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RESIMAC GROUP LTD

Appendix 4D

Financial report
for the half-year ended 31 December 2020

ABN: 55 095 034 003

ASX : RMC

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RESULTS FOR ANNOUNCEMENT TO THE MARKET

(All comparisons to half-year ended 31 December 2019 "HY20")	$'000	Up/ down	Movement from HY20 %
Revenue from ordinary activities	**242,192**	Up	3%
Profit from ordinary activities after tax attributable to members	**50,468**	Up	86%
Net comprehensive income for the period attributable to members	**44,935**	Up	70%

DIVIDENDS	Amount per share (cents)	Franked amount per security (cents)
Interim FY21 dividend declared (25 February 2021)	**2.40**	**2.40**
Final FY20 dividend paid (25 September 2020)	**1.80**	**1.80**
	4.20	**4.20**
Previous corresponding period:		
Interim FY20 dividend paid (27 March 2020)	1.20	1.20
Final FY19 dividend paid (30 September 2019)	1.50	1.50
	2.70	2.70

Record date for determining entitlements to the dividend	5 March 2021
Date the interim dividend is payable	31 March 2021

Dividend Reinvestment Plan

The Company's Dividend Reinvestment Plan (DRP) will apply to the interim dividend payment. The allocation price for shares under the DRP will be calculated at the average of the daily volume weighted average price of Resimac Group Ltd ordinary shares traded on the ASX over the 5 day trading period commencing on the second business day after the record date. The shares will be issued at a discount of 2.5%. Dividend elections can be made via the Computershare online portal.

1) Previous corresponding period

The previous corresponding period is the half-year ended 31 December 2019, unless otherwise stated.

2) Net tangible assets per security

Net tangible assets per security is $0.54 (HY20: $0.39).

3) Explanation of results

This information should be read in conjunction with the Resimac Group Ltd 2020 Annual Report and with any public announcements made in the period by the Group in accordance with the continuous disclosure requirements of the *Corporations Act 2001* and the ASX Listing Rules.

The information provided in this report contains all the information required by ASX Listing Rule 4.2A.

Normalised earnings

The Group generated a net profit after tax (NPAT) of $50,468,000 for the period ended 31 December 2020. 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 period, by excluding one-off, non-recurring items.

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

	HY21 $'000	HY20 $'000
Statutory NPAT[1]	**50,468**	**27,159**
Non-recurring income[2]	**-**	**(385)**
Tax effect	**-**	**116**
Normalised NPAT	**50,468**	**26,890**

1. Excludes NPAT attributable to Non-controlling interest
2. HY20 included one-off income rebate related to RMBS funding program

4) Details of associates and joint venture entities

The company does not have any associates and joint venture entities during the period.

5) Set of accounting standards used for foreign entities in compiling this report

The foreign entities of the company comply with Australian Accounting Standards (AASB).

6) Audit

This report is based on the condensed consolidated half-year financial report reviewed by Deloitte Touche Tohmatsu.

7) Commentary on results for the period

Commentary on results for the period is contained in the press release accompanying this statement.

Warren McLeland

Warren McLeland
Chairman

Sydney
25 February 2021

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Financial statements

Notes to the condensed consolidated financial statements

Key numbers

Capital

Risk

Other

Signed reports

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DIRECTORS' REPORT
RESIMAC GROUP LTD AND ITS CONTROLLED ENTITIES

The Directors of Resimac Group Ltd ("Resimac" or "the Company") submit herewith the financial report of Resimac and its controlled entities ("the Group") for the half-year ended 31 December 2020. In order to comply with the provisions of the *Corporations Act 2001*, the directors report as follows:

Directors

The names of the Directors holding office at any time during or since the end of the half-year are:

- **Mr Warren McLeland**
  Chairman and Non-Executive Director
- **Mrs Susan Hansen**
  Independent Non-Executive Director
- **Mr Wayne Spanner**
  Independent Non-Executive Director
- **Mr Duncan Saville**
  Non-Executive Director
- **Mrs Caroline Waldron**
  Independent Non-Executive Director (appointed 17 November 2020)

Key management personnel

The key management personnel are all of the above directors and:

- **Mr Scott McWilliam**
  Chief Executive Officer
- **Mr Jason Azzopardi**
  Chief Financial Officer
- **Mr Andrew Marsden**
  General Manager Treasury and Securitisation
- **Ms Danielle Corcoran**
  General Manager Governance, Change and Culture

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DIRECTORS' REPORT
RESIMAC GROUP LTD AND ITS CONTROLLED ENTITIES

Review of operations

Net interest income increased 45% to $122,072,000 on the previous corresponding period (PCP) driven by higher net interest margin and assets under management growth.

Operating expenses increased 13% to $34,461,000 on the PCP driven by our transformational core banking and origination IT project, higher employment and marketing costs.

Loan impairment expense decreased 3% to $3,711,000 on the PCP driven by our high quality portfolio and low arrears.

