(1,336)	-
Net cash provided by financing activities		1,709,477	3,635,724
Net increase in cash and cash equivalents		253,871	141,505
Cash and cash equivalents at the beginning of the financial year (1 July)		365,987	224,790
Effects of exchange rate changes on cash balances held in foreign currencies		(49)	(308)
Cash and cash equivalents at end of year	4	619,809	365,987

Notes to the consolidated financial statements are included on pages 36 to 122.

About this report

Resimac Group Ltd (“Resimac” or “the Company”) is a for-profit company limited by shares incorporated and domiciled in Australia whose shares are publicly traded on the Australian Securities Exchange. The nature of the operations and principal activities of Resimac and entities that it controls (referred to as “the Group”) are described in the segment information.

The consolidated general purpose financial report of the Group for the year ended 30 June 2021 was authorised for issue in accordance with a resolution of the Directors on 30 August 2021. The Directors have the power to amend and reissue the financial report.

The financial report is a general purpose financial report which:

- has been prepared in accordance with the requirements of the *Corporations Act 2001*, Australian Accounting Standards (AAS) and other authoritative pronouncements of the Australian Accounting Standards Board (AASB) and International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB);
- has been prepared on a historical cost basis, and certain financial instruments which have been measured at fair value. The carrying values of recognised assets and liabilities that are the hedged items in fair value hedge relationships, which are otherwise carried at amortised cost, are adjusted to record changes in the fair values attributable to the risks that are being hedged;
- is presented in Australian dollars with all values rounded to the nearest thousand dollars (\$'000) unless otherwise stated, in accordance with ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191;
- presents reclassified comparative information where required for consistency with the current year's presentation;
- adopts all new and amended Accounting Standards and Interpretations issued by the AASB that are relevant to the Group and effective for reporting periods beginning on or before 1 July 2020. Refer to Note 32 for further details;

Key judgements and estimates

In the application of the Group's accounting policies, the Directors are required to make judgements, estimates and assumptions about the carrying value of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making judgements. Actual results may differ from these estimates.

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

Note	Relates to
1	Recognition of revenue from contracts with customers
1&15	Net present value (NPV) of future trail commission: recognition of future commissions receivable and payable
3	Recognition of Deferred Tax Assets (DTA) and Deferred Tax Liabilities (DTL)
7	Impairment of other financial assets
11	Goodwill impairment
22&23	Impairment of financial assets

Basis of consolidation

The consolidated financial statements comprise the financial statements of the Group. A list of controlled entities (subsidiaries) at year end is contained in Note 24.

The financial statements of subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies. Adjustments are made to bring into line any dissimilar accounting policies that may exist.

Subsidiaries are consolidated from the date on which control is obtained to the date on which control is disposed.

The Group controls an investee if and only if the Group has:

- power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee);
- exposure, or rights, to variable returns from its involvement with the investee; and
- the ability to use its power over the investee to affect its return.

In preparing the consolidated financial statements, all inter-company balances and transactions, income and expenses and profits and losses resulting from intra-Group transactions have been eliminated.

The acquisition of subsidiaries is accounted for using the acquisition method.

Refer to Note 24 for detail on the consolidation of special purpose vehicles.

COVID-19 impact

COVID-19 has significantly impacted equity, debt, commodity markets and the overall global economy. The Group has considered the impact of COVID-19 and other market volatility in preparing its financial statements.

The Group's process to determine the impact of COVID-19 for these financial statements is consistent with the process disclosed and applied in its 30 June 2020 and 31 December 2020 financial statements. While the specific areas of judgement as noted on the previous page remain unchanged, COVID-19 resulted in the application of further judgement within those identified areas. Expected credit losses (Note 23) and the assessment of the impairment of other financial assets (Note 7) required continued judgement as a result of the impact of COVID-19.

Given the uncertainty associated with these assumptions and estimates, actual outcomes may differ to those forecasted which may impact the accounting estimates included in these financial statements. Other than adjusting events that provide evidence of conditions that existed at the end of the reporting period, the impact of events that arise after the reporting period will be accounted for in future reporting periods. The impact of COVID-19 has been discussed further in each of the related notes.

Foreign currency

As at the reporting date, assets and liabilities of overseas subsidiaries are translated into Australian dollars at the rate of exchange at the balance sheet date and the income statements are translated at the average exchange rates for the year. The exchange differences arising on the retranslation are taken directly to a separate component of equity.

Transactions in foreign currencies are initially recorded in the functional currency at the exchange rates ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the balance sheet date. Exchange differences arising from the application of these procedures are taken to the income statement, with the exception of differences on foreign currency borrowings that provide a hedge against a net investment in a foreign entity, which are taken directly to equity until the disposal of the net investment, and then recognised in the income statement. Tax charges and credits attributable to exchange differences on those borrowings are also recognised in equity.

Other accounting policies

Significant and other accounting policies that summarise the measurement basis relevant to an understanding of the financial statements are provided throughout the notes to the financial statements.

Basis of consolidation (continuation)

The notes to the financial statements

The notes include information required to understand the financial statements and is material and relevant to the operations, financial position and performance of the Group. Information is considered material and relevant if, for example:

- the amount in question is significant because of its size or nature;
- it is important for understanding the results of the Group;
- it helps to explain the impact of significant changes in the Group's business – for example, acquisitions and impairment write-downs; or
- it relates to an aspect of the Group's operations that is important to its future performance.

The notes are organised into the following sections:

Key numbers: provides a breakdown of individual line items in the financial statements that the Directors consider most relevant and summarises the accounting policies, judgements and estimates relevant to understanding these line items;

Capital: provides information about the capital management practices of the Group and shareholder returns for the year;

Risk: details the Group's exposure to various financial risks, explains how these affect the Group's financial position and performance, and what the Group does to manage these risks;

Group structure: explains the Group structure and how changes have affected the financial position and performance of the Group;

Unrecognised items: provides information regarding items not recognised in the financial statements but could potentially have an impact on the Group's financial position and performance; and

Other: provides information on items which require disclosure to comply with AAS and other regulatory pronouncements, however, are not considered critical in understanding the financial performance or position of the Group.

Segment Information

The Group has identified two reportable segments based on the nature of the products and services provided, the type of customers for those products and services, the geographies where the business operates and the existence of discrete and separate reporting and management teams. The internal reports of the reportable segments are regularly reviewed by the Board and executive management team in order to allocate resources to the segment and to assess its performance.

The Group's reportable segments under AASB 8 *Operating Segments* are therefore as follows:

1. Australian Lending business

Represents the distribution and lending businesses currently captured under the Resimac, Resimac Asset Finance and homeloans.com.au brands.

The segment contains the bulk of the Australian based income and expense. It incorporates the new business settled through the Australian distribution channels, the margin net of funding costs of the On balance sheet home loan portfolios, and the upfront and trail commission on the White label portfolio.

The Group's fully owned subsidiary Resimac Asset Finance (RAF) specialises in both Australian based secured commercial and consumer lending. Management have assessed the impact of the RAF business on its Group results as not material, and therefore does not represent a reportable segment for the year ended 30 June 2021, notwithstanding RAF is considered a separate operating segment by Management.

2. New Zealand Lending business

Whilst the nature of the customers and products are similar to the Australian Lending segment, given the different jurisdiction and market conditions, management believe it is appropriate to distinguish the result of New Zealand from Australia.

Separating the Australian and New Zealand trading business is supported by the operation of a dedicated NZ board, NZ segment monthly management reporting, separate regulatory requirements/oversight, and staff solely accountable for the NZ business including a locally based Head of NZ.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS | SEGMENT INFORMATION
FOR THE YEAR ENDED 30 JUNE 2021

The following is an analysis of the Group's revenue and results by reportable operating segments:

	AUSTRALIAN LENDING		NEW ZEALAND LENDING		CONSOLIDATED	
	FY21	FY20	FY21	FY20	FY21	FY20
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Revenue from external customers	456,616	447,982	28,899	23,321	485,515	471,303
Total segment revenue	456,616	447,982	28,899	23,321	485,515	471,303
Segment results before tax, depreciation, amortisation, finance costs and impairment	157,400	106,740	8,247	3,227	165,647	109,967
Depreciation and amortisation	(3,009)	(1,021)	(85)	(11)	(3,094)	(1,032)
Loan impairment	(2,750)	(21,653)	74	(359)	(2,676)	(22,012)
Finance costs	(7,386)	(6,283)	(415)	(361)	(7,801)	(6,644)
Segment results before income tax	144,255	77,783	7,821	2,496	152,076	80,279
Income tax expense ¹					(44,270)	(24,272)
PROFIT AFTER TAX					107,806	56,007

1. Income tax expense is disclosed on a consolidated basis, not by reportable operating segment.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS | SEGMENT INFORMATION
FOR THE YEAR ENDED 30 JUNE 2021

The following is an analysis of the Group's assets and liabilities by reportable operating segment:

	AUSTRALIAN LENDING		NEW ZEALAND LENDING		CONSOLIDATED	
	FY21 \$'000	FY20 \$'000	FY21 \$'000	FY20 \$'000	FY21 \$'000	FY20 \$'000
Segment assets	13,857,991	12,444,285	786,693	582,406	14,644,684	13,026,691
	13,857,991	12,444,285	786,693	582,406	14,644,684	13,026,691
Segment liabilities	(13,547,634)	(12,201,825)	(755,564)	(555,347)	(14,303,198)	(12,757,172)
Net assets excl. tax	310,357	242,460	31,129	27,059	341,486	269,519
Tax assets ²					482	-
Tax liabilities ²					(20,829)	(27,833)
NET ASSETS					321,139	241,686

2. Tax assets and liabilities are disclosed on a consolidated basis, not by reportable operating segment.

1. Revenue

1.1 Revenue streams

The Group generates revenue primarily from net interest margin, annuity trail income on White label loans and other fee income. Net interest income is derived from the difference between interest income on originating residential and asset finance loans, and interest expense incurred on RMBS and warehouse facilities.

	FY21 \$'000	FY20 \$'000
Revenue from contracts with customers	9,856	11,340
Interest income		
Loans and advances	464,787	454,962
Bank deposits	592	1,625
Discount unwind on NPV of trail commission	2,258	2,718
	467,637	459,305
Other income		
Fair value gains on financial assets	5,110	-
Fair value gains/(losses) on interest rate swaps	1,721	(1,180)
Other	1,191	1,838
	8,022	658
Total revenue	485,515	471,303

Recognition & Measurement

Revenue from contracts with customers

Revenue is based on the consideration specified in a contract with a customer. The Group recognises revenue when it transfers control over a good or service to a customer.

The following table provides information about the nature and timing of the satisfaction of performance obligations in contracts with customers, including significant payment terms, and the related revenue recognition policies.

Interest income - loans and advances

Loans and advances are initially recognised at fair value. Subsequent to initial recognition, the loans are measured at amortised cost using the effective interest method over the estimated actual (but not contractual) life of the mortgage loan, taking into account all income and expenditure directly attributable to the loan.

Interest income on loans and advances is recognised as it accrues using the effective interest method. The rate at which revenue is recognised is referred to as the effective interest rate and is equivalent to the rate that effectively discounts estimated future cash flows throughout the estimated life of the net carrying value of the loan.

Acquisition costs representing mortgage insurance premiums and upfront broker commissions related to originating On balance sheet loans are capitalised on the statement of financial position of the Group. These costs are amortised to the statement of profit or loss across the expected life of the loan in interest income.

Loans and advances in arrears or hardship at 30 June 2021 continue to accrue interest income. Consideration for potential future credit losses on loans in arrears or hardship is reflected in Note 23.

1. Revenue (continuation)

Interest income - bank deposits

This comprises interest income on cash-held with Australian ADIs. Interest income is recognised as it accrues, using the effective interest method.

Other income

Other income includes various items including but not limited to payment received under operating leases as income on a straight-line basis over the lease (office sub-lease).

1. Revenue (continuation)

CLASSIFICATION & MEASUREMENT OF REVENUE			
Timing	Type of service	Nature, timing of satisfaction of performance obligations, significant payment terms, significant judgements used	Revenue recognition policy under AASB 15
At a point in time	Mortgage origination revenue	Commission from originating White label loans. The performance obligations are satisfied at the point in time the loan is settled. Non-ongoing performance conditions are attached to the upfront fee.	Once the Group has referred a successful loan application to the lender, its performance obligations have been met. As such, revenue is recognised at the point in time the loan is settled. The expected value is estimated based on historic experience. Provisions for clawback of the upfront fee are recognised within a period of time post-settlement and is a variable consideration.
At a point in time	Loan management revenue	Trail commission income on White label loans, based on the individual monthly loan balance outstanding each month. Trail ceases once the loan is discharged. The contracts with the funders include performance obligations which must be satisfied in order to be paid trail commission (e.g. the loan not being in arrears).	Revenue is recognised at the point in time the loan is being settled and performance obligations are satisfied according to the contracts with the funders. The present value of the trailing commission receivable is recognised as a contract asset and measured using the expected value method with variable consideration at a point in time.
At a point in time	Lending fee income	Loan fees paid by the borrower such as application, discharge, settlement fees etc. The performance obligation for these fees is met at a point in time (settlement, discharge etc) when the fee is charged to the borrower.	Revenue is recognised when the transaction is completed and the performance obligations are met.

1.2 Disaggregation of revenue from contracts with customers

In the following table, revenue from contracts with customers is disaggregated by primary geographical market, major service lines and timing of revenue recognition. The table also includes a reconciliation of the disaggregated revenue with the Group's reportable segments (See "Segment Information" on page 40).

1. Revenue (continuation)

	AUSTRALIAN LENDING		NEW ZEALAND LENDING		CONSOLIDATED	
	FY21	FY20	FY21	FY20	FY21	FY20
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Primary geographical markets						
Australia	8,928	10,934	-	-	8,928	10,934
New Zealand	-	-	928	406	928	406
	8,928	10,934	928	406	9,856	11,340
Major service lines						
Mortgage origination	2,375	-	-	-	2,375	-
Loan management	2,243	7,307	-	-	2,243	7,307
Lending fee income	4,310	3,627	928	406	5,238	4,033
	8,928	10,934	928	406	9,856	11,340
Timing of revenue recognition						
Service transferred at a point in time	8,928	10,934	928	406	9,856	11,340
Revenue from contracts with customers	8,928	10,934	928	406	9,856	11,340
Interest income	442,483	434,497	25,154	24,808	467,637	459,305
Other income	5,205	2,551	2,817	(1,893)	8,022	658
External revenue as reported in segment information	456,616	447,982	28,899	23,321	485,515	471,303

1. Revenue (continuation)

Recognition and measurement

1.3 Assets related to contract with customers

The Group has recognised the following assets related to contracts with customers.

	FY21 \$'000	FY20 \$'000
Contract assets – present value of future trail commission receivable		
Current	9,093	11,587
Non-current	24,206	30,367
	33,299	41,954

Contract assets - present value of future trail commission receivable

The contract assets primarily relate to the Group's rights to receive trail commissions from lenders on White label settled loans, over the life of the loan based on the monthly loan balance outstanding. The contract assets are transferred to receivables when the rights become unconditional.

Initial recognition

Expected value of future trail commission receivable is recognised on the origination of White label settlements. This represents the NPV of the expected future trail commission receivable under the origination and management agreement, less ongoing servicing costs not covered by transaction fees.

The initial expected value of trail commission receivable is determined by using the discounted cash flow valuation technique.

Subsequent measurement

Subsequent to initial recognition, the future trail commission receivable is measured at expected value.

The carrying amounts of the trail commissions receivable are adjusted to reflect actual and revised estimated cash flows by recalculating the carrying amount through computing the present value of estimated future cash flows at the effective interest rates. The resulting adjustment is recognised as income or expense in the statement of comprehensive income.

A remeasurement of the underlying cash flows relating to the trail commission receivable occurs at each reporting date.

1. Revenue (continuation)

Key estimates and assumptions

The key estimates and assumptions underlying the remeasurement of the estimated future cash flows include the:

- prepayment rate; and
- discount rate.

	FY21	FY20
Weighted average loan life (years)	3.4	3.5
Discount rate	6%	6%

Weighted average loan life

The methodology in calculating the weighted average loan life continues usage of the commonly accepted Standard and Poor's definition.

Prepayment rate

In order to manage both volatility of rates over time and the uncertainty associated with this modelling, a conservative run-off buffer of 25% is included in the valuation by management, and remains unchanged compared with FY20.

Discount rate

The discount rate remains unchanged for each individual year tranche of loans for the remainder of the loan's life. The discount rate is currently set at 6%, incorporating risk free rates and estimates of the credit risk associated with the counterparties providing the trail income, and remains unchanged compared with FY20.