Total home loan settlements across the Group's direct and third party distribution channels were $2.1 billion, down 9% on the PCP.

The Group's assets under management at 31 December 2020 comprise:

- On balance sheet home loans and advances to customers of $12.9[1] billion, up 4% compared to 30 June 2020;
- White label portfolio of $2.2 billion, down 12% compared to 30 June 2020. This portfolio is now in run off;
- Combined these make up the total assets under management of $15.1 billion.

The Group's net assets increased 16% from 30 June 2020, driven by growth in assets under management.

COVID-19 impact

Resimac's conservative approach to credit risk and strong funding relationships have insulated the impacts of COVID-19. Resimac's key priority remains the safety of employees and supporting customers and the broader community through the ongoing challenges that COVID-19 poses.

Whist the ongoing impact of COVID-19 continues to present challenges to a small number of the Group's customers, we remain proactive in working with customers to assist them throughout their home loan journey. The Group continues to monitor and respond to the evolving impact of COVID-19 on the operational and financial performance of the Group.

At 30 June 2020, the Group applied a COVID-19 overlay of $16.4m for potential future economic loss directly related to the impacts of COVID-19. Whilst the Group is buoyed by the decrease in the number of customers under hardship payment deferrals, the Group retains a cautious outlook given the imminent reduction in Government stimulus, and inconsistent State Government policy on lockdowns impacting business and consumer confidence. The Group has maintained the COVID-19 overlay of $16.4m at 31 December 2020.

Funding programmes

During the period ended 31 December 2020, 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.

Auditor's independence declaration

The auditor's independence declaration is included on page 39 of this financial report.

[1] On balance sheet home loans AUM excludes circa $80m of IA Group loans held at 31 December 2020, which are included in the consolidated financial statements.

DIRECTORS' REPORT
RESIMAC GROUP LTD AND ITS CONTROLLED ENTITIES

Subsequent events

Effective 1 February 2021, Resimac exercised the option to acquire the remaining 40% of International Acceptance Group (IA Group) for $8.24m, increasing its ownership from 60% to 100%.

Rounding off of amounts

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

Signed in accordance with a resolution of the directors made pursuant to s.306 (3) of the *Corporations Act 2001.*

On behalf of the Directors of Resimac Group Ltd.

Warren McLeland
Chairman

Sydney
25 February 2021

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CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE HALF-YEAR ENDED 31 DECEMBER 2020

	Note	HY21 $'000	HY20 $'000
Interest income	1	**235,586**	229,098
Interest expense	2	**(113,514)**	(144,827)
Net interest income		**122,072**	84,271
Fee and commission income	1	**4,860**	6,156
Fee and commission expense	2	**(17,773)**	(18,038)
Other income	1	**1,746**	650
Employee benefits expense	2	**(19,048)**	(17,350)
Other expenses	2	**(15,413)**	(13,205)
Loan impairment expense	2	**(3,711)**	(3,835)
Profit before tax		**72,733**	38,649
Income tax expense		**(22,048)**	(11,490)
PROFIT AFTER TAX		**50,685**	27,159
Attributable to:			
Owners of the parent		**50,468**	27,159
Non-controlling interest		**217**	-
		50,685	27,159

	Note	HY21 cents per share	HY20 cents per share
Earnings per share			
Basic	13	**12.38**	6.69
Diluted	13	**12.31**	6.67

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CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE HALF-YEAR ENDED 31 DECEMBER 2020

	Note	**HY21 $'000**	HY20 $'000
PROFIT AFTER TAX		**50,685**	27,159
Other comprehensive income, net of income tax			
Items that will not be reclassified subsequently to profit or loss:			
Fair value movement on investments in BNK Banking Corporation Limited ("BNK") through OCI, net of tax		**845**	(125)
Items that may be reclassified subsequently to profit or loss:			
Changes in fair value of cash flow hedges		**(9,090)**	(1,187)
Tax effect		**2,727**	356
Currency translation differences		**(15)**	163
Other comprehensive income for the period, net of tax		**(5,533)**	(793)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		**45,152**	26,366
Attributable to:			
Owners of the parent		**44,935**	26,366
Non-controlling interest		**217**	-
		45,152	26,366

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CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2020

	Note	**HY21 $'000**	FY20 $'000
ASSETS			
Cash and cash equivalents	3	**537,588**	365,987
Trade and other receivables		**5,151**	5,974
Loans and advances	4	**12,997,266**	12,506,012
Contract assets	1	**38,228**	41,954
Other financial assets	5	**8,389**	7,181
Derivative financial assets	16	**2,958**	52,592
Other assets		**3,571**	3,627
Plant and equipment		**1,909**	2,192
Right-of-use assets	6	**11,322**	12,279
Deferred tax assets		**1,992**	-
Goodwill and intangible assets	7	**28,669**	28,893
		13,637,043	13,026,691
LIABILITIES			
Trade and other payables		**23,974**	25,891
Current tax payable		**14,188**	24,293
Provisions		**4,940**	4,630
Interest-bearing liabilities	8	**13,152,665**	12,685,616
Lease liabilities	9	**12,740**	13,622
Other financial liabilities	10	**19,006**	20,797
Derivative financial liabilities	16	**124,553**	3,277
Other liabilities		**3,315**	3,339
Deferred tax liabilities		**714**	3,540
		13,356,095	12,785,005
NET ASSETS		**280,948**	241,686
EQUITY			
Share capital	14	**182,293**	181,895
Reverse acquisition reserve		**(61,541)**	(61,541)
Total issued capital		**120,752**	120,354
Reserves	12	**(12,043)**	(7,556)
Retained earnings	12	**171,828**	128,694
Equity attributable to owners of the parent		**280,537**	241,492
Non-controlling interest	12	**411**	194
		280,948	241,686

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CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE HALF-YEAR ENDED 31 DECEMBER 2020

	Share capital $'000	Reverse acquisition reserve[1] $'000	Total issued capital	Reserves[2] $'000	Retained earnings $'000	Attributable to owners of the parent $'000	Non-controlling interest $'000	Total $'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 period	-	-	-	-	27,159	27,159	-	27,159
Other comprehensive income, net of income tax	-	-	-	(793)	-	(793)	-	(793)
Total comprehensive income for the period	-	-	-	(793)	27,159	26,366	-	26,366
Issue of shares under the Dividend Reinvestment Plan	693	-	693	-	-	693	-	693
Equity dividends	-	-	-	-	(6,087)	(6,087)	-	(6,087)
Share-based payments	-	-	-	123	-	123	-	123
Reallocation	-	-	-	223	(223)	-	-	-
Balance at 31 December 2019	181,241	(61,541)	119,700	(7,644)	104,824	216,880	-	216,880
Balance as at 1 July 2020	**181,895**	**(61,541)**	**120,354**	**(7,556)**	**128,694**	**241,492**	**194**	**241,686**
Profit for the period	**-**	**-**	**-**	**-**	**50,468**	**50,468**	**217**	**50,685**
Other comprehensive income, net of income tax	**-**	**-**	**-**	**(5,533)**	**-**	**(5,533)**	**-**	**(5,533)**
Total comprehensive income for the period	**-**	**-**	**-**	**(5,533)**	**50,468**	**44,935**	**217**	**45,152**
Issue of shares under the Dividend Reinvestment Plan	**398**	**-**	**398**	**-**	**-**	**398**	**-**	**398**
Equity dividends	**-**	**-**	**-**	**-**	**(7,334)**	**(7,334)**	**-**	**(7,334)**
Share-based payments	**-**	**-**	**-**	**1,046**	**-**	**1,046**	**-**	**1,046**
Balance at 31 December 2020	**182,293**	**(61,541)**	**120,752**	**(12,043)**	**171,828**	**280,537**	**411**	**280,948**

1 As a result of reverse acquisition accounting, 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 12 for more detail.

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CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2020

	Note	HY21 $'000	HY20 $'000
Cash flows from operating activities			
Interest received		**239,787**	234,366
Interest paid		**(106,279)**	(137,524)
Receipts from loan fees and other income		**23,519**	25,423
Payments to suppliers and employees		**(83,890)**	(80,959)
Payments of net loans to borrowers		**(630,525)**	(1,891,931)
Income tax paid		**(33,679)**	(12,233)
Net cash used in operating activities		**(591,067)**	(1,862,858)
Cash flows from investing activities			
Payment for plant and equipment		**(93)**	(69)
Repayment of loans to related parties		**-**	(2,400)
Payment for new investments		**-**	(3,000)
Balance of proceeds on disposal of Paywise		**1,700**	-
Net cash from / (used in) investing activities		**1,607**	(5,469)
Cash flows from financing activities			
Proceeds from borrowings		**5,389,541**	5,572,284
Repayment of borrowings		**(4,758,343)**	(4,304,445)
Proceeds of loans sold to external party (Athena)		**138,849**	794,894
Payment of lease liabilities		**(884)**	(824)
Swap payments		**(1,254)**	(832)
Payment of dividends		**(6,936)**	(5,394)
Net cash from financing activities		**760,973**	2,055,683
Net increase in cash and cash equivalents		**171,513**	187,356
Cash and cash equivalents at the beginning of the period (1 July)		**365,987**	224,790
Effects of exchange rate changes on cash balances held in foreign currencies		**88**	297
Cash and cash equivalents at the end of the period	3	**537,588**	412,443

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Statement of compliance

The half-year financial report is a general purpose condensed financial report which:

- has been prepared in accordance with the requirements of the *Corporations Act 2001*, and AASB 134 *Interim Financial Reporting;*
- compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 *Interim Financial Reporting*; and
- does not include notes of the type normally included in an annual financial report and shall be read in conjunction with the most recent annual financial report.

Basis of preparation

The condensed consolidated financial statements have been prepared on the basis of historical cost, except for certain financial instruments which have been measured at fair value. All amounts are presented in Australian dollars unless otherwise noted.