2. Expenses

	FY21 \$'000	FY20 \$'000
Interest		
Bond and warehouse facilities	213,675	259,467
Amortisation – bond issue costs	9,154	8,517
Discount unwind on NPV of trail commission	1,098	1,311
Corporate facility	440	767
Interest on lease liabilities	526	618
	224,893	270,680
Fee and commission		
Mortgage origination	279	434
Loan management	20,495	22,898
Borrowing costs	7,144	6,730
RMBS financing costs	7,275	6,026
	35,193	36,088
Employee benefits		
Remuneration, superannuation and on-costs	36,697	35,305
Share-based payments	792	581
	37,489	35,886
Other		
Marketing	4,805	3,277
Technology expenses ^{1 2}	15,722	9,669
Audit and other professional fees ¹	2,399	2,611
Rent and occupancy costs	1,294	1,395
Insurance	1,801	1,369
Depreciation and amortisation	1,199	1,032
Depreciation charge of right-of-use assets	1,895	1,920
Other	4,073	5,085
	33,188	26,358
Loan impairment expense	2,676	22,012
	333,439	391,024

1. Reclassified FY20 IT consulting expenses from professional fees to technology expenses.

2. Core banking IT project costs (FY21: \$7.8m; FY20: \$0.2m).

2. Expenses (continuation)

Recognition and measurement

2.1 Interest

Bond and warehouse facilities

Recognised in the profit or loss in the period in which they are incurred. Borrowing costs include:

- interest on deposits;
- coupon payments on notes issued; and
- other interest paid on non-securitised funding facilities and are recognised under the effective interest rate method. See further details under Note 1.

Amortisation – bond issue costs

Transaction costs incurred by the Group in facilitating the issue of debt securities by the special purpose vehicles, are capitalised on the statement of financial position of the parent entity as bond issue costs. These costs are amortised to the statement of profit or loss over the average expected life of the debt securities using the effective interest rate method.

2.2 Fee and commission

Mortgage origination

Upfront commission payments for White label home loans to mortgage originators, are recognised at settlement as the services performed by the originator are principally performed upfront.

Loan management

Includes monthly trail commission payments to brokers for originating On balance sheet and While label loans based on individual loan balances outstanding.

Borrowing costs

Fees directly related to the Group's global funding program.

Other financing costs

Other financing costs include trustee and servicer fees, liquidity fees, rating agency fees, and other financing related fees.

2. Expenses (continuation)

2.3 Employee benefits

Employee benefits expense includes fixed and variable remuneration, superannuation, and associated on-costs.

The policy relating to share-based payments is set out in Note 31.

2.4 Other

This mainly comprises bank fees, general administration expenses and unrecoverable GST. These items are expensed when incurred.

2.5 Loan impairment

Loan impairment expenses relates to the movement in the:

- specific provision;
- collective provision movements for loan impairment;
- direct loan write-offs recognised during the year; and
- recoveries of previously impaired loans.

See Note 6 for detail on impairment of loans and advances.

3. Income tax

3.1 Income tax recognised in profit or loss

	FY21 \$'000	FY20 \$'000
Current tax		
In respect of the current year	45,156	26,754
In respect of prior years	822	35
Translation loss on foreign currency assets and liabilities	12	22
	45,990	26,811
Deferred tax		
In respect of the current year	290	(2,494)
In respect of prior years	(2,010)	(45)
	(1,720)	(2,539)
Total income tax expense recognised in the current year	44,270	24,272
The income tax expense for the year can be reconciled to the accounting profit as follows:		
Profit before tax	152,076	80,279
Income tax expense calculated at 30% (FY20: 30%)	45,623	24,084
Effect of expenses that are not deductible in determining taxable profit	41	344
Effect of different tax rates of subsidiaries operating in other jurisdictions	(120)	1
Employee Share scheme	(584)	(54)
Other items	498	(93)
	45,458	24,282
Adjustments recognised in the current year in relation to the deferred tax of prior years	(2,010)	(45)
Adjustments recognised in the current year in relation to the current tax of prior years	822	35
Income tax expense recognised in profit or loss	44,270	24,272

The tax rate used for FY21 and FY20 reconciliations above is the corporate tax rate of 30% payable by corporate entities in Australia and 28% in New Zealand on taxable profits respectively.

3.2 Current tax assets and liabilities

	FY21 \$'000	FY20 \$'000
Current tax payable	(20,437)	(24,293)
	(20,437)	(24,293)

3. Income tax (continuation)

3.3 Deferred tax balances

The following is the analysis of deferred tax assets (DTA) and deferred tax liabilities (DTL) presented in the consolidated statement of financial position:

	FY21 \$'000	FY20 \$'000
Deferred tax assets	482	-
Deferred tax liabilities	(392)	(3,540)
Net deferred tax assets/(liabilities)	90	(3,540)

	Opening balance	Current year recognised in profit or loss	Previously unrecognised in profit or loss	Recognised directly in equity	Recoup tax loss against tax liability	Acquisition of RAF	Closing balance
FY21	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Deferred tax assets/(liabilities)							
Doubtful debts	9,582	324	-	(3)	-	-	9,903
Plant, equipment and software	2	2,543	806	-	-	-	3,351
Deferred mortgage insurance	252	(89)	-	-	-	-	163
Employee entitlements	1,130	85	-	-	-	-	1,215
Net provision for lease make good	60	(1)	-	-	-	-	59
Other accrued expenses	1,982	235	(52)	-	-	-	2,165
Blackhole expenditure	234	(178)	(47)	(1)	-	-	8
Discount on loan	(1)	-	1	-	-	-	-
Tax losses carried forward	416	(414)	(2)	-	-	-	-
Trail commission payable	6,317	(1,418)	(1)	(1)	-	-	4,897
Lease liability	319	73	124	-	-	-	516
Shares	323	(1,533)	842	(1,259)	-	-	(1,627)
Share-based payments	343	174	-	1,285	-	-	1,802
Lease incentives	30	-	(30)	-	-	-	-
Accrued income and other	(741)	444	367	-	-	-	70
Capitalised incentive commission	(12,441)	(1,042)	-	-	-	-	(13,483)
Loans and advances	2,476	(1,270)	-	-	-	-	1,206
Deferred bond issue cost	(2,617)	(1,172)	2	1	-	-	(3,786)
Derivatives	1,337	349	-	1,888	-	-	3,574
Unpaid superannuation	50	3	-	-	-	-	53
Trail commission receivable	(12,593)	2,597	-	-	-	-	(9,996)
	(3,540)	(290)	2,010	1,910	-	-	90

3. Income tax (continuation)

	Opening balance	Current year recognised in profit or loss	Previously unrecognised in profit or loss	Recognised directly in equity	Recoup tax loss against tax liability	Acquisition of RAF	Closing balance
FY20	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Deferred tax assets/(liabilities)							
Doubtful debts	4,111	5,330	-	(8)	-	149	9,582
Plant, equipment and software	82	(49)	-	-	-	(31)	2
Deferred mortgage insurance	358	(106)	-	-	-	-	252
Employee entitlements	1,069	39	(1)	-	-	23	1,130
Net provision for lease make good	60	-	-	-	-	-	60
Other accrued expenses	2,142	(164)	-	-	-	4	1,982
Blackhole expenditure	437	(203)	-	-	-	-	234
Discount on loan	(1)	-	-	-	-	-	(1)
Tax losses carried forward	103	77	-	-	(106)	342	416
Trail commission payable	7,091	(799)	25	-	-	-	6,317
Lease liability	92	40	7	145	-	35	319
Shares	41	-	-	282	-	-	323
Share-based payments	-	173	13	157	-	-	343
Lease incentives	30	-	-	-	-	-	30
Capitalised incentive commission	(10,513)	(1,942)	1	13	-	-	(12,441)
Loans and advances	4,219	(1,743)	-	-	-	-	2,476
Deferred bond issue cost	(2,736)	116	-	3	-	-	(2,617)
Derivatives	1,663	(170)	-	(156)	-	-	1,337
Unpaid superannuation	40	7	-	-	-	3	50
Trail commission receivable	(14,594)	2,001	-	-	-	-	(12,593)
Accrued income and other	1	(113)	-	-	-	(629)	(741)
	(6,305)	2,494	45	436	(106)	(104)	(3,540)

Recognition and measurement

Income tax expense represents the sum of the tax currently payable and deferred tax.

3. Income tax (continuation)

3.3 Current tax

Tax payable is based on taxable profit for the year. Taxable profit differs from 'profit before tax' as reported in the consolidated statement of profit or loss and other comprehensive income due to a mix of timing and non-assessable items. The Group's current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

3.4 Deferred tax

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax base used in the computation of taxable profit.

Deferred tax liabilities (DTLs) are generally recognised for all taxable temporary differences.

Deferred tax assets (DTAs) are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such DTAs and DTLs are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

In addition, DTLs are not recognised if the temporary difference arises from the initial recognition of goodwill.

DTLs are recognised for taxable temporary differences associated with investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

DTAs arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of DTAs is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

DTLs and DTAs are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of DTLs and DTAs reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

3.5 Current and deferred tax for the year

Current and deferred tax are recognised in the statement of comprehensive income, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

3.6 Tax consolidation

On 1 February 2021, RAF joined the Resimac tax consolidated group.

The assets of RAF were taken to have been acquired by Resimac Group and the tax cost base of these assets were reset under the Allocable Cost Amount tax consolidation rules.

3. Income tax (continuation)

3.7 Tax effect accounting by members of the tax consolidated group

Resimac Group Ltd and its wholly-owned Australian controlled entities have implemented the tax consolidation legislation. The head entity Resimac Group Ltd, and the controlled entities in the tax consolidated group continue to account for their own current and deferred tax amounts. The Group has applied the group allocation approach in determining the appropriate amount of current taxes and deferred taxes to allocate to members of the tax consolidated group. The current and deferred tax amounts are measured in a systematic manner that is consistent with the broad principles in AASB 112 *Income Taxes*.

In addition to its own current and deferred tax amounts, the head entity also recognised current tax liabilities (or assets) and the deferred tax assets arising from unused tax losses and unused tax credits assumed from controlled entities in the Resimac tax consolidated group.

3.8 Nature of the tax funding agreement

Members of the Group have entered into a tax funding agreement. Under the funding agreement the allocation of tax within the Group is based on a group allocation. The tax funding agreement requires payments to/from the head entity to be recognised via an inter-entity receivable (payable) which is at call.

The allocation of taxes under the tax funding agreement is recognised as an increase or decrease in the subsidiaries' intercompany accounts with the tax consolidated group head company, Resimac Group Ltd. The amounts receivable or payable under the tax funding agreement are due upon receipt of the funding advice from the head entity, which is issued as soon as practical after the end of each financial year.

Key judgement

The Group's accounting for taxation requires management's judgment in assessing whether deferred tax assets and certain deferred tax liabilities are recognised on the statement of financial position. Deferred tax assets, including those arising from unrecouped tax losses, capital losses and temporary differences, are recognised only where it is considered more likely than not that they will be recovered, which is dependent on the generation of sufficient future taxable profits.

Assumptions about the generation of future taxable profits depend on management's estimates of future cash flows. These depend on estimates of future income, operating costs, capital expenditure, dividends and other capital management transactions.

Judgments and assumptions are also required about the application of income tax legislation. These judgments and assumptions are subject to risk uncertainty, hence there is a possibility that changes in circumstances will alter expectations, which may impact the amount of deferred tax assets and deferred tax liabilities recognised on the statement of financial position and the amount of other tax losses and temporary differences not yet recognised. In such circumstances, some or all of the carrying amounts of recognised deferred tax assets and liabilities may require adjustment, resulting in a corresponding credit or charge to the consolidated statement of profit or loss and other comprehensive income.

4. Cash and cash equivalents

	Note	FY21 \$'000	FY20 \$'000
Cash at bank and on hand		50,622	27,757
Cash collections account ¹		567,687	336,730
Restricted cash ²		1,500	1,500
	22	619,809	365,987
Reconciliation of profit after tax to the net cash flows from operating activities			
Profit after tax		107,806	56,007
Non-cash items			
Depreciation and amortisation	2	1,199	1,032
Depreciation charge of right-of-use assets	2	1,895	1,920
Amortisation of bond issue costs	2	9,154	8,517
Fair value gain on financial assets	1	(5,110)	-
Fair value movement on interest rate swaps		780	3,271
Loan impairment movement	2	2,676	22,012
Net loss on disposal of non-current assets		944	-
Present value of future trail commission income		8,655	6,694
Present value of future trail commission expense		(5,008)	(2,104)
Share-based payments expense	2	792	581
Discount on mortgage		(550)	(442)
(Increase)/decrease in assets			
Trade and other receivables		(358)	2,147
Loans and advances		(1,559,645)	(3,583,219)
Other assets		60	23
Impairment allowance account		(1,809)	(2,254)
Increase/(decrease) in liabilities			
Trade and other payables		8,646	(380)
Current tax payable		(3,615)	19,522
Interest-bearing liabilities		(12,244)	(13,007)
Provisions		212	168
Deferred tax liabilities		(1,941)	(4,357)
Net cash flows used in operating activities		(1,447,461)	(3,483,869)

1. Cash collections account includes monies in the Special Purpose Vehicles and securitisation trusts on behalf of members in those trusts and various clearing accounts. These funds are not available for operational use.

2. Cash held in trust as collateral.

4. Cash and cash equivalents (continuation)

Recognition and measurement

Cash comprises cash deposits and cash equivalents that are short-term, liquid investments readily convertible to known amounts of cash, not subject to significant risk of changes in value, and have a maturity of three months or less.

Cash at bank earns interest at floating rates based on daily bank deposit rates. Short-term deposits are made for varying periods of between one day and three months, depending on the immediate cash requirements of the Group, and earn interest at the respective short-term deposit rates.

5. Trade and other receivables

	Note	FY21 \$'000	FY20 \$'000
Current			
Fee and commission receivable		843	1,050
Prepayments		2,371	2,088
GST receivable		743	641
Deferred consideration for sale of Paywise		-	750
Sundry receivable		624	445
	22	4,581	4,974
Non-current			
Deferred consideration for sale of Paywise	22	-	1,000

Recognition and measurement

All receivables are derived from the normal course of business. No maturity dates are specified as they are normally settled within twelve months. There are no long term outstanding receivables as at the reporting date.

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less an allowance for impairment. The credit risk of trade receivables is considered limited as they are due from Australian financial institutions with high credit ratings.

Fee and commission receivable

This balance comprises trail commission receivables that have settlement terms of 30 days. This is initially recognised at the fair value of the consideration receivable.

Sundry receivable

This relates to amounts received within the SPV's on the last day of the reporting period.

6. Loans and advances

	Note	FY21 \$'000	FY20 \$'000
Gross loans and advances			
Loans and advances		13,934,440	12,518,394
Capitalised upfront commissions		45,125	41,624
Capitalised mortgage insurance costs		-	94
Deferred mortgage fee		(16,240)	(17,400)
Loans from related parties		-	(2)
		13,963,325	12,542,710
Less: allowance for impairment		(37,565)	(36,698)
	22	13,925,760	12,506,012
Current		3,630,465	2,884,823
Non-current		10,332,860	9,657,887
		13,963,325	12,542,710
Impairment allowances			
Collective allowance		32,126	30,641
Specific allowance		5,439	6,057
		37,565	36,698
Movement in impairment allowances			
Balance at 1 July		36,698	16,445
Acquisition of RAF		-	495
Provided for during the year			
- Specific		1,096	1,891
- Collective		1,580	20,121
Write-offs		(1,809)	(2,254)
Balance at 30 June		37,565	36,698

6. Loans and advances (continuation)

Recognition and measurement

All loans and advances are initially recognised at fair value plus directly attributable transaction costs, and subsequently measured at amortised cost using the effective interest method.

Amortised cost is calculated by taking into account any fees paid or received between parties to the contract that are an integral part of the effective interest rate, transactions costs, and all other premiums or discounts on acquisition, over the period to maturity.

Gains and losses are recognised in the statement of comprehensive income when the loans and advances are derecognised or impaired, as well as through the amortisation process.

Loans past due but not impaired

Payment terms of these loans have not been renegotiated, however no further advances are provided until payment is made. The Group is in direct contact with relevant borrowers to enter into payment arrangements which will bring the account fully up to date within an acceptable period.

For Prime Insured loans expected recoverable amounts are adjusted to reflect lower than 100% Lenders Mortgage Insurance (LMI) recovery where applicable e.g. due to costs associated with maintaining the security value within the terms of the LMI agreement (i.e. other than fair wear and tear). They are also reduced by the amount of higher rate (penalty) interest and fees related to loans in arrears which are not covered by LMI.

Loans with payments outstanding less than one month are generally rectified by the borrower within a short period of time, i.e. within the same month. Loans in this category are less likely to be representative of loans with underlying repayment problems.

Impairment and provisioning

AASB 9 requires an Expected Credit Loss model (ECL) at each reporting date to reflect changes in credit risk since initial recognition of the loans and advances. Impairment policy of loans and advances are included in Note 22.

6. Loans and advances (continuation)

COVID-19

The impact of COVID-19 on customer serviceability decreased during the year, however continues to present challenges to a small amount of the Group's customers. Resimac's conservative approach to credit risk and strong funding relationships have mostly insulated the impacts of COVID-19. Resimac remains committed to supporting customers and the broader community through the ongoing challenges COVID-19 poses.

Whilst the economic rebound in FY21 in Australia was comforting, we expect FY22 to provide further macroeconomic challenges. Australia's vaccine rollout remains slow in comparison to other countries, whilst State lockdowns and border closures continue to drive economic headwinds. Furthermore, international borders are expected to remain closed for the majority of FY22 stifling the recovery in a number of industries.