The Company is an entity of the kind referred to in *ASIC Corporations* (Rounding in Financial/Directors' Reports) Instrument 2016/191, dated 24 March 2016, and in accordance with that amounts in the Directors' Report and the financial statements are rounded off to the nearest thousand dollars, unless otherwise indicated.

The accounting policies and methods of computation adopted in the preparation of the half-year financial report are consistent with those adopted and disclosed in the company's 2020 annual financial report for the financial year ended 30 June 2020, except for the impact of the Standards and Interpretations described below. The changes in accounting policies will also be reflected in the Group's consolidated financial statements as at and for the year ending 30 June 2021. These accounting policies are consistent with Australian Accounting Standards (AAS) and with International Financial Reporting Standards (IFRS).

Amendments to Accounting Standards that are mandatorily effective for the current reporting period

The Group has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (the AASB) that are relevant to the Group's operations and mandatorily effective on or after 1 July 2020, including:

- AASB 2018-6 *Amendments to Australian Accounting Standards – Definition of a Business*
- AASB 2018-7 *Amendments to Australian Accounting Standards – Definition of Material*
- AASB 2019-*1 Amendments to Australian Accounting Standards – References to the Conceptual Framework*
- AASB 2019-3 *Amendments to Australian Accounting Standards – Interest Rate Benchmark Reform*
- AASB 2019-5 *Amendments to Australian Accounting Standards – Disclosure of the effect of new IFRS standards not yet issued in Australia*

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Standards and Interpretations in issue not yet adopted

Certain new accounting standards and interpretations have been published that are not effective for the 31 December 2020 reporting period and have not been early adopted by the Group.

Standard/amendment	Effective for annual reporting periods beginning on or after
AASB 2020-8 *Amendments to Australian Accounting Standards – Interest Rate Benchmark Reform Phase 2*	1 January 2021
AASB 1060 *General Purpose Financial Statements – Simplified Disclosures for For-Profit and Not-for-Profit Tier 2 Entities*	1 July 2021
AAB 2020-2 *Amendments to Australian Accounting Standards – Removal of Special Purpose Financial Statements for Certain For-profit Private Sector Entities*	1 July 2021
AASB 2020-3 *Amendments to Australian Accounting Standards – Annual Improvements 2018-2020 and Other Amendments*	1 January 2022
AASB 2020-1 *Amendments to Australian Accounting Standards – Classification of Liabilities as Current or Non-Current*	1 January 2022
AASB 17 *Insurance contracts*	1 January 2023

The condensed 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 aspects of 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.

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Critical accounting judgements and key sources of estimation uncertainty

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.

a) Critical judgements in applying the entity's accounting policies

The following are the critical judgements and estimates that the Directors have made in the process of applying the Group's accounting policies and have the most significant effect on the amounts recognised in the financial statements. The critical judgements and estimates adopted in the preparation of the half-year financial report are consistent with those adopted in the Group's 2020 annual financial report for the financial year ended 30 June 2020.

- Recognition of revenue from contracts with customers;
- Recognition of deferred tax assets and liabilities;
- Valuation of unlisted shares;
- Net present value (NPV) of future trail commission: recognition of future commission receivable and payable;
- Provisions – long service leave;
- Impairment of financial assets; and
- Goodwill impairment.

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of the assets and liabilities within the next financial year.

NPV of future trail commission

The recognition of the future trailing commission receivable in the statement of financial position is an area of judgment due to the different recognition criteria existing within the accounting standards.

The estimation of present value of future cash flows

The key assumptions underlying this estimate include:

- run-off rates; and
- discount rate.

This position will continue to be monitored in future accounting periods having regard to developments in the relevant accounting standards. In this respect, the Directors believe the accounting treatment adopted by the Group in recognising a contract asset is in accordance with the accounting standards and is consistent with the treatment adopted by similar industry participants.

Critical accounting judgements and key sources of estimation uncertainty (continuation)

Recognition of deferred tax assets and liabilities

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.

Provisions – long service leave

The liability for long service leave is measured as the present value of expected future payments for the services provided by employees up to the reporting date. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the end of the reporting period of high-quality corporate bonds with terms and currencies that match, as closely as possible, the estimated future cash outflows. Remeasurements as a result of experience adjustments and changes in actuarial assumptions are recognised in the statement of profit or loss.

Loan impairment provision

The calculation of the impairment provision on mortgage assets is based on:

- objective evidence of impairment for a portfolio of receivables using the Group's future expected loss;
- an increase in the number of delayed payments in the portfolio past the average credit period; and
- observable changes in economic conditions that correlate with default on receivables.

Judgements are required on key concepts such as whether there has been a significant increase in credit risk, measurement of lifetime expected credit loss and forward-looking assumptions. Difference in key judgements and estimates may impact the amount of impairment on mortgage assets recognised in the statement of financial position.

Goodwill 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; and
- plans to discontinue operations.

The Group has performed an assessment of the indicators of impairment of goodwill at the reporting date, which included consideration of the impact of COVID-19. Refer to note 7.

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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.

While the areas of judgement as noted on the previous page remain unchanged, COVID-19 resulted in the application of further judgement by management within those identified areas in preparing the half-year financial report. Any significant changes during the period to management's accounting estimates or judgements, as a result of COVID-19, have been disclosed in note 4 to the half-year financial report.

Management believes that the estimates used in preparing the half-year report are reasonable. Given the rapidly evolving nature of COVID-19 and the subsequent economic impact, changes to the estimates and outcomes applied in the measurement of the Group's assets and liabilities may arise in the future. Other than adjusting events that provide evidence of provisions 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.

As a consequence of COVID-19 and in preparing financial statements, management:

- Considered the financial impact on the Group and areas of the financial statements affected to determine the disclosures required, and evaluate if any additional areas of judgement or estimation uncertainty beyond what has been disclosed existed;
- Updated forward-looking information (including macroeconomic information) when measuring expected credit losses to assess any significant increase in credit risk, and for the impairment analysis of financial and non-financial asset classes and disclosures;
- Assessed the measurement of assets and liabilities and determined the impact thereon as a result of market inputs and variables impacted by COVID-19;
- Evaluated information available after the reporting date but before the issuance of the financial statements, and updated the disclosures in the financial statements if necessary;
- Reviewed external market communications to identify other COVID-19 related impacts;
- Reviewed public forecasts and experience from previous downturns.

As a result, the Group concluded no other financial impact related to COVID-19 outside of what was disclosed at 30 June 2020 is required. The Group retains a cautious outlook on the economic recovery given the imminent reduction in Government stimulus, and inconsistent State Government policy on lockdowns impacting business and consumer confidence. The Group believe it is appropriate to maintain the COVID-19 overlay of $16.4m at 31 December 2020.

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 about 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 business currently captured under the Resimac 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 various distribution channels, the margin net of funding costs of the on balance sheet home loan portfolio, and the upfront and trail commission on the white label loan portfolio.

On 1 January 2020, Resimac purchased a controlling stake in IA Group who specialises in both Australian based secured commercial and consumer lending. Management have assessed the impact of IA Group on its Group results as not material, and therefore does not represent a reportable segment for the half-year ended 31 December 2020, notwithstanding IA Group 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.

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

	AUSTRALIAN LENDING		**NEW ZEALAND LENDING**		**CONSOLIDATED**	
	HY21 $'000	HY20 $'000	**HY21 $'000**	HY20 $'000	**HY21 $'000**	HY20 $'000
Revenue and other income	**227,207**	222,865	**14,985**	13,039	**242,192**	235,904
Total segment revenue	**227,207**	222,865	**14,985**	13,039	**242,192**	235,904
Segment results before tax, depreciation, amortisation, finance costs and impairment	**76,828**	44,500	**4,311**	2,791	**81,139**	47,291
Depreciation and amortisation	**(1,516)**	(1,370)	**(42)**	(4)	**(1,558)**	(1,374)
Loan impairment	**(3,711)**	(3,810)	**-**	(25)	**(3,711)**	(3,835)
Finance costs	**(2,943)**	(3,268)	**(194)**	(165)	**(3,137)**	(3,433)
Segment results before income tax	**68,658**	36,052	**4,075**	2,597	**72,733**	38,649
Income tax expense [1]					**(22,048)**	(11,490)
PROFIT AFTER TAX					**50,685**	27,159

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

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

	AUSTRALIAN LENDING		NEW ZEALAND LENDING		CONSOLIDATED	
	HY21	FY20	**HY21**	FY20	**HY21**	FY20
	$'000	$'000	**$'000**	$'000	**$'000**	$'000
Segment assets	**12,949,990**	12,444,285	**685,061**	582,406	**13,635,051**	13,026,691
	12,949,990	12,444,285	**685,061**	582,406	**13,635,051**	13,026,691
Segment liabilities	**(12,683,984)**	(12,201,825)	**(657,209)**	(555,347)	**(13,341,193)**	(12,757,172)
Net assets excluding tax	**266,006**	242,460	**27,852**	27,059	**293,858**	269,519
Tax assets[2]					**1,992**	-
Tax liabilities[2]					**(14,902)**	(27,833)
NET ASSETS					**280,948**	241,686

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

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1. Revenue

1.1 Revenue streams

The Group generates net interest revenue from on balance sheet home loans, and annuity trail income on white label loans.

	HY21 $'000	HY20 $'000
Revenue from contract with customers	**4,860**	6,156
Interest income		
Loans and advances	**233,857**	226,539
Bank deposits	**526**	1,142
Discount unwind on NPV of trail commission	**1,203**	1,417
	235,586	229,098
Other income	**1,746**	650
Total revenue	**242,192**	235,904

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 19).