Security properties repossessed

As at 30 June 2021, the Group had exercised their right to liquidate 16 residential properties (FY20: 41) being the security for securitised loans. The Group intends to sell these properties with the proceeds to go towards clearing the outstanding balance of the underlying loans. It is expected that the outstanding balance will be recovered in full, unless a Stage 3 specific provision has been raised against the loan.

The transition from a COVID-19 overlay to calculating expected future credit loss within the ECL model for all customers is detailed in Note 23.

7. Other financial assets

	Note	FY21 \$'000	FY20 \$'000
Listed shares – BNK Banking Corporation Limited (ASX: BBC)	22	4,713	1,921
Unlisted shares – Athena	22	7,110	2,000
Unlisted shares – Positive Group	22	3,000	3,000
Short-term investment	22	260	260
		15,083	7,181
Current		260	260
Non-current		14,823	6,921
		15,083	7,181

Listed shares

BNK is an investment the Group intends to hold for long term strategic purposes. As permitted by AASB 9, the Group designated this investment at the date of initial application as measured at fair value through other comprehensive income. The accumulated fair value reserve related to this investment will not be reclassified to profit or loss. Dividends from this investment will be recognised in profit or loss as other income when the Group's right to receive payment is established. At 30 June 2021, the Group held 6,412,621 shares in BNK at a share price of \$0.735 (30 June 2020: 4,468,902 shares).

Unlisted shares

Investments that are not traded in an active market, however classified as fair value through profit or loss (FVTPL) are disclosed at fair value at the end of each reporting period. The fair value testing conducted on the unlisted shares, included assessing the impact of COVID-19 on the current and future operating models. The fair value assessments included comparisons against forecasted operating performance at time of investment. The valuation methodology for these investments is disclosed in Note 22.

Resimac holds shares in Athena Financial Pty Ltd ("Athena") & Positive Finance Holdings Pty Ltd ("Positive").

Athena recently completed a Series D capital raise at an increased valuation compared to the Series A capital raise Resimac invested in. Management believe it is appropriate to increase the fair value of the 1.8% investment in Athena to \$7.1m, representing the mid-range of the pre and post money Series D valuation.

The fair value of the 15% investment in Positive Group remains unchanged.

Short-term investment

Term deposit with fixed or determinable payments and fixed maturity date which the Group has the intent and ability to hold to maturity.

8. Right-of-use assets

	FY21 \$'000	FY20 \$'000
Lease - buildings		
Balance at 1 July	12,279	-
Additions	256	14,015
Acquisition of RAF	-	191
Depreciation	(1,895)	(1,920)
Foreign exchange	(2)	(7)
Balance at 30 June	10,638	12,279
Lease - buildings		
Right-of-use assets at cost	14,510	14,256
Less: accumulated depreciation	(3,872)	(1,977)
Total right-of-use assets	10,638	12,279

Right -of-use assets

The Group lease offices with lease terms between 3 to 8 years. Right-of-use assets are initially measured at cost comprise the following:

- the amount of the initial measurement of lease liability;
- any lease payments made at or before the commencement date less any lease incentives received;
- any initial direct costs; and
- restoration costs.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term, unless the lease transfers ownership of the underlying asset to the Group by the lease term or the cost of the right-of-use asset reflects that the Group will exercise a purchase option. In that case the right-of-use asset will be depreciated over the useful life of the underlying asset, which is determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability. Depreciation of right-of-use asset is recognised in the consolidated statement of profit or loss.

9. Plant and equipment

	FY21 \$'000	FY20 \$'000
Carrying amounts of:		
Plant and equipment	1,919	2,192
	1,919	2,192

	Computer equipment \$'000	Office furniture \$'000	Operating lease equipment \$'000	Leasehold improvement \$'000	Total \$'000
Balance at 1 July 2020	541	123	283	1,245	2,192
Additions	176	24	296	-	496
Disposals	(10)	(4)	(3)	-	(17)
Depreciation expense	(249)	(21)	(217)	(264)	(751)
Foreign exchange	(1)	-	-	-	(1)
Balance at 30 June 2021	457	122	359	981	1,919
Balance at 1 July 2019	590	39	-	1,481	2,110
Additions	149	58	4	-	211
Acquisition of RAF	25	40	403	26	494
Depreciation expense	(223)	(13)	(124)	(262)	(622)
Foreign exchange	-	(1)	-	-	(1)
Balance at 30 June 2020	541	123	283	1,245	2,192

Recognition and measurement

Plant and equipment stated at cost less accumulated depreciation and impairment losses.

Depreciation and amortisation

Depreciation is recognised to write off the cost or valuation of assets less their residual values over their useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

The following useful lives are used in the calculation of depreciation:

	Years
Computer equipment	3-4
Office furniture	10
Operating lease equipment	3-7
Leasehold improvement	Up to 40 years or life of lease, whichever is shorter

9. Plant and equipment (continuation)

Derecognition

An item of plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of plant and equipment is determined as the difference between the sale proceeds and the carrying amount of the asset and is recognised in profit or loss.

Impairment

At each reporting date, the Group reviews the carrying amounts of plant and equipment to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated to determine the extent of the impairment loss (if any).

10. Other assets

	FY21 \$'000	FY20 \$'000
Reinsurance claim receivable	3,545	3,339
Other	228	288
	3,773	3,627
Current	228	288
Non-current	3,545	3,339
	3,773	3,627

Recognition and measurement

Reinsurance claim receivable

Prime Insurance Group Limited was purchased as part of the RHG Mortgage Corporation Limited (RHG) acquisition in 2014. Its sole purpose is to provide insurance service and re-insurance facilities for the RHG mortgage assets and process any shortfall claims received.

The reinsurance claim receivable is available to utilise against the reinsurance claim reserve amount in Note 16.

11. Goodwill and intangible assets

	FY21 \$'000	FY20 \$'000
Goodwill		
Balance at 1 July	27,430	21,766
Additional amounts recognised from business combinations occurring in the current year	-	5,664
Balance at 30 June	27,430	27,430

Other intangible assets

	Software \$'000	Brand name \$'000	Total \$'000
Balance at 1 July 2020	1,386	77	1,463
Amortisation for the year	(397)	(51)	(448)
Write-offs	(879)	-	(879)
Balance at 30 June 2021	110	26	136
Balance at 1 July 2019	1,691	-	1,691
Additions	68	-	68
Acquisition of RAF	11	103	114
Amortisation for the year	(384)	(26)	(410)
Balance at 30 June 2020	1,386	77	1,463

11.1 Goodwill

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business (less accumulated impairment losses, if any).

Impairment testing

At 30 June 2021, the Group has performed the impairment testing, which included consideration of the impact of COVID-19. Goodwill of \$21.7m has been allocated for impairment assessment purpose to the Australian Lending Business segment. This segment is considered to be the Group of cash-generating units (CGU) that are expected to benefit from the synergies of the business combination to which that goodwill relates. The RAF goodwill of \$5.7m is considered a separate CGU, and the associated goodwill has been assessed for impairment testing.

A CGU to which goodwill has been allocated is tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the CGU is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro rata based on the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in profit or loss. An impairment loss recognised for goodwill is not reversed in subsequent periods.

11. Goodwill and intangible assets (continuation)

Recoverable amount of the asset

The recoverable amount is equal to the greater of:

- fair value less costs to sell; and
- value in use ('VIU').

It is not always necessary to determine both the fair value less cost to sell and its VIU. If either of these amounts exceed the carrying amount of the CGU, there is no impairment of the goodwill and it is not necessary to estimate the other amount.

As a result, the VIU methodology is considered to be most appropriate as there is no readily available market outside specific business sales of an equivalent sized business to the Australian Lending business segment.

The VIU calculation requires management to estimate future cash flows expected to arrive from the CGU and a suitable discount rate in order to calculate present value. For RAF, management have determined that the fair value less cost to sell (FV) is considered most appropriate, as the controlling interest was purchased at arms-length in the current financial year.

Indicators of impairment

The minimum indicators of impairment have been considered by management. These include both internal and external sources of information such as:

- significant changes (historical and future) in the market, economic, legal or technological environment which would have an adverse impact on the Group;
- interest rate changes which impact the discount rate used in modelling;
- evidence of a worsening financial position;
- plans to discontinue operations; and
- economic conditions as a result of COVID-19.

Management have assessed that there are no such indicators which would impair the goodwill balance as at 30 June 2021.

Inputs to impairment calculations

Cash flow projections

For VIU calculations, cash flow projections are based on corporate plans and business forecasts prepared by management and approved by the Board. Cash flow projections are for four years and a terminal growth rate beyond this has been applied.

Impairment assessment

In assessing VIU, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the CGU.

Furthermore, each unit or group of units to which the goodwill is allocated shall:

- represent the lowest level at which the goodwill is monitored for internal management purposes; and
- not exceed the operating segments.

The allocation of goodwill to these CGU's is considered appropriate.

11. Goodwill and intangible assets (continuation)

Key judgements and assumptions

The key assumptions used for assessing the recoverable amount of the Australian Lending Business CGU are as below:

	FY21	FY20
Growth rate for 4-year forecast period (p.a.)	2.5%	5.3%
Discount rate (post-tax)	11.0%	11.0%
Terminal growth rate	2.0%	2.0%

The post-tax discount rate of 11% has been determined by estimating the cost of equity that applies to the Australian lending segment. The terminal growth rate of 2% does not reflect the expected growth trajectory of the Group, it is management's conservative growth assumption for goodwill impairment testing only.

Management conducted the following when testing the impairment of goodwill:

- revised budgets, forecasts and other assumptions from previous impairment testing to reflect the economic conditions at the balance date, especially to address increased risk and uncertainty;
- considered the macroeconomic impact of COVID-19 and considered outcomes where future cash flows are reduced or operating costs increase.

In assessing the VIU for goodwill impairment assessment, the potential impact of COVID-19 on cash flows and profit growth have been considered under different scenarios:

1) Base case: Current management view of macroeconomic environment:

- Loan volume: Growth trajectory in line with post COVID-19 growth
- Margins: Conservative view to declining to flat margin scenario
- Costs: Growth based on CPI assumptions and investments required to support organic growth of the business

2) Stress scenario: Assumes severe macroeconomic downturn resulting in a sustained downturn in Resimac profitability of -5% CAGR over a 4 year period. The stress scenario indicated sufficient headroom remains for goodwill impairment purposes.

The volatility in the current financial markets due to COVID-19 introduces challenges to impairment testing. A second layer of stress testing was added with discount rates ranging from 10-20% which were applied to the base case and stress scenarios. Management tested the stress scenario and applied a discount rate of 20%, the recoverable amount of the CGU exceeded the recorded carrying value for the Australian Lending Business. The full sensitivity range is outlined as follows:

	Headroom (\$m)			
Discount Rate	10%	11%	12%	20%
Base Case	694	574	479	105
Stress Test Case	439	352	282	7

11. Goodwill and intangible assets (continuation)

The recoverable amount of the CGU would not be less than its carrying value in any scenario. Resimac management do not believe there are any other assumptions based on internal or external sources whereby the quantum of the change will eliminate the available headroom.

For Resimac Asset Finance Group, using the Calibration methodology within the FV concept, management believe there are no indicators of impairment mainly due to the following:

- Resimac Asset Finance Group have outperformed initial NPAT expectations; and
- robust portfolio management and cost controls are embedded to protect the business in the current COVID-19 macroeconomic environment.

Impairment charge

Management believe potential impacts of COVID-19 have been adequately considered for goodwill impairment testing purposes at 30 June 2021. Based upon the impairment testing performed, there is no impairment charge for FY21 (FY20: nil).

11.2 Other intangible assets

Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortisation and accumulated impairment losses. Amortisation is recognised on a straight-line basis over their estimated useful lives.

The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. Intangible assets with indefinite useful lives that are acquired separately are carried at cost less accumulated impairment losses.

	Useful life
Intellectual property	7 years
Software	3-5 years
Brand name	2 years

Software-as-a-Service (SaaS) arrangements

SaaS arrangements are service contracts providing the Group with the right to access the cloud provider's application software over the contract period. As such, the Group does not receive a software intangible asset at the contract commencement date.

The following outlines the accounting treatment of costs incurred in relation to SaaS arrangements:

Recognise as an operating expense over the term of the service contract	<ul style="list-style-type: none"> • Fee for use of application software
Recognise as an operating expense as the service is received	<ul style="list-style-type: none"> • Customisation costs • Configuration costs • Data conversion and migration costs • Testing costs • Training costs

Costs incurred for the development of software code that enhances or modifies, or creates additional capability, to existing on-premise systems and meets the definition of and recognition criteria for an intangible asset are recognised as intangible software assets.

12. Trade and other payables

	Note	FY21 \$'000	FY20 \$'000
Revenue collected in advance		436	326
Collections owed to trusts		11,132	7,900
Other creditors and accruals		17,654	13,371
Commissions		5,315	4,294
	22	34,537	25,891
Current		34,537	25,891

Recognition and measurement

Trade creditors and other payables are generally settled within 30 day terms and are unsecured. Trade creditors and other payables are carried at amortised cost and represent liabilities for goods and services provided to the Group prior to the end of the financial year, are unpaid, and arise when the Group becomes obliged to make future payments in respect of the purchase of these goods and services.

Collections owed to trusts

Relates to loan repayments received from borrowers that reside in clearing accounts not yet allocated to a trust at balance date.

Commissions

Relates to upfront and trail commission payable to aggregators and brokers.

Other creditors and accruals

Other creditors and accruals are unsecured payables relating to expenses arising in the ordinary course of business.

13. Interest-bearing liabilities

	Note	FY21 \$'000	FY20 \$'000
Debt securities on issue		13,780,348	12,421,861
Corporate debt facility		-	5,000
Issuance facilities		390,303	258,755
	22	14,170,651	12,685,616
Current		3,684,369	2,917,692
Non-current		10,486,282	9,767,924
		14,170,651	12,685,616

Recognition and measurement

All borrowings are initially recognised at fair value of the consideration received less direct transaction costs, and subsequently measured at amortised cost using the effective interest method.

Amortised cost is calculated by taking into account any fees paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs, and all other premiums or discounts on acquisition, over the period to maturity.

Gains or losses are recognised in the statement of profit or loss when the liabilities are derecognised and also through the amortisation process.

For further detail on the amortised cost basis of accounting see Note 1 and 2. Details of the Group's interest-bearing liabilities are set out in Note 22.

13.1 Debt securities on issue

Warehouse facilities

The warehouse facilities provide funding for the initial financing of loans and advances to customers within the warehouse Special Purpose Vehicles (SPV). Refer to Note 24 for the consolidation of the SPVs. The security for advances under these facilities is a combination of fixed and floating charges over all assets of the warehouse SPVs. If the warehouse facility is not renewed or should there be a default under the existing terms and conditions, the warehouse facility funder will not have a right of recourse against the remainder of the Group. Warehouse facilities are secured against the underlying mortgages only.

During the financial year there were no breaches to the warehouse agreements. All warehouse facilities were renewed, at equal or higher limits, on or before their maturity date.

Bonds

RMBS provide duration funding for loans and advances (securitised assets) originated by the Group. The RMBS notes generally have a legal final maturity of 31.5 years from issue, and a weighted average life of up to 6 years.

The RMBS SPV security is a combination of fixed and floating charges over all assets of the RMBS SPV. Credit losses arising from securitised assets will not result in the bondholders having a right of recourse against the Group (as Originator, Manager or Servicer).

During the year ended 30 June 2021, AUD \$5.50 billion and NZD \$300 million of new Residential Mortgage Backed Securities (RMBS) and Medium Term Notes (MTNS) were issued (FY20: AUD \$3.47 billion). These RMBS issuance paid down warehouse facilities creating capacity to underwrite new mortgages. During the financial year, there were no breaches to the terms of the RMBS.

13. Interest-bearing liabilities (continuation)

Collateral

Certain RMBS and warehouse SPV's are supported by cash collateral reserves.

13.2 Corporate debt facility

As at 30 June 2021, the Company had a \$30 million corporate facility with National Australia Bank maturing in September 2021. The Group had an undrawn balance of \$30 million at 30 June 2021 (FY20: \$25 million). In accordance with the terms of the Group's corporate debt facilities, the Group is required to comply with certain covenants. During the period and as at 30 June 2021, the Group was compliant with these covenants.

The corporate debt facility is secured by a first-ranking charge over the trust assets of the Group. See Note 23.7 for further detail.

13.3 Issuance facilities

The Group maintains a series of subsidiary SPV's for the purpose of raising financing for its RMBS-related credit risk retention ("CRR") obligations. CRR is a mandatory requirement for the Group's RMBS issuance activities in the U.S., European, Japanese and U.K. jurisdictions where, in general, the Group is required to hold an economic interest of at least 5% in value of an RMBS issuance. The subsidiary SPV's hold a 5% vertical strip of bonds of an individual RMBS issuance and raises secured financing from banks and credit investors.

14. Lease liabilities

	FY21 \$'000	FY20 \$'000
<i>Lease liabilities included in the Statement of Financial Position</i>		
Balance at 1 July	13,622	-
Addition	541	14,803
Acquisition of RAF	-	497
Interest incurred	526	618
Payment of lease liabilities	(2,205)	(2,289)
Foreign exchange	(2)	(7)
Balance at 30 June	12,482	13,622
Current	1,520	1,566
Non-current	10,962	12,056
	12,482	13,622
<i>Amounts recognised in Statement of Comprehensive Income</i>		
Depreciation charge of right-of-use assets	1,895	1,920
Interest expense on lease liabilities	526	618
<i>Amounts recognised in Statement of Cash Flows</i>		
Total cash outflows for leases	(2,205)	(2,289)

14.1 Leases

The Group assesses whether a contract is or contains a lease, at inception of the contract. The Group recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets. For these leases, the Group recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If the rate cannot be readily determined, the lessee uses its incremental borrowing rate.

14. Lease liabilities (continuation)

Lease payments included in the measurement of the lease liability comprise:

- Fixed lease payments (including in-substance fixed payments), less any lease incentives receivable;
- Variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date
- The amount expected to be payable by the lessee under residual value guarantees;
- The exercise price of purchase options, if the lessee is reasonably certain to exercise the options; and
- Payments to penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease

The lease liability is presented as a separate line in the consolidated statement of financial position.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

The Group remeasures the lease liability and makes a corresponding adjustment to the related right-of-use asset whenever:

- The lease term has changed or there is a significant event or change in circumstances resulting in a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.
- The lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using an unchanged discount rate
- A lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

The Group did not make any such adjustments during the year presented.

Variable rents that do not depend on an index or rate are not included in the measurement of the lease liability and the right-of-use asset. The related payments are recognised as an expense in the period in which the event or condition that triggers those payments occurs and are included in "Other expenses" in profit or loss (see note 2).

The Group has applied judgement to determine the lease term for some lease contracts in which it is a lessee that include renewal options. The assessment of whether the Group is reasonably certain to exercise such options impacts the lease term, which significantly affects the amount of lease liabilities and right-of-use assets recognised.

15. Other financial liabilities

	Note	FY21 \$'000	FY20 \$'000
Present value of future trail commission payable		15,789	20,797
	22	15,789	20,797
Current		4,528	5,750
Non-current		11,261	15,047
		15,789	20,797

Recognition and measurement

The Group makes trail commission payments to mortgage originators based on monthly loan balances outstanding.

Initial Recognition

Fair value of future trail commission payable is recognised on the origination of White label loans. This represents the NPV of the expected future trail commission payable under the origination and management agreement, less ongoing servicing costs not covered by transaction fees.

Subsequent payment

Subsequent to initial recognition, the future trail commission payable is measured at amortised cost.

The carrying amounts of the trail commissions payable are adjusted to reflect actual and revised estimated cash flows by recalculating the carrying amount through computing the present value of estimated future cash flows at the effective interest rates. The resulting adjustment is recognised as income or expense in the statement of comprehensive income.

A remeasurement of the underlying cash flows relating to the trail commission payable occurs at each reporting date.

Key Estimates and Assumptions

Refer to Note 1 for the key estimates and judgements underlying the remeasurement of the estimated future cash flows.

16. Other liabilities

	FY21 \$'000	FY20 \$'000
Reinsurance claim reserve	3,545	3,339
	3,545	3,339
Non-current	3,545	3,339

The reinsurance claim reserve offsets with the reinsurance claim receivable amount in Note 10.

17. Provisions

	FY21 \$'000	FY20 \$'000
Employee benefits	4,760	4,116
Make good	458	514
	5,218	4,630
Current	4,401	3,902
Non-current	817	728
	5,218	4,630

	Employee benefits \$'000	Make good \$'000	Total \$'000
Balance at 1 July 2020	4,116	514	4,630
Additional provisions recognised	2,035	17	2,145
Provision utilised	(1,391)	(73)	(1,557)
Balance at 30 June 2021	4,760	458	5,218

Recognition and measurement

Provisions are recognised when:

- the Group has a present obligation (legal or constructive) as a result of a past event;
- it is probable that the Group will be required to settle the obligation; and
- a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (when the effect of the time value of money is material).

17. Provisions (continuation)

17.1 Employee benefits

A liability is recognised for benefits accruing to employees where the liability can be measured reliably and payment is probable, in respect of:

- wages and salaries;
- annual leave;
- long service leave; and
- on-costs relating to the above.

Liabilities recognised in respect of employee benefits expected to be settled within 12 months, are measured at their nominal values using the remuneration rate expected to apply at the time of settlement.

Liabilities recognised in respect of employee benefits which are not expected to settle within 12 months are measured at the present value of the estimated future cash outflows to be made by the Group in respect of services provided by employees up to the reporting date.

The liability for long service leave is recognised in the provision for employee benefits. It is measured as the present value of expected future payments for the services provided by employees up to the reporting date.

Expected future payments are discounted using market yields at the reporting date on high quality corporate bonds with terms to maturity that match, as closely as possible, the estimated future cash outflows.

17.2 Make good

Where a condition of the Group's lease premises is to return the property in its original condition at the end of a lease term. The Group recognises a provision for the make good as the expected cost of the refurbishment at the end of the lease.

18. Capital management

The Group's capital management objectives

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance.

The Group operates a warehouse to securitisation funding model for its lending business and as such makes decisions on the amount of capital invested in the notes or warehouses based on alternate sources of funding and the expected return on amounts invested and with regard to the company's cost of capital.

The capital structure of the Group consists of net debt (borrowings as detailed in Note 13 offset by cash and bank balances) and equity of the Group (comprising issued capital, reserves, retained earnings and non-controlling interests as detailed in Note 20).

The Group is not subject to any externally imposed capital requirements.

The Board is responsible for monitoring and approving the capital management framework within which management operates. The purpose of the framework is to prudently manage capital whilst optimising the debt and equity structure.

Equity	Note	FY21 \$'000	FY20 \$'000
Issued capital	20	120,134	120,354
Reserves	20	(18,126)	(7,556)
Retained earnings	20	219,131	128,694
		321,139	241,492

The Group manages its capital through various means, including:

- adjusting the amount of ordinary dividends paid to shareholders;
- maintaining a dividend reinvestment plan;
- raising or repaying capital; and
- reinvesting profits.

19. Dividends

	FY21 \$'000	FY20 \$'000
Declared and paid during the period (fully-franked at 30 percent)		
Final dividend for FY20: \$0.018 (FY19: \$0.010)	7,334	4,058
Special dividend for FY20: Nil (FY19: \$0.005)	-	2,029
Interim dividend for FY21: \$0.024 (Interim FY20: \$0.012)	9,786	4,879
	17,120	10,966
Proposed and unrecognised as a liability (fully-franked at 30 percent)		
Final dividend for FY21: \$0.04 (FY20: \$0.018)	16,336	7,334
	16,336	7,334
Franking credit balance		
Franking credits available for future years at 30% adjusted for the payment of income tax and dividends receivable or payable	57,198	19,170
Impact on the franking account of dividends proposed before the financial report was issued but not recognised as a distribution to equity holders during the period.	(7,001)	(3,143)

20. Issued capital and reserves

	FY21 \$'000	FY20 \$'000
Issued capital	183,011	181,895
Treasury shares	(1,336)	-
Share capital	181,675	181,895
Reverse acquisition reserve ¹	(61,541)	(61,541)
	120,134	120,354

1. As a result of reverse acquisition accounting in the Resimac/Homeloans merger, an account was created as a component of equity. This account called 'Reverse acquisition reserve' is similar in nature to share capital. The Reverse acquisition reserve is not available for distribution.

Issued capital as at 30 June 2021 was \$183,011,197 (408,404,461 ordinary shares).

During the period, the Company issued:

- 567,646 shares for \$951,191 in respect of the Resimac Dividend Reinvestment Plan (DRP), and
- 387,478 shares for \$165,000 to provide for LTI share options being exercised and Employee Share Plan

20.1 Issued capital

	No. of shares – Thousands	\$'000
Balance at 1 July 2019	405,790	180,548
Issue of shares under a dividend reinvestment plan	1,059	1,017
Exercise of options – proceeds received	600	330
Balance at 30 June 2020 and 1 July 2020	407,449	181,895
Issue of shares under the DRP:		
• FY20 Dividend on 25 September 2020	312	398
• HY21 Dividend on 31 March 2021	256	553
Exercise of options – proceeds received	300	165
Employee shares	87	-
Balance at 30 June 2021	408,404	183,011

Fully paid ordinary shares, which have no par value, carry one vote per share and carry a right to dividends.

20. Issued capital and reserves (continuation)

20.2 Treasury shares

Treasury shares held in Resimac Group Ltd by Resimac EST Pty Ltd as Trustee for the Resimac Group Limited Employee Share Trust, are for the benefit of eligible employees of the Resimac Group Employee Share Option and Rights Plan. Shares issued to employees are recognised on a first-in-first-out basis.

	No. of shares – Thousands \$'000	
Balance at 1 July 2019	-	-
Subscription of shares by the Trust (average price: \$0.85 per share)	600	510
Allocation of shares under LTI#1	(600)	(510)
Balance at 30 June 2020	-	-
Subscription of shares by the Trust (average price: \$2.13 per share)	300	639
Allocation of shares under LTI#1	(300)	(639)
Acquisition of shares (average price: \$2.47 per share)	540	1,336
Balance at 30 June 2021	540	1,336

20. Issued capital and reserves (continuation)

20.3 Reserves (net of income tax) and retained earnings

	Reserves						Non-controlling interest
	Retained earnings	Cash flow hedge reserve	Foreign currency translation reserve	Fair value reserve	Share-based payment reserve	Other reserve	
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Balance at 1 July 2019	84,314	(5,876)	656	(2,065)	88	-	-
Adoption of AASB 16, net of income tax	(339)	-	-	-	-	-	-
Adjusted balance as at 1 July 2019	83,975	(5,876)	656	(2,065)	88	-	-
Profit after tax	55,908	-	-	-	-	-	99
Acquisition of non-controlling interest	-	-	-	-	-	-	99
Changes in fair value of cash flow hedges, net of tax	-	365	-	-	-	-	-
Currency translation differences	-	-	(504)	-	-	-	(4)
Fair value movement on investment through OCI, net of tax	-	-	-	(657)	-	-	-
Equity dividends	(10,966)	-	-	-	-	-	-
Share-based payments	-	-	-	-	402	-	-
Option to acquire shares of subsidiary	-	-	-	-	-	(188)	-
Reallocation	(223)	-	-	223	-	-	-
Balance at 30 June 2020	128,694	(5,511)	152	(2,499)	490	(188)	194
Balance at 1 July 2020	128,694	(5,511)	152	(2,499)	490	(188)	194
Profit after tax	107,557	-	-	-	-	-	249
Acquisition of non-controlling interest without a change in control	-	-	(2)	-	-	(7,982)	(444)
Option to acquire shares of subsidiary	-	-	-	-	-	188	-
Changes in fair value of cash flow hedges, net of tax	-	(4,406)	-	-	-	-	-
Currency translation differences	-	-	(205)	-	-	-	1
Fair value movement on investment through OCI, net of tax	-	-	-	126	-	-	-
Equity dividends	(17,120)	-	-	-	-	-	-
Share-based payments	-	-	-	-	1,711	-	-
Balance at 30 June 2021	219,131	(9,917)	(55)	(2,373)	2,201	(7,982)	-

20. Issued capital and reserves (continuation)

20.3 Nature and purpose of reserves

Cash flow hedge reserve

The cash flow hedging reserve represents the cumulative effective portion of gains or losses arising on changes in fair value of hedging instruments entered into for cash flow hedges. The cumulative gain or loss arising on changes in fair value of the hedging instruments will be reclassified to profit or loss only when the hedged transaction affects the profit or loss, or included as a basis adjustment to the non-financial hedged item, consistent with the Group's accounting policy.

Foreign currency translation reserve

Exchange differences relating to the translation of the results and net assets of the Group's New Zealand operations from its functional currency to the Group's presentation currency are recognised directly in other comprehensive income and accumulated in the foreign currency translation reserve.

Share-based payment reserve

The share-based payments reserve is used to recognise the value of equity-settled share-based payments provided to employees, including KMP, as part of their remuneration. Refer to Note 31 for further details of these plans.

20.4 Retained earnings

See Note 19 in respect of payment of dividends.

21. Earnings per share

	FY21	FY20
Profit attributable to ordinary equity holders of the parent (\$'000)	107,557	55,908
WANOS ¹ used in the calculation of basic EPS (shares, thousands)	407,824	406,536
Dilutive effect of share options	2,592	1,100
WANOS ¹ used in the calculation of diluted EPS (shares, thousands)	410,416	407,636
Earnings per share		
Basic (cents per share)	26.37	13.75
Diluted (cents per share)	26.21	13.72

1. Weighted average number of shares

21. Earnings per share (continuation)

Calculation of earnings per share

21.1 Basic earnings per share

Basic earnings per share is calculated as net profit attributable to the ordinary equity holders of the parent, adjusted to exclude any costs of servicing equity (other than dividends), divided by the WANOS adjusted for any bonus element.

21.2 Diluted earnings per share

Diluted earnings per share is calculated by:

- dividing the net profit attributable to ordinary equity holders of the parent; by the
- WANOS outstanding during the year; plus
- the WANOS that would be issued on the conversion of all the dilutive potential ordinary options or rights into ordinary shares.

21.3 Calculation of WANOS

Twelve months to 30 June 2021

The number of Resimac Group shares issued:

- **From 1 July 2020 to 24 September 2020 (96,001,762)**
The number of Resimac ordinary shares on issue of 407,449,337 multiplied by the ratio of days outstanding (86/365); plus
- **From 25 September 2020 to 30 March 2021 (208,907,555)**
 - The number of Resimac shares on issue (407,449,337) at 24 September 2020; plus
 - Additional shares issued on 25 September 2020 under the DRP (311,398) multiplied by the ratio of days outstanding (187/365).
- **From 31 March 2021 to 11 April 2021 (13,414,257)**
 - The number of Resimac shares on issue (407,760,735) at 30 March 2021; plus
 - Additional shares issued on 31 March 2021 under the DRP (256,248) multiplied by the ratio of days outstanding (12/365).
- **From 12 April 2021 to 27 April 2021 (17,889,511)**
 - The number of Resimac shares on issue (408,016,983) at 11 April 2021; plus
 - Additional shares issued on 12 April 2021 under the Employee Share Plan (87,478) multiplied by the ratio of days outstanding (16/365).
- **From 28 April 2021 to 30 June 2021 (71,610,645)**
 - The number of Resimac shares on issue (408,104,461) at 28 April 2021; plus
 - Additional shares issued on 28 April 2021 under the LTI (300,000) multiplied by the ratio of days outstanding (64/365).

21. Earnings per share (continuation)

Twelve months to 30 June 2020

The number of Resimac Group shares issued:

- **From 1 July 2019 to 29 September 2019 (100,893,180)**

The number of Resimac ordinary shares on issue of 405,790,153 multiplied by the ratio of days outstanding (91/366); plus

- **From 30 September 2019 to 26 March 2020 (198,845,864)**

- The number of Resimac shares on issue (405,790,153) at 29 September 2019; plus
- Additional shares issued on 30 September 2019 under the DRP (788,540) multiplied by the ratio of days outstanding (179/366).

- **From 27 March 2020 to 11 May 2020 (51,134,070)**

- The number of Resimac shares on issue (406,578,693) at 26 March 2020; plus
- Additional shares issued on 27 March 2020 under the DRP (270,644) multiplied by the ratio of days outstanding (46/366).

- **From 12 May 2020 to 30 June 2020 (55,662,478)**

- The number of Resimac shares on issue (406,849,337) at 11 May 2020; plus
- Additional shares issued on 12 May 2020 under the LTI (600,000) multiplied by the ratio of days outstanding (50/366).

22. Financial assets and financial liabilities

The Group holds the following financial instruments:

Financial assets	Basis of measurement	Note	FY21 \$'000	FY20 \$'000
Cash and cash equivalents	Amortised cost	4	619,809	365,987
Trade and other receivables	Amortised cost	5	4,581	5,974
Loans and advances	Amortised cost	6	13,925,760	12,506,012
Short-term investment	Amortised cost	7	260	260
Investment securities – BNK	FVOCI-equity instrument	7	4,713	1,921
Investment securities – Athena	FVTPL	7	7,110	2,000
Investment securities – Positive Group	FVTPL	7	3,000	3,000
Derivative financial assets	FVTPL	23	2,256	52,592
			14,567,489	12,937,746
Financial liabilities				
Trade and other payables	Amortised cost	12	34,537	25,891
Interest-bearing liabilities	Amortised cost	13	14,170,651	12,685,616
Present value of trail commission payable	Amortised cost	15	15,789	20,797
Derivative financial liabilities	FVTPL	23	60,976	3,277
			14,281,953	12,735,581

22.1 Fair values measurements and valuation processes

22.1.1 Fair value hierarchy

The different levels have been defined as follows:

- **Level 1:** quoted prices (unadjusted) in active markets for identical assets or liabilities;
- **Level 2:** inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- **Level 3:** inputs for the asset or liability that are not based on observable market data (unobservable inputs).