1. **Revenue** (continuation)

	AUSTRALIAN LENDING		**NEW ZEALAND LENDING**		**CONSOLIDATED**	
	HY21	HY20	**HY21**	HY20	**HY21**	HY20
	$'000	$'000	**$'000**	$'000	**$'000**	$'000
Primary geographical markets						
Australia	**4,353**	5,976	**-**	-	**4,353**	5,976
New Zealand	**-**	-	**507**	180	**507**	180
	4,353	5,976	**507**	180	**4,860**	6,156
Major service lines						
Loan management	**2,104**	4,547	**-**	-	**2,104**	4,547
Net loan fees	**2,249**	1,429	**507**	180	**2,756**	1,609
	4,353	5,976	**507**	180	**4,860**	6,156
Timing of revenue recognition						
Service transferred at a point in time	**4,353**	5,976	**507**	180	**4,860**	6,156
Revenue from contracts with customers	**4,353**	5,976	**507**	180	**4,860**	6,156
Interest income	**222,563**	216,681	**13,023**	12,417	**235,586**	229,098
Other income	**291**	208	**1,455**	442	**1,746**	650
External revenue as reported in segment information	**227,207**	222,865	**14,985**	13,039	**242,192**	235,904

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1. Revenue (continuation)

1.3 Assets related to contract with customers

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

	HY21 $'000	FY20 $'000
Contract assets – present value of future trail commission receivable		
Current	**10,692**	11,587
Non-current	**27,536**	30,367
	38,228	41,954

Key estimates and assumptions

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

- run-off; and
- discount rate.

	HY21	FY20
Weighted average loan life (years)	**3.5**	3.5
Discount rate	**6%**	6%

Key judgements

The recognition of the future trail commission receivable and payable (and resulting revenue/expense) is an area of management judgment due to the different recognition criteria existing within the accounting standards. Decisions around key inputs potentially have a material impact on the balances.

Management judgment is required with respect to the determination of:

- **Run-off rate**

Of all the key inputs for NPV modelling, run-off rates drive the largest model sensitivity. There can be variations over time of up to 25% on individual seasoning bands and variations for year-on-year total run-off.

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

- **Discount rates**

For the purposes of the valuation technique required by the standard, the discount rate is set each year and remains unchanged for that tranche of loans for the remainder of the loan's life.

The discount rate is currently set at 6% (FY20: 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.

Given trail income receivables are due from strongly rated major financial institutions, this credit risk is regarded as appropriate.

The Group no longer originates contract assets where trail commission is receivable.

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2. Expenses

	HY21	HY20
	$'000	$'000
Interest		
Bond and warehouse facilities	**108,006**	138,878
Amortisation – bond issue costs	**4,494**	4,459
Discount unwind on net present value of trail commission	**597**	671
Corporate facility	**147**	531
Interest on lease liabilities	**270**	288
	113,514	144,827
Fee and commission		
Mortgage origination	**-**	252
Loan management	**11,126**	11,103
Borrowing costs	**3,780**	3,538
Other financing costs	**2,867**	3,145
	17,773	18,038
Employee benefits		
Remuneration, bonus, superannuation and on-costs	**18,745**	17,058
Share-based payments	**303**	292
	19,048	17,350
Other		
Marketing	**2,346**	1,688
IT	**7,176**	4,028
Audit and other professional fees	**1,116**	1,373
Rent and occupancy costs	**692**	770
Insurance	**704**	914
Depreciation and amortisation	**599**	431
Depreciation charge of right-of-use assets	**959**	943
Other	**1,821**	3,058
	15,413	13,205
Loan impairment	**3,711**	3,835
	169,459	197,255

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3. Cash and cash equivalents

	HY21 $'000	FY20 $'000
Cash at bank and on hand	**28,566**	27,757
Cash collections account [1]	**507,522**	336,730
Restricted cash [2]	**1,500**	1,500
	537,588	365,987

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. Loans and advances

	HY21 $'000	FY20 $'000
Gross loans and advances	**13,036,846**	12,542,710
Less: allowance for impairment	**(39,580)**	(36,698)
	12,997,266	12,506,012
Current	**3,259,212**	2,884,823
Non-current	**9,777,634**	9,657,887
	13,036,846	12,542,710

Impairment allowances		
Collective allowance	**33,508**	30,641
Specific allowance	**6,072**	6,057
	39,580	36,698
Movement in impairment allowances		
Balance at 1 July	**36,698**	16,445
Acquisition of IA Group	**-**	495
Provided for during the period		
- Specific	**807**	1,891
- Collective	**2,904**	20,121
Written off	**(829)**	(2,254)
Balance at end of the period	**39,580**	36,698

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4. Loans and advances (continuation)

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 trade receivables. The ECL model forecasts expected credit loss incorporating macroeconomic forecasts and portfolio performance over the previous 48 months. The Group provisioning policy and methodology is referenced in Note 22 and 23 of the FY20 annual report.

As at 31 December 2020, the Group added a further $2.9m to the Collective Provision balance compared to 30 June 2020, predominantly driven by growth in the Group's Assets Under Management.