22. Financial assets and liabilities (continuation)

The following assets and liabilities are measured at fair value by the Group for financial reporting purposes:

	Fair value hierarchy	Valuation technique(s) and key inputs (s)	FY21	FY20 \$'000
Financial assets				
Listed shares – BNK Banking Corporation Limited (ASX: BBC)	Level 1	Most recent traded price and other available market information	4,713	1,921
Unlisted shares - Athena	Level 3	Acquisition value, financial performance since acquisition. Subsequent capital raise since acquisition adjusted for changes in market and macroeconomic factors	7,110	2,000
Unlisted shares – Positive Group	Level 3	Acquisition value and strategic value from synergies	3,000	3,000
Interest rate swaps	Level 2	Discounted cash flow Forward interest rates, contract interest rates	2,256	3,330
Cross currency swaps	Level 2	Discounted cash flow Forward interest rates, contract interest rates	-	49,262
Financial liabilities				
Interest rate swaps	Level 2	Discounted cash flow Forward interest rates, contract interest rates	472	3,277
Cross currency swaps	Level 2	Discounted cash flow Forward interest rates, contract interest rates	60,504	-

In the year to 30 June 2021 there has been no change in the fair value hierarchy or the valuation techniques applied to any of the balances above.

For further information on the use of derivatives refer to Note 23 Financial risk management.

22.1.2 Fair value of financial assets and liabilities that are not measured at fair value (but fair value disclosures are required)

With the exception of the future trail commission payable that is initially recognised at fair value and subsequently carried at amortised cost, management consider that the carrying amounts of financial assets and liabilities recognised in the consolidated financial statements approximate their fair values.

22.2 Financial assets and liabilities

22.2.1 Recognition and initial measurement

Loans and advances and receivables (including trade and other receivables, bank balances and cash) are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market which are initially recognised when they are originated. All other financial assets and financial liabilities are initially recognised when the Group becomes a party to the contractual provisions of the instrument.

A financial asset (unless it is a trade receivable without a significant financing component) or finance liability is initially measured at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

22. Financial assets and liabilities (continuation)

22.2.2 Classification and subsequent measurement

22.2.2.1 Financial assets

On initial recognition, a financial asset is classified as measured at:

- amortised cost
- fair value through other comprehensive income (FVOCI) – debt instrument
- fair value through other comprehensive income (FVOCI) – equity instrument
- fair value through profit or loss (FVTPL)

Financial assets are not reclassified subsequent to their initial recognition unless the Group changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A debt investment is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

On initial recognition of an equity investment that is not held for trading, the Group may irrevocably elect to present subsequent changes in the investment's fair value in OCI. This election is made on an investment-by-investment basis.

All financial assets not classified as measured at amortised cost or FVOCI as described above are measured as FVTPL. This includes all derivative financial assets and investment securities. On initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL if doing so eliminates or subsequently reduces an accounting mismatch that would otherwise arise.

22.2.2.2 Financial assets – Business model assessment

The Group determines the business model at the level that reflects how groups of financial assets are managed. In determining the business model, all relevant evidence that is available at date of assessment is used including:

- how the performance of the financial assets held within that business model are evaluated and reported to the Group's KMP
- the risks that affect the performance of the business model (and the financial assets held within that business model) and, in particular, the way in which those risks are managed; and
- how managers of the business are compensated (for example, whether compensation is based on the fair value of the assets managed or on the contractual cash flows collected).

Financial assets that are held for trading or are managed and whose performance is evaluated on a fair value basis are measured at FVTPL.

22. Financial assets and liabilities (continuation)

22.2.2.3 Financial assets – Assessment whether contractual cash flows are solely payments of principal and interest

For the purpose of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as a profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Group considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amounts of contractual cash flows such that it would not meet this condition. In making this assessment, the Group considers:

- contingent events that would change the amount or timing of cash flows;
- terms that may adjust the contractual coupon rate, including variable-rate features;
- prepayment and extension features; and
- terms that limit the Group's claim to cash flows from specified assets (e.g. non-recourse features).

A prepayment feature is consistent with the solely payments of principal and interest criterion if the prepayment amount substantially represents unpaid amounts of principal and interest on the principal amount outstanding, which may include reasonable additional compensation for early termination of the contract. Additionally, for a financial asset acquired at a discount or premium to its contractual par amount, a feature that permits or requires prepayment at an amount that substantially represents the contractual par amount plus accrued (but unpaid) contractual interest (which may also include reasonable additional compensation for early termination) is treated as consistent with this criterion if the fair value of the prepayment feature is insignificant at initial recognition.

22.2.2.4 Financial Assets – Subsequent measurement and gains and losses

Financial assets at FVTPL	These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognised in profit or loss. However, see Note 23.3 for derivatives designated as hedging instruments.
Financial assets at amortised cost	These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment loss. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.
Debt investments at FVOCI	These assets are subsequently measured at fair value. Interest income is calculated using the effective interest method. Other net gains and losses are recognised in OCI. On derecognition, gains and losses accumulated in OCI are reclassified to profit or loss.
Equity investments at FVOCI	These assets are subsequently measured at fair value. Dividends are recognised as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognised in OCI and are never reclassified to profit or loss.

22. Financial assets and liabilities (continuation)

22.2.2.5 Financial liabilities – Classification, subsequent measurement and gains and losses

Financial liabilities are classified as either financial liabilities at FVPTL or other financial liabilities.

Financial liabilities at FVTPL

Financial liabilities are classified as at FVTPL where the liability is either held for trading or designated at fair value through profit or loss.

A financial liability is held for trading if:

- it has been incurred principally for the purpose of repurchasing it in the near term; or
- on initial recognition it is a part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

A financial liability other than a financial liability held for trading may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and AASB 9 permits the entire combined contract to be designated as at FVTPL.

Financial liabilities at FVTPL are stated at fair value with any gains or losses arising on remeasurement recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any interest paid on the financial liability and is included in the 'other gains and losses' line item.

Other financial liabilities

Other financial liabilities (including borrowings and trade and other payables) are subsequently measured at amortised cost using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the net carrying amount on initial recognition.

22. Financial assets and liabilities (continuation)

22.2.3 Derecognition

22.2.3.1 Financial assets

The Group derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantively all of the risks and rewards of ownership of the financial asset are transferred or in which the Group neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

The Group enters into transactions whereby it transfers assets recognised in its statement of financial position, but retains either all or substantially all of the risks and rewards of the transferred assets. In these cases, the transferred assets are not derecognised.

22.2.3.2 Financial liabilities

The Group derecognises a financial liability when its contractual obligations are discharged or cancelled, or expire. The Group also derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognised at fair value.

On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognised in profit or loss.

22.2.4 Impairment of financial assets

The Group recognises loss allowances for expected credit loss (ECL) on:

- Financial assets measured at amortised cost
- Contract assets
- Lease receivable

The Group measures loss allowances for a financial instrument at an amount equal to the lifetime ECL for stage 2 or stage 3 assets if the credit risk on that financial instrument has increased significantly since recognition, or if the financial instrument is a purchased or originated credit-impaired financial asset. If the credit risk on a financial instrument has not increased significantly since initial recognition (except for a purchased or originated credit-impaired financial asset), the Group measures the loss allowance for that financial instrument at an amount equal to a 12 month ECL for stage 1 assets. The Group applies a simplified approach for measuring the loss allowance at an amount equal to lifetime ECL for trade receivables, contract assets and lease receivable in certain circumstances.

22. Financial assets and liabilities (continuation)

Significant increase in credit risk

An asset moves to stage 2 when its credit risk has increased significantly since initial recognition. A significant increase in credit risk is identified before the exposure has defaulted and at the latest when exposure becomes 30 days past due. When determining whether the credit risk of a financial asset has increased significantly since the initial recognition and when estimating ECLs, the Group considers reasonable and supportable information that is relevant and available without undue cost effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment and including forward-looking information. As part of the forward-looking assessment, the Group has considered factors including macro-economic forecast and outlook, GDP growth, unemployment rates and interest rates.

Credit-impaired financial assets

The movement between stage 2 and 3 will be based on whether financial assets are credit-impaired at the reporting date. A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial assets have occurred. Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the borrower; or
- breach of contract, such as a default or delinquency in interest or principal payments; or
- becoming apparent that the borrower will enter bankruptcy or financial re-organisation; or
- past experience of collecting payments; or
- an increase in the number of delayed payments in the portfolio past the average credit period; or
- observable changes in national or local economic conditions that correlate with default on receivables.

Definition of default

The Group considers that default has occurred at 90 days past due.

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Group expects to receive). The key inputs used in measuring ECL include:

- (a) probability of default: the PD is the likelihood of default, applied to each underlying exposure
- (b) loss given default: the LGD is the magnitude of the expected credit loss in the event of default, taking into consideration the mitigating effect of collateral assets and time value of money
- (c) exposure at default: the EAD represents the estimated exposure in the event of a default

The ECL is determined with reference to the following stages:

Stage 1: 12 month ECL

At initial recognition, for financial assets without a significant increase in credit risk (SICR), or for financial assets where an increase in credit risk is considered to be low, ECL is determined based on PD over the next 12 months, adjusted for forward looking estimates (FLE).

22. Financial assets and liabilities (continuation)

Stage 2: Lifetime ECL not credit impaired

Where there has been a SICR, the ECL is determined with reference to the financial asset's lifetime PD and the lifetime losses associated with that PD, adjusted for FLE. The Group assesses whether there has been a SICR since initial recognition based on qualitative, quantitative, and reasonable and supportable FLE that includes management judgement. Use of more alternative criteria could result in significant changes to the timing and amount of ECL to be recognised. Lifetime ECL is generally determined based on the average maturity of the financial asset.

Stage 3: Lifetime ECL credit impaired

Financial assets are classified as stage 3 where they are determined to be credit impaired, which generally matches the Group's definition of default which includes exposures that are at least 90 days past due, and where the obligor is unlikely to pay without recourse against available collateral.

The ECL for credit impaired financial assets is generally measured as the difference between the discounted contractual and discounted expected cash flows from the individual exposure. For credit impaired exposure that are modelled collectively, ECL is measured as the product of the lifetime PD, LGD, and EAD, adjusted for FLE. Interest income is determined with reference to the financial asset's amortised cost carrying value, being the financial asset's net carrying value after the ECL provision.

Stage 3: Impaired Assets

Outside of the ECL, where assets are more than 90 days past due and a shortfall between the loan balance and the underlying security has been identified, a specific provision is raised for the shortfall.

23. Financial risk management

23.1 Financial risk management objectives

The Group's Corporate Treasury function:

- implements and executes treasury and funding strategy;
- co-ordinates access to domestic and international financial markets; and
- monitors and manages the financial risks relating to the operations of the Group through internal monitoring tools which analyse exposures by degree and magnitude of risks.

These risks include:

- market risk (including currency risk and interest rate risk);
- economic risk;
- interest rate risk;
- credit risk; and
- liquidity risk.

23.2 Derivative financial instruments

The Group seeks to minimise the effects of currency and interest rate risks by using derivative financial instruments to hedge risk exposures.

The use of financial derivatives is governed by the Group's Interest Rate Risk Management Policy approved by the board of directors, which provide written principles on:

- foreign exchange risk;
- interest rate risk;
- credit risk;
- the use of financial derivatives and non-derivative financial instruments; and
- the investment of excess liquidity.

Compliance with policies and exposure limits is reviewed by the Board on a continuous basis. The Group does not enter into or trade financial instruments, including derivative financial instruments, for speculative or proprietary purposes.

23. Financial risk management (continuation)

The table below summarises the Group's exposure to financial risks and how these risks are managed.

Risk	Exposure arising from	Measurement	Management
Market risk – currency	Recognised financial assets and liabilities not denominated in Australian dollars Foreign currency denominated profit or losses	Cash flow forecasting Sensitivity analysis	Cross currency interest rate swaps Cash flow management and matching
Market risk – interest rate	Mismatch in interest rates between assets and liabilities	Sensitivity analysis	Interest rate swaps
Market risk – equity investment valuation	Investments in equity securities	Sensitivity analysis	Equity investments not held for trading
Credit risk	Mortgage portfolio and funding SPV-level exposures, counterparty risk	Credit risk analysis Rating agency criteria and analyses	Diversification, adaptive capital structures, strong collections/portfolio management, rating agency provisions in transactions documents
Liquidity risk	Borrowings, derivative financial liabilities	Rolling cash flow forecasts	Availability of committed credit lines and borrowing facilities, securitisation, capital relief transactions, structuring terms of obligations

Recognition and measurement

Derivatives are initially recognised at fair value at the date the derivative contracts are entered into and are subsequently remeasured to their fair value at each reporting period.

The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

23.3 Hedge accounting

The Group designates certain hedging instruments, which includes derivatives in respect of foreign currency risk, as cash flow hedges.

At the inception of the hedge relationship the Group documents the relationship between the hedging instrument and hedged item, along with its risk management objectives and its strategy for undertaking various hedge transactions.

Furthermore, at the inception of the hedge and on an ongoing basis, the Group documents whether the hedging instrument that is used in a hedging relationship is effective in offsetting changes in fair values or cash flows of the hedged item attributable to the hedged risk, which is when the hedging relationships meet all of the following hedge effectiveness requirements:

- there is an economic relationship between the hedged item and the hedging instrument;
- the effect of credit risk does not dominate the value changes that result from that economic relationship; and
- the hedge value is largely reflective of the hedged item.

Note 22.1 sets out the details of the fair values of the derivative instruments used for hedging purposes.

23. Financial risk management (continuation)

23.3.1 Cash flow hedges

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in other comprehensive income and accumulated under the heading of cash flow hedging reserve. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss and is included in the other expenses or other income line item.

Amounts previously recognised in other comprehensive income and accumulated in equity are reclassified to profit or loss, in the same line as the recognised hedged item.

Hedge accounting is discontinued when:

- the Group revokes the hedging relationship;
- the hedging instrument expires or is sold, terminated, or exercised; or
- the Group no longer qualifies for hedge accounting.

Any cumulative gain or loss recognised in other comprehensive income and accumulated in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in profit or loss. When a forecast transaction is no longer expected to occur, the gain or loss accumulated in equity is recognised immediately in profit or loss.

23.3.2 Derivative financial assets and liabilities

The carrying values are as follows:

	FY21 \$000	FY20 \$000
Derivative financial assets		
Cross currency swaps	-	49,262
Interest rate swaps	2,256	3,330
	2,256	52,592
Derivative financial liabilities		
Cross currency swaps	60,504	-
Interest rate swaps	472	3,277
	60,976	3,277

The Group seeks to minimise the effects of foreign currency and some interest rate exposures by using derivative instruments to hedge these positions. Derivatives are initially recognised at fair value at the date derivative contracts are entered into, and subsequently measured at their fair value at each reporting period.

During the period, currency movements drove changes in valuation of the Groups' cross currency swaps hedged to our US RMBS bonds. These movements in our derivative balances are matched with our USD bond liabilities, with the profit/(loss) on swaps recognised in Other Comprehensive Income.

23. Financial risk management (continuation)

23.4 Market risk

Market risk is the risk of an adverse impact on the Group's earnings resulting from changes in market factors, such as interest rates and foreign exchange rates.

23.4.1 Interest rate risk

Interest rate risk is the risk that the Group will experience deterioration in its financial position as interest rates change over time.

Interest rate exposure is driven by interest rate mismatches between assets and liabilities (i.e. borrowing at floating interest rates and lending with fixed interest rates). Interest rate risk is managed by entering into interest rate swaps subject to the Group's hedging and derivatives policies.

23.4.2 Interest rate risk – Sensitivity analysis

The majority of the Group's liabilities are issued through warehouse facilities and term securitisations in special purpose and bankruptcy-remote entities. Under such arrangements, the repayment profile of the bonds is matched to the repayments collected from the loan assets.

The Group has calculated the impact of a potential increase or decrease in borrowing costs in limited recourse entities for the year in the event of a +/- 10bps change in interest rates as shown in the table below:

	FY21 \$000	FY20 \$000
10bps +/-		
Borrowing costs	14,158	12,669

23.4.3 Interest rate swap contracts

Under interest rate swap contracts, the Group agrees to exchange the difference between fixed and floating rate interest amounts calculated on agreed notional principal amounts. Such contracts enable the Group to mitigate the risk of changing interest rates on the cash flow exposures on the issued variable rate debt. The fair value of interest rate swaps at the end of the reporting period is determined by discounting the future cash flows using the curves at the end of the reporting period and the credit risk inherent in the contract and is disclosed below.

	FY21 \$000	FY20 \$000
Fair value asset		
Derivative financial assets	2,256	3,330
Fair value liability		
Derivative financial liabilities	472	3,277

23. Financial risk management (continuation)

The following table details the notional principal amounts outstanding at the end of the reporting period:

	FY21 \$000	FY20 \$000
Notional principal value		
Less than 1 year	6,935	-
1 to 2 years	152,722	24,280
2 to 5 years	694,900	503,503
	854,557	527,783

The interest rate swaps settle and reset on a monthly basis. The floating rate on the interest rate swaps is the Bank Bill Swap Rate (BBSW) local interbank rate. The Group will settle the difference between the fixed and floating interest rate on a net basis.

23.4.4 Corporate interest – Sensitivity analysis

The remainder of the Group's loan portfolio and liabilities are held in corporate entities. The impact of a potential +/- 10bps change in interest rates on interest revenue and borrowing costs on balances held by the Group for the year is set out in the table below:

10bps +/-	FY21 \$000	FY20 \$000
Impact on corporate interest revenue		
Interest rate + 10bps	620	366
Interest rate - 10bps	(620)	(366)
Impact on corporate funding costs¹		
Interest rate + 10bps	-	(5)
Interest rate - 10bps	-	5

1. As at 30 June 2021, the corporate debt facility balance is nil.

23.4.5 Equity price risk

Equity investments in listed and unlisted shares are held for strategic rather than trading purposes. The Group does not actively trade these investments.

23.4.6 Equity investment valuation risk – sensitivity analysis

If equity prices had been 10% higher / lower:

- Net profit for the year ended 30 June 2021 would increase / decrease by \$1,011,000 as a result of the changes in fair value of the investments in unlisted shares (FY20: \$500,000); and
- Other comprehensive income would increase / decrease by \$471,000 as a result of the changes in fair value of investments in listed shares (FY20: \$192,000).

23. Financial risk management (continuation)

23.5 Foreign currency risk

23.5.1 Accounting translation

As at reporting date the Group held cash assets denominated in New Zealand dollars (NZD).

Fluctuations in the NZD are not expected to have material impact on the consolidated statement of profit or loss or the consolidated statement of comprehensive income and equity of the Group.

23.5.2 Market risk – foreign exchange on monetary items

The Group obtains funding denominated in foreign currencies, consequently, exposures to exchange rate fluctuations arise. These currencies include USD. The Group manages foreign currency risk through the use of currency derivatives.

The carrying amounts of the Group's foreign currency denominated assets and liabilities are as follows:

	FY21 \$'000	FY20 \$'000
Assets		
USD liabilities (disclosed in AUD)	-	49,262
Liabilities		
USD liabilities (disclosed in AUD)	45,738	-
JPY liabilities (disclosed in AUD)	14,766	-

The following table details the notional principal amounts outstanding at the end of the reporting period:

	FY21 \$000	FY20 \$000
Notional principal value		
2 to 5 years	2,021,479	1,462,711
	2,021,479	1,462,711

23.6 Credit risk management

The Group's primary credit risk exposures relate to its lending activities in its principally-funded mortgage portfolio. The Group's primary lending activities are concentrated in the Australian and New Zealand residential mortgage market. The underlying credit risk in the Group's lending activities is commensurate with a geographically-diverse residential mortgage portfolio.

The Board of Directors is responsible for determining the Group's overall appetite for credit risk and monitoring the quality and performance of the mortgage portfolio. The credit risk management operational framework and policy is governed and managed by the Credit Committee.

The Group does not have any direct counterparty credit exposure arising from its asset financing and securitisation activities. Counterparty risk is governed, and mitigated where required, by ratings agency criteria within the bankruptcy-remote funding SPVs and trusts including exposures to banks, lender's mortgage insurance providers and derivative counterparties.

23. Financial risk management (continuation)

23.6.1 Credit risk in lending

The Group has established lending policies and procedures to manage the credit risk inherent in lending. The extent of credit risk in the Group's lending activities is managed within its two origination and funding programmes, being 'Prime' and 'Specialist Lending'. The Group maintains separate credit policies for each programme and regularly reviews and amends policies in line with economic, operating and funding conditions.

The Group's approach to credit management utilises a credit risk framework to ensure that the following principals are adhered to:

- independence from risk originators;
- recognition of the different risks in the various Group businesses;
- credit exposures are systematically controlled and monitored;
- credit exposures are regularly reviewed in accordance with current up-to-date credit procedures; and
- credit exposures include such exposures arising from derivative transactions.

Each of the divisions are responsible for managing credit risks that arise in their own areas with oversight from a centralised credit risk management team. It is the policy of the Group to monitor the policies of all divisions to ensure that the risk of the Group is monitored.

23.6.2 Exposure to credit risk

Loans and advances consist of a large number of customers, spread across diverse demographic and geographical areas. Ongoing credit evaluation is performed on the financial condition of loans and advances and accounts receivable.

There is no significant concentration of risk to any single counterparty.

The credit risk on derivative financial instruments is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies.

23. Financial risk management (continuation)

23.6.3 Maximum exposure to credit risk

The carrying amount of the Group's financial assets represents the maximum credit exposure. The Group's exposure to credit risk at the reporting date was:

	Note	FY21 \$'000	FY20 \$'000
Cash and cash equivalents	4	619,809	365,987
Trade and other receivables	5	4,581	5,974
Contract assets	1	33,299	41,954
Short-term investment	7	260	260
Derivative financial assets	23	2,256	52,592
		660,205	466,767
Loans and advances at amortised cost – balances subject to credit risk	6	13,934,440	12,518,394
		14,594,645	12,985,161

As at 30 June 2021, 100% of the Group's cash and cash equivalents are held with banks or financial institutions with a credit rating of AA- or better (FY20: 100%).

23.6.3.1 Residential mortgage borrowers

The Group manages credit risk by obtaining security over residential mortgage property for each loan.

In monitoring the credit risk, loans are grouped according to their credit characteristics using credit risk classification systems. This includes the use of the Loan to Value Ratio (LVR) to assess its exposure to credit risk from loans originated through the securitisation programme.

For White label loans, some agreements with lenders contain provisions requiring the Group to pay instalments due from borrowers until securities are enforced or an insurance claim has been paid and to purchase the mortgage from the lender if the Group is in default. The Group's risk in this area is mitigated by insurance policies and a rigorous credit assessment process.

23.6.4 Financial guarantees

The Group is exposed to credit risk in relation to financial guarantees given to banks. The Group's maximum exposure in this respect is the maximum amount the Group could have to pay if the guarantees are called on. Refer to Note 26 for the guarantees in respect of the leases.

23. Financial risk management (continuation)

23.6.5 Credit risk management

The following table summarises the movement in expected credit loss for loans and advances for the reporting period:

	Stage 1 - Collective \$'000	Stage 2 - Collective \$'000	Stage 3 - Collective \$'000	Stage 3 - Impaired \$'000	Total \$'000
Maximum exposure to credit risk					
Balance as at 30 June 2021					
Loans and advances					
- Mortgage lending	13,453,244	431,457	36,947	12,194	13,933,842
- Commercial lending	598	-	-	-	598
Total	13,453,842	431,457	36,947	12,194	13,934,440
Balance as at 30 June 2020					
Loans and advances					
- Mortgage lending	12,433,112	45,248	22,826	16,571	12,517,757
- Commercial lending	637	-	-	-	637
Total	12,433,749	45,248	22,826	16,571	12,518,394
Expected credit loss					
Balance as at 30 June 2021					
Loans and advances					
- Mortgage lending	13,799	14,016	4,310	5,439	37,564
- Commercial lending	1	-	-	-	1
Total	13,800	14,016	4,310	5,439	37,565
Balance as at 30 June 2020					
Loans and advances					
- Mortgage lending	25,864	2,441	2,335	6,057	36,697
- Commercial lending	1	-	-	-	1
Total	25,865	2,441	2,335	6,057	36,698

The majority of the Group's exposure to loans and advances is limited, as they are legally owned by special purpose vehicles (trusts) with limited recourse to the Group. Losses on mortgage loans in these entities are therefore limited to the Group's investment in notes in these trusts and the residual income rights of trusts. The trust structures are designed such that losses are covered by the income generated from the assets within the trust before the investment notes are impaired. As part of the structure the investment notes in the trust holds first right over the loans and advances within the vehicles.

Collateral held

The value of the collateral held as security for loans in stage 2 and stage 3 collective at 30 June 2021 is \$689.6 million (30 June 2020: \$94.5 million).

The value of the collateral held as security for loans in stage 3 specific loans at 30 June 2021 is \$8.1 million (30 June 2020: \$12.0 million)

Loans are secured by the Group by having the property titles registered as a financial interest that provide the Group first priority over any proceeds becoming available from the sale of the property. For Prime insured loan, LMI policies exist to cover 100% of the principal amount at default plus interest.

23. Financial risk management (continuation)

23.6.6 Credit risk Concentrations

An analysis of the Group's credit risk concentrations on loans and advances is provided in the following table. The amounts in the table represent gross carrying amounts:

	FY21 \$'000	FY20 \$'000
Loans and advances at amortised cost		
Concentration by region		
• New South Wales	5,132,426	4,673,307
• Victoria	3,693,253	3,584,565
• Queensland	2,471,432	2,064,167
• Western Australia	1,012,975	918,803
• South Australia	752,651	609,674
• Tasmania	100,442	90,275
• Northern Territory	56,811	48,984
• New Zealand	714,450	528,619
Total	13,934,440	12,518,394

23.6.7 Analysis of loans and advances by past due status

Under the Group's monitoring procedures, a significant increase in credit risk is identified before the exposure has defaulted and at the latest when exposure becomes 30 days past due. The table below provides an analysis of the gross carrying amount of loans and advances by past due status that are over 30 days past due.

	FY21 \$'000	FY20 \$'000
Loans and advances at amortised cost¹		
• 0 days and less than 30 days	13,458,212	12,438,670
• 30 days and less than 60 days	395,691	35,313
• 60 days and less than 90 days	36,677	10,038
• 90 days and less than 180 days	23,188	14,487
• 180 days and less than 270 days	6,278	4,746
• 270 days and less than 365 days	2,753	2,145
• 365 days and over	11,641	12,995
Total	13,934,440	12,518,394

¹ Includes loans that are collectively and specifically provided for

23. Financial risk management (continuation)

23.6.8 Movement in credit exposures

	Stage 1 - Collective \$'000	Stage 2 - Collective \$'000	Stage 3 - Collective \$'000	Stage 3 - Impaired \$'000	Total \$'000
Provision for impairment losses					
Balance as at 30 June 2020	25,865	2,441	2,335	6,057	36,698
Net transfer between stages	523	(49)	(1,025)	551	-
Net re-measurement of opening balance net of transfers	(14,038)	11,301	3,286	967	1,516
Impact of transfers between stages and re-measurement	(13,515)	11,252	2,261	1,518	1,516
Net Financial Assets Originated	2,790	365	39	-	3,194
Movements in existing individually assessed provisions and write-backs	-	-	-	(301)	(301)
Write-offs	-	-	-	(1,809)	(1,809)
Discharges/Other	(1,340)	(42)	(325)	(26)	(1,733)
Balance as at 30 June 2021	13,800	14,016	4,310	5,439	37,565
Credit Exposure					
Balance as at 1 July 2020	12,433,749	45,248	22,826	16,571	12,518,394
Net transfers between stages and financial assets originated	1,020,093	386,209	14,121	(2,568)	1,417,855
Write-offs	-	-	-	(1,809)	(1,809)
Balance as at 30 June 2021	13,453,842	431,457	36,947	12,194	13,934,440
	Stage 1 - Collective \$'000	Stage 2 - Collective \$'000	Stage 3 - Collective \$'000	Stage 3 - Impaired \$'000	Total \$'000
Provision for impairment losses					
Balance as at 1 July 2019	7,016	1,750	2,103	5,576	16,445
Net transfer between stages	1,143	(958)	(699)	514	-
Net re-measurement of opening balance net of transfers	(563)	1,342	1,465	1,470	3,714
Impact of transfers between stages and re-measurement	580	384	766	1,984	3,714
Net financial assets originated	2,789	112	44	-	2,945
Acquisition of RAF	200	-	-	295	495
Movements in existing individually assessed provisions and write-backs	-	-	-	384	384
Write-offs	-	-	-	(2,254)	(2,254)
COVID-19 overlay	15,882	475	23	-	16,380
Discharges/Other	(602)	(280)	(601)	72	(1,411)
Balance as at 30 June 2020	25,865	2,441	2,335	6,057	36,698
Credit exposure					
Balance as at 1 July 2019	10,238,294	50,406	24,334	23,986	10,337,020
Net transfers between stages and financial assets originated	2,195,455	(5,158)	(1,508)	(5,161)	2,183,628
Write-offs	-	-	-	(2,254)	(2,254)
Balance as at 30 June 2020	12,433,749	45,248	22,826	16,571	12,518,394

23. Financial risk management (continuation)

COVID-19

The Group discloses expected future credit losses using an expected credit loss (ECL) model, in line with AASB 9 requirements. The ECL model includes an overlay to reflect potential impacts on the portfolio from adverse macroeconomic scenarios (i.e. rising unemployment, house price decline, low wage growth). The macroeconomic overlay considers 3 key macroeconomic assumptions:

- Australian GDP
- Property prices
- Unemployment rate

Several alternate macroeconomic scenarios were considered and applied at an individual loan, dynamic underlying security value. Where loans (in the stressed scenario) were uninsured and had LVRs of >100%, we calculated the shortfall required for these loans. This was then used to calculate the macro-economic overlay. Hardship accounts were removed for the purpose of calculating the Macroeconomic overlay. The underlying security value bands used in the macroeconomic overlay are in line with the Core Logic Hedonic Index.

At 30 June 2020, the ECL model did not include expected delinquencies from customers on COVID-19 hardship payment moratoriums. Regulators provided guidance for lenders that customers in COVID hardship moratoriums were not to be considered in arrears during the moratorium. Consequently at 30 June 2020, the group provisioned a COVID-19 overlay given the ECL model did not fully capture credit risk of loans in hardship payment moratoriums. The overlay at 30 June 2020 was \$16.4m and was included as part of the Collective Provision at 30 June 2020.

At 30 June 2021, all COVID hardship payment moratorium periods have completed. For the small subset of customers who entered a COVID hardship moratorium and continue to require assistance post completion of the moratorium, these customers are now treated under the standard hardship procedures, and therefore are treated as in arrears where payments are not up to date. The process of customers previously under COVID-19 hardship payment moratoriums transferring to standard hardship arrangements removes the requirement for a COVID-19 overlay. All customers expected future credit loss are included in the ECL model Collective Provision at 30 June 2021.

Management remain cautious of ongoing pockets of financial stress in the economy. Lockdowns and border closures continue to provide material headwinds to the economy, with the expectation of this continuing in FY22. Furthermore, whilst the majority of customers have rolled off hardship moratoriums, management believe it appropriate to flag these customers as potential for increased credit risk in the short term.

Per the tables below, whilst the trend of customers requiring assistance has decreased during the year, pockets of financial stress remain. At 30 June 2020, Resimac had 3,195 customers in active COVID-19 hardship payment moratoriums, of which 355 customers subsequently fell into arrears. At 30 June 2021, Resimac continue to provide support to 217 customers under standard hardship arrangements.

Payment moratoriums at 30 June 2020 in standard hardship arrangements at 30 June 2021

Product Type #

	Prime	Specialist	NZ & Legacy	Total	% of Portfolio
30 June 2020	1,300	1,395	500	3,195	10.0
30 June 2021	94	95	28	217	0.59

Product Type \$'000

	Prime	Specialist	NZ & Legacy	Total	% of Portfolio
30 June 2020	664,754	812,708	168,685	1,646,147	13.36
30 June 2021	33,385	38,847	6,419	78,651	0.57

23. Financial risk management (continuation)

Loan Purpose

	Owner Occupier	Investor	Total	% Portfolio
30 June 2020	2,128	1,067	3,195	10.0
30 June 2021	156	61	217	0.59

Loan Purpose \$'000

	Owner Occupier	Investor	Total	% Portfolio
30 June 2020	1,091,867	554,280	1,646,147	13.36
30 June 2021	56,143	22,508	78,651	0.57

Customers previously in COVID-19 hardship payment moratoriums in standard hardship at 30 June 2021

LVR Banding	Prime LMI	Prime No LMI	Specialist LMI	Specialist No LMI	Total
<60%	14	17	19	31	81
60% - 70%	2	17	2	16	37
70% - 80%	3	10	2	24	39
80% - 90%	12	7	2	12	33
90% - 95%	2	-	1	4	7
95% - 100%	4	2	-	4	10
100% +	2	2	3	3	10
Total	39	55	29	94	217

23.7 Liquidity risk management

Ultimate responsibility for liquidity risk management rests with the Board of Directors, 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's funding platform currently comprises a mix of:

- warehouse facilities;
- term securitisation;
- a secured corporate debt facility; and
- cash.

The majority of the Group's liabilities represent bonds issued by special purpose trusts through warehouse facilities and term securitisation transactions. Under such arrangements, bondholder recourse is limited to the assets of the relevant special purpose trust to which the liability relates and the repayment profile of the bonds is matched to the repayments collected from the loan assets. Given the limited recourse nature of these borrowings, \$13.78 billion at 30 June 2021 (FY20: \$12.42 billion), they have not all been included in the table below.

23. Financial risk management (continuation)

The Group manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities, by continuously monitoring forecast and actual cash flows, and by matching the maturity profiles of financial assets and liabilities.

Note 23.7.2 below sets out details of additional undrawn facilities that the Group has at its disposal to further reduce liquidity risk.

23.7.1 Liquidity risk tables

The following table shows the Group's remaining expected maturity for its non-derivative financial liabilities with agreed repayment periods. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay and hence will not necessarily reconcile with the amounts disclosed in the statement of financial position.

The tables include both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from interest rate curves at the end of the reporting period. The contractual maturity is based on the earliest date on which the Group may be required to pay.