COVID-19 overlay

As detailed in Note 23 of the FY20 annual report, the Group took the appropriate approach of raising a COVID-19 overlay at 30 June 2020, given the ECL model does not fully capture credit risk of loans in payment deferrals related to COVID-19. The overlay at 30 June 2020 was $16.4m and was included as part of the Collective Provision in FY20.

At June 2020, approximately 3,000 customers were in a hardship arrangement, however this number has significantly reduced as at 31 December 2020 to approximately 500 customers, with customers most commonly returning to full monthly payments.

Whilst the trajectory of customers under a payment deferral resuming normal payments is positive, the Group maintains the overlay of $16.4m at 31 December 2020. The Group retains a cautious outlook on the economic recovery given the imminent reduction in Government stimulus, and inconsistent State Government policy on lockdowns impacting business and consumer confidence. We will continue to monitor the performance of COVID-19 impacted customers and macroeconomic performance and provide a further update at 30 June 2021.

5. Other financial assets

	Note	**HY21** **$'000**	FY20 $'000
Listed shares – BNK Banking Corporation Limited (ASX: BBC)	15	**3,129**	1,921
Unlisted shares - Athena Financial Pty Ltd	15	**2,000**	2,000
Unlisted shares – Positive Finance Holdings Pty Ltd	15	**3,000**	3,000
Short-term investment		**260**	260
		8,389	7,181
Current		**260**	260
Non-current		**8,129**	6,921
		8,389	7,181

When assessing the fair value of equity investments at 31 December 2020, the impact of COVID-19 on each of the respective operating models was considered. Refer to note 15 Fair value of Financial Instruments for more information.

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6. Non-current assets – right-of-use assets

	HY21 $'000	FY20 $'000
Lease - buildings		
Balance at the beginning of the period	**12,279**	-
Additions	**-**	14,015
Acquisition of IA Group	**-**	191
Depreciation	**(959)**	(1,920)
Foreign exchange	**2**	(7)
Balance at the end of the period	**11,322**	12,279
Lease - buildings		
Right-of-use assets at cost	**14,258**	14,256
Less: accumulated depreciation	**(2,936)**	(1,977)
Total right-of-use assets	**11,322**	12,279

The Group lease offices with lease terms between 3 to 8 years. The Group recognises a right-of-use asset and a lease liability at the lease commencement date in the consolidated statement of financial position. The right-of-use asset is initially measured at cost, and subsequently at cost less accumulated depreciation and impairment losses, and adjusted for certain remeasurements of the lease liability. Depreciation of right-of-use asset is recognised in the consolidated statement of profit and loss. Under AASB 16 *Leases*, right-of-use assets are tested for impairment in accordance with AASB 136 *Impairment of Assets*.

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7. Goodwill and intangible assets

	HY21 $'000	FY20 $'000
Goodwill		
Balance at beginning of the period	**27,430**	21,766
Additional accounts recognised from business combinations	**-**	5,664
Balance at end of the period	**27,430**	27,430
Other intangible assets		
Balance at beginning of the period	**1,463**	1,691
Additions	**-**	68
Acquisition of IA Group	**-**	114
Amortisation	**(224)**	(410)
Balance at end of the period	**1,239**	1,463
Total goodwill and other intangible assets	**28,669**	28,893

Impairment of goodwill

At 31 December 2020, the Group has performed an assessment of the indicators of impairment of goodwill, which included consideration of the impact of COVID-19. Goodwill of $21.7m has been allocated for impairment assessment purposes 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 IA Group goodwill of $5.7m is considered a separate CGU, and the associated goodwill has been assessed for indicators of impairment separately.

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

Specifically, the economic impacts of COVID-19 environment were factored in at the time of detailed impairment testing undertaken at June 2020. Management believes there has been no further developments which would change or impair the goodwill balance as at 31 December 2020.

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8. Interest-bearing liabilities

	HY21 $'000	FY20 $'000
Debt securities on issue	**12,836,655**	12,421,861
Corporate debt facility	**15,700**	5,000
Issuance facilities	**300,310**	258,755
	13,152,665	12,685,616
Current	**3,288,166**	2,917,692
Non-current	**9,864,499**	9,767,924
	13,152,665	12,685,616

9. Lease liabilities

Lease liabilities included in the Statement of Financial Position	**HY21 $'000**	FY20 $'000
Balance at beginning of the period	**13,622**	-
Addition	**-**	14,803
Acquisition of IA Group	**-**	497
Interest incurred	**270**	618
Payment of lease liabilities	**(1,154)**	(2,289)
Foreign exchange	**2**	(7)
Balance at the end of the financial period	**12,740**	13,622
Current	**1,372**	1,566
Non-current	**11,368**	12,056
	12,740	13,622
Maturity analysis – contractual undiscounted cashflows		
Less than one year	**1,971**	2,224
One to five years	**10,305**	10,322
More than five years	**2,529**	3,688
Total undiscounted lease liabilities at the end of the financial period	**14,805**	16,234