	<6 months or on demand	6-12 months	1-3 years	3-5 years	>5 years	Total cash flows	Carrying amount
Financial liabilities	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
FY21							
Non-derivatives							
Trade and other payables	34,537	-	-	-	-	34,537	34,537
Interest-bearing liabilities							
• Issuance facilities	12,203	20,164	96,734	261,202	-	390,303	390,303
Present value of future trail commissions payable	2,462	2,066	5,462	2,810	2,989	15,789	15,789
Lease liabilities	1,052	1,049	4,247	4,382	3,677	14,407	12,482
	50,254	23,279	106,443	268,394	6,666	455,036	453,111
Derivatives	60,976	-	-	-	-	60,976	60,976
	111,230	23,279	106,443	268,394	6,666	516,012	514,087
FY20							
Non-derivatives							
Trade and other payables	25,891	-	-	-	-	25,891	25,891
Interest-bearing liabilities							
• Corporate debt facility	28	-	5,000	-	-	5,028	5,000
• Issuance facilities	-	-	-	258,755	-	258,755	258,755
Present value of future trail commissions payable	3,115	2,635	7,053	3,671	4,323	20,797	20,797
Lease liabilities	1,137	1,087	3,946	4,089	5,975	16,234	13,622
	30,171	3,722	15,999	266,515	10,298	326,705	324,065
Derivatives	3,277	-	-	-	-	3,277	3,277
	33,448	3,722	15,999	266,515	10,298	329,982	327,342

23. Financial risk management (continuation)

23.7.2 Financing facilities

	Note	FY21 \$'000	FY20 \$'000
Secured corporate debt facility which may be extended by mutual agreement			
• Amount used		-	5,000
• Amount unused		30,000	25,000
		30,000	30,000

24. Subsidiaries

Details of the Group's subsidiaries at the end of the reporting period are as follows.

			Proportion of ownership interest held and voting power held by the Group	
Name of subsidiary	Principal activity	Place of incorporation and operation	FY21 %	FY20 %
Controlled companies				
Access Network Management Pty Ltd	Mortgage manager	Australia	100	100
Auspack Financial Services Pty Ltd	Mortgage broker	Australia	100	100
Barnes Mortgage Management Pty Ltd	Mortgage originator and manager	Australia	100	100
Clarence Street Finance Pty Ltd	Holder of commission agreements	Australia	100	100
Clarence Street Funding No.1 Pty Ltd	Special purpose vehicle	Australia	99.9	99.9
Clarence Street Funding No.2 Pty Ltd	Participation unit holder	Australia	100	100
Clarence Street Funding No.3 Pty Ltd	Special purpose vehicle	Australia	100	100
Clarence Street Funding No.4 Pty Ltd	Special purpose vehicle	Australia	100	100
Clarence Street Funding No.6 Pty Ltd	Special purpose vehicle	Australia	100	100
Clarence Street Funding No.7 Pty Ltd	Special purpose vehicle	Australia	100	100
Clarence Street Funding No.8 Pty Ltd	Special purpose vehicle	Australia	100	100
Clarence Street Funding No.9 Pty Ltd	Special purpose vehicle	Australia	100	100
Clarence Street Funding No.10 Pty Ltd ¹	Special purpose vehicle	Australia	100	100
FAI First Mortgage Pty Ltd	Trust manager and servicer	Australia	100	100
Homeloans.com.au Pty Ltd ²	Mortgage lender	Australia	100	100
Housing Financial Services Pty Ltd	Mortgage originator	Australia	100	100
Independent Mortgage Corporation Pty Ltd	Mortgage broker	Australia	100	100
Resimac Asset Finance Investments Pty Limited ³	Holding company	Australia	100	60
Resimac Asset Finance Holdings Pty Limited ⁴	Holding company	Australia	100	60
Resimac Asset Finance Pty Limited ⁵	Asset finance originator and manager	Australia	100	60
Evergreen Finance Company Pty Limited	Lender of record	Australia	100	60
RAF Structured Finance Pty Limited ⁶	Consumer and commercial lending	Australia	100	60
IASF (NZ) Limited ⁷	Consumer and commercial lending	New Zealand	-	60
SF Mortgage Pty Ltd	Lender of record	Australia	100	60
Parnell Road Funding No.1 Limited	Special purpose vehicle	New Zealand	100	100
Parnell Road Funding No.2 Limited	Special purpose vehicle	New Zealand	100	100
Prime Insurance Group Limited	LMI captive insurer	Bermuda	100	100
RESIMAC Capital Markets Pty Ltd	Trust manager	Australia	100	100
RESIMAC Financial Services Limited	NZ Holding company	New Zealand	100	100
RESIMAC Financial Securities Limited	NZ Trust manager and servicer	New Zealand	100	100
RESIMAC Home Loans Ltd	NZ Lender of record and trustee	New Zealand	100	100
RESIMAC Limited	Non-bank lender	Australia	100	100

1. Incorporated 28 July 2020.

2. Homeloans Pty Ltd changed its company name to Homeloans.com.au Pty Ltd on 15 August 2020.

3. International Acceptance Investment Pty Limited changed its company name to Resimac Asset Finance Investments Pty Limited on 6 February 2021.

4. International Acceptance Holdings Pty Limited changed its company name to Resimac Asset Finance Holdings Pty Limited on 6 February 2021.

5. International Acceptance Pty Limited changed its company name to Resimac Asset Finance Pty Limited on 5 February 2021.

6. IA Structured Finance Pty Limited changed its company name to RAF Structured Finance Pty Limited on 6 February 2021.

7. Deregistered 31 January 2021

24. Subsidiaries (continuation)

			Proportion of ownership interest held and voting power held by the Group	
Name of subsidiary	Principal activity	Place of incorporation and operation	FY21 %	FY20 %
Controlled companies				
RESIMAC NZ Home Loans Ltd	NZ Holding company	New Zealand	100	100
RESIMAC Premier Warehouse No.1 Pty LTD ⁸	Unit Holder	Australia	-	-
RHG Mortgage Corporation Ltd ⁸	Lender of record	Australia	-	-
RHG Mortgage Securities Pty Ltd (RMS) ⁸	Mortgage trustee	Australia	-	-
RHG Home Loan Pty Ltd ⁹	Mortgage Originator	Australia	100	-
The Servicing Company Pty Ltd	Trust servicer	Australia	100	100
RESIMAC EST PTY LTD	Initial Trustee	Australia	100	100
0508 Home Loans Ltd	Dormant	New Zealand	100	100
0800 Home Loans Ltd	Dormant	New Zealand	100	100
Access Home Loans Pty Ltd	Dormant	Australia	100	100
Clarence St Funding No.5 Pty Ltd	Dormant	Australia	99.9	99.9
Fiduciary Services Pty Ltd	Dormant	Australia	100	100
Loan Packaging Australia Pty Ltd ¹⁰	Dormant	Australia	-	100
National Mutual Pty Ltd	Dormant	Australia	100	100
RESIMAC Financial Securitisation Ltd	Dormant	New Zealand	100	100
RESIMAC Financial Services Pty Ltd	Dormant	Australia	100	100
RESIMAC Leasing Pty Ltd	Dormant	Australia	100	100
International Acceptance (NZ) Limited ¹¹	Dormant	New Zealand	-	60
Homeloans Pty Ltd ¹²	Dormant	Australia	100	-
Controlled Trusts				
Avoca Master Trust	Issuer of RMBS	Australia	100	100
NZF Mortgages Warehouse A Trust	Warehouse mortgages	New Zealand	100	100
RESIMAC Bastille Master Trust ¹³	Issuer of RMBS	Australia	100	100
RESIMAC Triomphe Master Trust ¹³	Issuer of RMBS	Australia	100	100
RESIMAC Versailles Master Trust	Issuer of RMBS	New Zealand	100	100
RESIMAC Victoire Trust	Warehouse mortgages	New Zealand	100	100
RESIMAC Premier Series 2021-2 ¹⁴	Issuer of RMBS	New Zealand	100	-
RMT Warehouse Trust No.2 ¹³	Warehouse mortgages	Australia	100	100
RMT Securitisation Trust No.7 ¹³	Issuer of RMBS	Australia	100	100
International Acceptance Trust	Consumer and commercial lending	Australia	100	60
The Trustee for the Resimac Group Limited Employee Share Trust ¹⁵	Employee share trust	Australia	-	-

8. Ownership interest is 0% however the Group have Board control.

9. Acquired 30 June 2021.

10. Deregistered 19 August 2020.

11. Deregistered 31 January 2021.

12. Incorporated 3 August 2020.

13. This does not represent holding in capital units, percentage ownership represents control of these Trusts.

14. Incorporated 1 June 2021.

15. Ownership interest is 0% however the Group have Board control.

24. Subsidiaries (continuation)

Special purpose entities – securitised trusts and funding warehouses

Special purpose entities are those entities over which the group has no ownership interest but in effect the substance of the relationship is such that the Group controls the entity so as to obtain the majority of the benefits from its operation.

The Group has established special purpose entities to support the specific funding needs of the Group's securitisation programme with the aim to:

- conduct securitisation activities funded by short term warehouse facilities provided by reputable lenders; and
- hold securitised assets and issue Residential Mortgage Backed Securities.

The special purpose entities meet the criteria of being controlled entities under AASB 10 – *Consolidated Financial Statements*.

25. Acquisition of Non-Controlling Interest (NCI)

25.1 Accounting policies

Subsidiaries

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

Non-controlling interests

NCI are measured initially at their proportionate share of the acquiree's identifiable net assets at the date of acquisition.

Changes in the Group's interest in subsidiary that do not result in a loss of control are accounted for as equity transactions.

25.2 Details of acquisition

On 1 February 2021, Resimac exercised the option to acquire the remaining 40% for cash consideration of \$8.24m. The carrying amount of RAF's net assets on the date of acquisition was \$1.1m.

	\$'000
Carrying amount of NCI acquired	444
Consideration paid to NCI	
Cash consideration – equity value for 40% of issued shares	(8,240)
Option to acquire remaining 40%	(188)
A decrease in equity attributable to owners of the Company	(7,984)

The decrease in equity attributable to owners of the Company comprised:

- a decrease in other reserve of \$7,982,000; and
- a decrease in the foreign currency translation reserve of \$2,000.

26. Commitments and contingencies

26.1 Capital commitments

The Directors were not aware of any capital commitments as at the end of the financial year or arising since balance date.

26.2 Contingent liabilities

Lease guarantees

The Group has provided guarantees in respect of the leases over its premises of \$585,724 (FY20: \$1,415,351). The Directors were not aware of any other contingent liabilities as at the end of the financial year or arising since balance date.

27. Subsequent events

27.1 Final dividend declared

The Board of Resimac Group Ltd declared a fully-franked final dividend of \$0.04 per share. The Record Date is 3 September 2021. The payment date will be 21 September 2021. The dividend has not been provided for in this financial report.

27.2 Sale of White label portfolio

On 27 July 2021 Resimac executed the sale of \$0.2b of White label loans (off balance sheet) for consideration of \$1.6m plus GST. The net present value of this loan tranche future trail commission receivable is \$1.4m, and is recognised on the Statement of Financial Position at 30 June 2021. A gain of \$0.2m on the sale will be recognised in FY22.

Other than the above, there have been no circumstances arising since 30 June 2021 that have significantly affected or may significantly affect:

- (a) The operations
- (b) The results of those operations, or
- (c) The state of affairs of Group in future financial years.

28. Auditor's remuneration

	FY21 \$	FY20 \$
Deloitte Touche Tohmatsu		
Audit or review of financial reports		
- Group	347,000	357,919
- Subsidiaries	600,899	557,947
	947,899	915,864
Statutory assurance services required by legislation to be provided by the auditor	114,000	13,650
Other assurance and agreed-upon procedures under other legislation or contractual arrangements	226,000	275,608
Other services		
- Tax consulting services	38,850	-
- Other consulting services	9,550	174,704
	48,400	174,704
Total remuneration of Deloitte Touche Tohmatsu	1,336,299	1,379,826
Non Deloitte Touche Tohmatsu audit firms		
Audit or review of financial reports		
- Subsidiaries	14,000	10,000
Statutory assurance services required by legislation to be provided by the auditor	6,000	-
Other services		
- Tax compliance services	173,344	177,648
- Tax consulting services	62,531	50,500
- Other consulting services	-	44,000
Total remuneration of Non Deloitte Touche Tohmatsu audit firms	255,875	282,148

28.1 Non-audit services

The auditor of the Group is Deloitte Touche Tohmatsu (Deloitte). It is the Group's policy to employ Deloitte on assignments additional to its statutory audit duties, in compliance with the Group's independence policies, where Deloitte's expertise and experience with the Group are important.

The total non-audit services fees of \$274,400 represents 20.5% of the total fees paid or payable to Deloitte and related practices for the year ended 30 June 2021 (FY20: \$450,312).

29. Related party transactions

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. Details of transactions between the Group and other related parties are disclosed below.

Trading transactions

During the year, Group entities entered into the following trading transactions with related parties that are not members of the Group:

	Revenue received		Expenses paid	
	FY21 \$'000	FY20 \$'000	FY21 \$'000	FY20 \$'000
Amounts incurred to Director's related entities ¹	-	-	-	(123)
	-	-	-	(123)

1. Includes interest paid on debt securities on issue to Bermuda Commercial Bank Limited. This interest rate is charged at market related terms.

Sales to related parties occur at arm's length on commercial terms in the ordinary course of business in accordance with the terms and conditions outlined in the relevant commercial agreements with each party.

The following balances were outstanding at the end of the reporting period:

	Amounts owed by related parties		Amounts owed to related parties	
	FY21 \$'000	FY20 \$'000	FY21 \$'000	FY20 \$'000
Other related parties of Resimac Group Ltd ¹	13,421	13,176	-	-
	13,421	13,176	-	-

1. Includes residential mortgages to KMP or related parties lent in ordinary course of business at arm's lengths.

Amounts owed by related parties are secured and will be settled in cash. No guarantees have been given or received. No expense has been recognised in the current or prior years for bad or doubtful debts in respect of the amount owed by related parties.

29. Related party transactions (continuation)

Compensation of KMP

The remuneration disclosures of directors and other members of KMP during the year are provided in sections one to nine of the remuneration report on pages 12 to 28 of this financial report designated as audited and forming part of the directors' report.

The remuneration disclosures are for Resimac KMP only as presented in the Remuneration report.

	FY21	FY20
	\$	\$
KMP compensation		
Short-term benefits	2,984,062	2,422,142
Post-employment benefits	125,000	102,087
Long-term benefits	32,208	310,595
Share-based payments	413,239	346,928
	3,554,509	3,181,752

The remuneration of directors and KMP is determined by the Remuneration and Nomination Committee having regard to the performance of individuals and market trends.

30. Parent disclosures

The parent company of the Group, as at and throughout the financial year ended 30 June 2021, was Resimac Group Ltd.

Presented below is supplementary information about the parent entity.

	FY21 \$'000	FY20 \$'000
STATEMENT OF FINANCIAL POSITION		
ASSETS		
Current	37,127	39,745
Non-current	311,635	201,385
	348,762	241,130
LIABILITIES		
Current	27,602	34,946
Non-current	46,047	65,876
	73,649	100,822
NET ASSETS	275,113	140,308
EQUITY		
Issued capital	183,853	182,072
Reserves	876	485
Accumulated losses	90,384	(42,249)
	275,113	140,308
Attributable to members of the parent:		
Profit after tax	149,753	(5,659)
Total comprehensive income for the period	149,753	(5,659)

30.1 Guarantees, contingent liabilities and contingent assets

At 30 June 2021, there are no financial guarantees, contingent assets or contingent liabilities (FY20: nil).

30.2 Accounting policies

The accounting policies of the parent entity, which have been applied in determining the financial information shown above, are the same as those applied in the consolidated financial statements except as set out above. The significant accounting policies relating to the Group are used throughout this financial report.

31. Share-based payments

31.1 Employee share option plan of the Company

The Company has a share option scheme (pursuant to the Resimac Group Ltd Employee Share Option and Rights Plan) for senior employees of the Company. In accordance with the terms of the Plan, as approved by shareholders at the 2017 Annual General Meeting, senior employees may be granted options to purchase ordinary shares.

Each employee share option converts into one ordinary share of the Company on exercise. No amounts are paid or payable by the recipient on receipt of the option. The options carry neither rights to dividends nor voting rights. Options may be exercised at any time from the date of vesting to the date of their expiry.

Long-Term Incentive (LTI#1) Share Options - CEOs

Resimac offered the joint CEOs Scott McWilliam and Mary Ploughman (ceased employment on 17 July 2019) the opportunity to purchase 1,800,000 share options vesting in three equal tranches on each anniversary of the grant date. The options were granted on 18 August 2017 and all options vest within 12 months, 24 months and 36 months of respective grant date associated with each tranche. The options expire within 36 months of their vesting, or one month after resignation, whichever is the earlier. The sole vesting condition of the options is the employees remain employed with the Company to the respective vesting date associated with each tranche.

The tranche 3 shares for Mary Ploughman expired due to her cessation of employment on 17 July 2019. The expiry dates of her tranche 1 and 2 were revised to 17 July 2020 by the Board.

Long-Term Incentive (LTI#2) Share Options – CEO and GMs

Under the Group's LTI share options and rights plan, the CEO and GMs receive options over ordinary shares and a potential cash component of \$2.4m. The options were granted on 15 August 2019 and the vesting date for all options is 31 August 2022, subject to the Group achieving Net Profit After Tax (NPAT) growth hurdles, digital transformation hurdles, compliance hurdles and remaining employed with the Group until the vesting date.

Since the current reporting period, the LTI#1 and LTI#2 are administrated by The Trustee for the Resimac Group Limited Employee Share Trust. The trust is consolidated in accordance with note 24. The trustee subscribes for the shares issued by the Group and allocates to the employees on exercise of options. Shares held by the trust and not yet allocated to employees at the end of the reporting period are shown as treasury shares in the financial statements. During the financial year ended 30 June 2021, 540,000 (FY20: nil) Resimac shares were purchased on-market at an average price of \$2.47 per share, for a total consideration of \$1,336,233, to satisfy employee entitlements pursuant to the LTI#1.

The fair value of share options under LTI#1 and LTI#2 is recognised as an employee benefits expense with a corresponding increase in equity. The total expense is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied. At the end of each period, the Group revises its estimates of the number of options that are expected to vest based on the non-market vesting and service conditions. It recognises the impact of the revision to original estimates, if any, in the consolidated statement of profit or loss with a corresponding adjustment to equity.

The fair value of the amounts payable to CEO and GMs in respect of cash component is recognised as an expense with a corresponding increase in liabilities, over the vesting period. The liabilities are remeasured to fair value at each reporting date and are presented as employee benefit obligations in the consolidated statement of financial position.

Employee Share Plan (ESP)

The Group commenced the Resimac Group Employee Share Scheme (ESS) in March 2021 whereby each financial year eligible employees are offered up to \$1,000 worth of fully paid Resimac ordinary shares for no cash consideration.

Shares allocated under the ESS cannot be sold until the earlier of three years after allocation or the time when the participant is no longer employed by the Group.

The first offer under the ESS was made during April 2021. A total of 191 staff participated in this offer.

On 12 April 2021, the participants were each allocated 458 fully allocated shares based on the offer amount of \$1,000 and the 5 day volume weighted average price (VWAP) of \$2.18, resulting in a total of 87,478 shares being allocated. The shares were allocated to staff for no cash consideration. For the financial year ended 30 June 2021, share-based payment expense relating to the ESS totalled \$187 thousand.

31. Share-based payments (continuation)

The table below provides the details of options issued:

Acquired by	Number of options	Tranche	Grant date	Fair value at grant date (\$)	Exercise price of option (\$)	Vesting date	Expiry date	Options forfeited	Options exercised	Number of options held at 30 June 2021	Number of options vested at 30 June 2021	Number of options unvested at 30 June 2021
McWilliam, Scott	300,000	Tranche 1	18 August 2017	0.07	0.55	1 July 2018	30 June 2021	-	(300,000)	-	-	-
McWilliam, Scott	300,000	Tranche 2	18 August 2017	0.08	0.55	1 July 2019	30 June 2022	-	-	300,000	300,000	-
McWilliam, Scott	300,000	Tranche 3	18 August 2017	0.09	0.55	1 July 2020	30 June 2023	-	-	300,000	300,000	-
McWilliam, Scott	300,000	Tranche 1	15 August 2019	0.20	0.65	31 August 2022	30 June 2025	-	-	300,000	-	300,000
McWilliam, Scott	300,000	Tranche 2	15 August 2019	0.20	0.65	31 August 2022	30 June 2025	-	-	300,000	-	300,000
McWilliam, Scott	300,000	Tranche 3	15 August 2019	0.20	0.65	31 August 2022	30 June 2025	-	-	300,000	-	300,000
GMs	1,000,000	Tranche 1	15 August 2019	0.20	0.65	31 August 2022	30 June 2025	(125,000)	-	875,000	-	875,000
GMs	1,000,000	Tranche 2	15 August 2019	0.20	0.65	31 August 2022	30 June 2025	(125,000)	-	875,000	-	875,000
GMs	1,000,000	Tranche 3	15 August 2019	0.20	0.65	31 August 2022	30 June 2025	(125,000)	-	875,000	-	875,000
Employee Share Plan	87,478	NA	12 April 2021	2.14	NA	12 April 2021	12 April 2021	-	(87,478)	-	-	-
	4,887,478							(375,000)	(387,478)	4,125,000	600,000	3,525,000

31. Share-based payments (continuation)

31.2 Fair value of options

The primary valuation approach we have considered for the valuations is the Black-Scholes method, which entails the determination of the value of the options using comparable market equivalent information. In determining the fair value of each of the share options, a number of statistical and probability based calculations have been considered.

The following table lists the inputs to the model used:

Grant date	Tranche	Grant date share price (\$)	Exercise price (\$)	Term (years)	Annual volatility	Risk-free interest rate	Dividend yield	Call option value	Issued options
18 August 2017	Tranche 1	0.47	0.55	3.9	30-35%	2.00%	3.23%	\$0.06-\$0.08	600,000
18 August 2017	Tranche 2	0.47	0.55	4.9	30-35%	2.15%	3.23%	\$0.07-\$0.09	600,000
18 August 2017	Tranche 3	0.47	0.55	5.9	30-35%	2.26%	3.23%	\$0.08-\$0.10	600,000
15 August 2019	Tranche 1	0.76	0.65	5.9	25-30%	0.75%	2%	\$0.18-\$0.21	300,000
15 August 2019	Tranche 2	0.76	0.65	5.9	25-30%	0.75%	2%	\$0.18-\$0.21	300,000
15 August 2019	Tranche 3	0.76	0.65	5.9	25-30%	0.75%	2%	\$0.18-\$0.21	300,000
15 August 2019	Tranche 1	0.76	0.65	5.9	25-30%	0.75%	2%	\$0.18-\$0.21	1,000,000
15 August 2019	Tranche 2	0.76	0.65	5.9	25-30%	0.75%	2%	\$0.18-\$0.21	1,000,000
15 August 2019	Tranche 3	0.76	0.65	5.9	25-30%	0.75%	2%	\$0.18-\$0.21	1,000,000

31. Share-based payments (continuation)

31.3 Movements in share options during the period

The following reconciles the share options outstanding at the beginning and the end of the period:

	Number of LTI options – LTI#1	Number of LTI options – LTI#2	Number of ESP options	Number of options total	Weighted average fair value\$ - LTI#1	Weighted average fair value\$ - LTI#2	Weighted average fair value\$ - ESP
Unvested options at 1 July 2020	300,000	3,525,000	-	3,825,000	0.09	0.20	-
Vested options at 1 July 2020	600,000	-	-	600,000	0.08	-	-
Options held at 1 July 2020	900,000	3,525,000	-	4,425,000	0.08	0.20	-
Granted during the year	-	-	87,478	87,478	-	-	2.14
Exercised during the year	(300,000)	-	(87,478)	(387,478)	0.55	-	2.14
Unvested options at 30 June 2021	-	3,525,000	-	3,525,000	-	0.20	-
Vested options at 30 June 2021	600,000	-	-	600,000	0.09	-	-
Options held at 30 June 2021	600,000	3,525,000	-	4,125,000	0.09	0.20	-

31.4 Share options exercised during the period

The Trustee for the Resimac Group Limited Employee Share Trust subscribed for 300,000 fully paid ordinary shares issued by the Group at a subscription price of \$2.13 per share, being the volume weighted average price of shares at the close of trading over a 5 day trading period up to and including 27 April 2021. Shares held by the trustee were allocated to Scott McWilliam on his exercise of tranche 1 share options on 26 April 2021.

32. Other accounting policies

32.1 Application of new and revised accounting standards

The Group has applied the required amendments to Standards and Interpretations that are relevant to its operations and effective for the current reporting period for the first time for the financial year commencing 1 July 2020.

Software-as-a-Service (SaaS) arrangements

The International Financial Reporting Standards Interpretations Committee (IFRIC) has issued two final agenda decisions which impact SaaS arrangements:

- *Customer's right to receive access to the supplier's software hosted on the cloud (March 2019)*
This decision considers whether a customer receives a software asset at the contract commencement date or a service over the contract term.
- *Configuration or customisation costs in a cloud computing arrangement (April 2021)*
This decision discusses whether configuration or customisation expenditure relating to SaaS arrangements can be recognised as an intangible asset and if not, over what time period the expenditure is expensed.

The Group's accounting policy has historically been to capitalise all costs related to SaaS arrangement as intangible assets in the statement of financial position. The adoption of the above agenda decision has result in a reclassification of these intangible assets to recognition as an expense in the statement of profit or loss. The new accounting policy is presented in Note 11.

IBOR Benchmark Reform: Transition from inter-bank offered rates (IBOR) to alternative reference rates (ARRs)

The UK Financial Conduct Authority announced on 5 March 2021 that all LIBOR settings will either cease to be published by any administrator or will no longer be representative at a specified future date, with a clear message to market participants to complete transition by the end of 2021. Specifically, 1-month USD LIBOR will cease to be published after 30 June 2023, and all USD LIBOR-linked contracts must transition to replacement risk-free rates.

In addition, on 2 June 2021, the Financial Stability Board announced that all new use of LIBOR benchmarks should cease as soon as practicable and no later than the timelines set out by home authorities and/or national working groups in the relevant currencies.

The Alternative Reference Rates Committee ("ARRC") of the Federal Reserve Bank of New York has selected SOFR as the replacement for LIBOR. Resimac has adopted the ARRC-recommended LIBOR fallback language in USD transactions completed since 2019.

In line with pronouncements from regulators and its recent USD transactions, Resimac proposes to amend all outstanding USD transactions completed prior to 2019 by incorporating the ARRC-recommended LIBOR fallback language in the USD note conditions.

ARRC-recommended LIBOR fallback language

Under the ARRC fallback language adopted by Resimac:

- USD LIBOR will be replaced as the benchmark for USD Notes using Term SOFR, which is expected to be a similar forward-looking term rate to USD LIBOR

RMBS and Derivative Amendments

Based on discussions with US dealers, Resimac understands that incorporating the ARRC -recommended LIBOR fallback language is consistent with the requirements of US RMBS investors. Resimac is therefore of the view that the proposed amendments are desirable and not materially prejudicial to the Class A1 Noteholders and will make required modifications to the benchmark language in its RMBS transactions and any associated derivative contract.

32. Other accounting policies (continuation)

Impacts on financial reporting

AASB 2019-3 *Amendments to Australian Accounting Standards – Interest Rate Benchmark Reform* issued in October 2019, amended to AASB 7 *Financial Instruments: Disclosures*, AASB 9 *Financial Instruments* to provide certain reliefs in relation to interest rate benchmark reforms. The relief relate to hedge accounting and have the effect that the reforms should not generally cause hedge accounting to terminate. However, any hedge ineffectiveness should continue to be recorded in the income statement.

In September 2020, AASB 2020-8 *Amendments to Australian Accounting Standards – Interest Rate Benchmark Reform – Phase 2* amended standards including AASB 7, AASB 9 and AASB 16 *Leases* (AASB 16) to address accounting issues following the transition to ARR. The amendment provides practical expedients to account for changes in the basis for determining contractual cash flows as a result of IBOR reform under AASB 9 and AASB 16. It provides additional temporary reliefs from applying specific hedge accounting requirements to hedging relationships that are directly affected by IBOR reform and require additional quantitative and qualitative disclosures.

The amendments are mandatorily effective for annual reporting periods on or after 1 July 2021. Based on management's assessment as above, the impact is not expected to be materially different to how the Group currently accounts for financial instruments which have qualified for hedge accounting.

Other amendments made to existing standards

Other amendments made to existing standards that were mandatorily effective for the financial year commencing 1 July 2020 did not have any material impact on the disclosures or on the amounts recognised in the consolidated financial statements.

32.2 New and revised accounting standards and interpretations on issue but not yet effective

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2021 reporting periods and have not been early adopted by the Group. The Group's assessment of the impact of these new standards and interpretations is set out below. These standards are not expected to have a material impact on the financial statements of the Group in future periods.

Standard/amendment	Effective for annual reporting periods beginning on or after
AASB 2020-8 <i>Amendments to Australian Accounting Standards – Interest Rate Benchmark Reform Phase 2</i>	1 July 2021
AASB 2020-3 <i>Amendments to Australian Accounting Standards – Annual Improvements 2018-2020 and Other Amendments</i> AASB	1 July 2022
AASB 2020-1 <i>Amendments to Australian Accounting Standards – Classification of Liabilities as Current or Non-current</i>	1 July 2023

The standards and interpretations listed above are not expected to have a material impact on financial results or financial position on adoption.

32. Other accounting policies (continuation)

32.3 Goods and services tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST except:

- where the GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the costs of acquisition of the asset or as part of the expense item as applicable; and
- receivables and payables which are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

Cash flows are included in the statement of cash flows on a gross basis and the GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the taxation authority is classified as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

SIGNED REPORTS

DIRECTORS' DECLARATION

RESIMAC GROUP LTD AND ITS CONTROLLED ENTITIES

The directors declare that:

- (a) 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
- (b) in the directors' opinion, the attached financial statements are in compliance with Australian Accounting Standards as stated in the financial statements;
- (c) in the directors' opinion, the attached financial statements and notes thereto are in accordance with the *Corporations Act 2001*, including compliance with accounting standards and giving a true and fair view of the financial position and performance of the consolidated entity and the company; and
- (d) the directors have been given the declarations required by s295.A of the *Corporations Act 2001*.

Signed in accordance with a resolution of the directors pursuant to s295(5) of the *Corporations Act 2001*.

On behalf of the Directors



Warren McLeland
Chairman

Sydney
30 August 2021

The Board of Directors
Delarey Nell
Partner
Chartered Accountants
30 August 2021

Dear Board Members,

Auditor's Independence Declaration to Resimac 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 Resimac Group Limited and its controlled entities.

As lead audit partner for the audit of the financial report of Resimac 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 of the Corporations Act 2001 in relation to the audit; and
- (ii) any applicable code of professional conduct in relation to the audit.

Yours faithfully

DELOITTE TOUCHE TOHMATSU

DELOITTE TOUCHE TOHMATSU

Delarey Nell

Delarey Nell
Partner
Chartered Accountants

Independent Auditor's Report to the Members of Resimac Group Limited

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Resimac Group Limited (the "Company") and its subsidiaries (the "Group") which comprises the consolidated statement of financial position as at 30 June 2021, the consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information, and the directors' declaration.

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

- (i) giving a true and fair view of the Group's financial position as at 30 June 2021 and of their financial performance for the year then ended; and
- (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for Opinion

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

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

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

Key Audit Matters

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

Key Audit Matter	How the scope of our audit responded to the Key Audit Matter
<p>Impairment of loans and advances</p> <p>As at 30 June 2021 the Group has recognised provisions amounting to \$37.6m for impairment losses on loans and advances held at amortised cost in accordance with the Expected Credit Loss (ECL) approach required under AASB 9 <i>Financial Instruments</i> as disclosed in Note 6, 22 and 23.</p> <p>Loans and advances subject to provisioning using the ECL model include the residential lending portfolio, personal loan portfolio and loans approved but not yet advanced.</p> <p>Significant management judgement was necessary in determining expected credit losses, including:</p> <ul style="list-style-type: none"> - The application of the requirements of AASB 9 as reflected in the Group's ECL model particularly in light of the current economic environment including the ongoing impact of COVID-19; - The identification of exposures with a significant movement in credit quality to determine whether 12-month or lifetime ECL should be recognised; and - Assumptions used in the ECL model such as the financial condition of the counterparty, repayment capacity and forward-looking macroeconomic factors as disclosed in Note 6, 22 and 23. 	<p>Our procedures in conjunction with our specialists included, but were not limited to:</p> <p>Testing the design and implementation of relevant controls over the impairment provision including:</p> <ul style="list-style-type: none"> - Assessing accuracy of data input into the system used for determining past due status and the approval of credit facilities; and - Evaluating the ongoing monitoring and identification of loans displaying indicators of impairment and whether they are migrating on a timely basis to appropriate default stages including generation of days past due reports. <p>Assessing impairment model adequacy</p> <p>Our procedures included, but were not limited to:</p> <ul style="list-style-type: none"> - Assessing whether managements' model adequately addresses the requirements of the relevant accounting standard; - Evaluating management's assessment of the impact of COVID-19 on the loan portfolio and hence the estimate of ECL; - Testing on a sample basis, individual exposures to determine if they are classified into appropriate default stages and aging buckets for the purpose of determining impairment loss provision; - Assessing the reasonableness of assumptions driving probabilities of default (PD), Loss Given Default (LGD) and Exposure at Default (EAD); and - Assessing reasonableness of management overlays to the modelled collective provision, by recalculating the coverage provided taking into account recent history, performance and de-risking of the relevant portfolios. <p>We also assessed the appropriateness of the disclosures in Notes 6, 22 and 23 to the financial statements.</p>

Other Information

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

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

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information; we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Financial Report

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

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

Auditor's Responsibilities for the Audit of the Financial Report

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

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's 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.

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, actions taken to eliminate threats or safeguards applied.

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

Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 12 to 29 of the Directors' Report for the year ended 30 June 2021.

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

Responsibilities

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

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DELOITTE TOUCHE TOHMATSU



Delarey Nell
Partner
Chartered Accountants
Sydney, 30 August 2021