Amounts recognised in Statement of Comprehensive Income	**HY21 $'000**	HY20 $'000
Depreciation charge of right-of-use assets	**959**	943
Interest expense on lease liabilities	**270**	288
Amounts recognised in Statement of Cash Flows		
Total cash outflows for leases	**(1,154)**	(1,112)

10. Other financial liabilities

	HY21 **$'000**	FY20 $'000
Present value of future trail commission payable	**19,006**	20,797
	19,006	20,797
Current	**5,234**	5,750
Non-current	**13,772**	15,047
	19,006	20,797

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11. Dividends

	HY21 **$'000**	HY20 $'000
Declared and paid during the period (fully-franked at 30 per cent)		
Final FY20 dividend: $0.018 (FY19: $0.010)	**7,334**	**4,058**
Special FY20 dividend: Nil (FY19: $0.005)	**-**	**2,029**
	7,334	**6,087**
Proposed and unrecognised as a liability (fully-franked at 30 per cent)		
Interim FY21 dividend: $0.024 (Interim FY20: $0.012)	**9,786**	**4,879**

The Group operates a DRP which allows eligible shareholders to invest dividends in ordinary shares. All holders of Resimac Group Ltd ordinary shares are eligible to participate in the DRP. The allocation price for shares under the DRP will be calculated at the average of the daily volume weighted average price of Resimac Group Ltd ordinary shares traded on the ASX over the 5 day trading period commencing on the second business day after the record date.

An issue of shares under the DRP results in an increase in issued capital.

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12. Reserves and retained earnings

		Reserves						
	Retained earnings	Cash flow hedge reserve	Foreign currency translation reserve	Fair value reserve	Share-based payment reserve	Other reserve	Total reserves	Non-controlling interest
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Balance at 1 July 2019	84,314	(5,876)	656	(2,065)	88	-	(7,197)	-
Adoption of AASB 16, net of income tax	(339)	-	-	-	-	-	-	-
Adjusted balance as at 1 July 2019	83,975	(5,876)	656	(2,065)	88	-	(7,197)	-
Profit after tax	27,159	-	-	-	-	-	-	-
Changes in fair value of cash flow hedges, net of tax	-	(831)	-	-	-	-	(831)	-
Currency translation differences	-	-	163	-	-	-	163	-
Fair value movement on investment through OCI, net of tax	-	-	-	(125)	-	-	(125)	-
Equity dividends	(6,087)	-	-	-	-	-	-	-
Share-based payments	-	-	-	-	123	-	123	-
Reallocation	(223)	-	-	223	-	-	223	-
Balance at 31 December 2019	104,824	(6,707)	819	(1,967)	211	-	(7,644)	-
Balance at 1 July 2020	**128,694**	**(5,511)**	**152**	**(2,499)**	**490**	**(188)**	**(7,556)**	**194**
Profit after tax	**50,468**	**-**	**-**	**-**	**-**	**-**	**-**	**217**
Changes in fair value of cash flow hedges, net of tax	**-**	**(6,363)**	**-**	**-**	**-**	**-**	**(6,363)**	**-**
Currency translation differences	**-**	**-**	**(15)**	**-**	**-**	**-**	**(15)**	**-**
Fair value movement on investment through OCI, net of tax	**-**	**-**	**-**	**845**	**-**	**-**	**845**	**-**
Equity dividends	**(7,334)**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Share-based payments	**-**	**-**	**-**	**-**	**1,046**	**-**	**1,046**	**-**
Balance at 31 December 2020	**171,828**	**(11,874)**	**137**	**(1,654)**	**1,536**	**(188)**	**(12,043)**	**411**

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13. Earnings per share

	HY21	HY20
Profit attributable to ordinary equity holders of the parent ($'000)	**50,468**	**27,159**
WANOS[1] used in the calculation of basic EPS (shares, thousands)	**407,607**	**406,189**
Dilutive effect of share options	**2,247**	**1,031**
WANOS[1] used in the calculation of diluted EPS (shares, thousands)	**409,854**	**407,220**
Earnings per share		
Basic (cents per share)	**12.38**	**6.69**
Diluted (cents per share)	**12.31**	**6.67**

1. Weighted average number of shares

13.1 Calculation of WANOS

Six months to 31 December 2020

The number of Resimac Group shares issued:

- **From 1 July 2020 to 29 September 2020 (201,510,270)**

  The number of Resimac ordinary shares on issue of 407,449,337 multiplied by the ratio of days outstanding (91/184); plus

- **From 30 September 2020 to 31 December 2020 (206,096,458)**

  - The number of Resimac shares on issue (407,449,337) at 29 September 2020 plus
  - additional shares issued on 30 September 2020 under the DRP (311,398);

  multiplied by the ratio of days outstanding (93/184).

Six months to 31 December 2019

The number of Resimac Group shares issued:

- **From 1 July 2019 to 29 September 2019 (200,689,695)**

  The number of Resimac ordinary shares on issue of 405,790,153 multiplied by the ratio of days outstanding (91/184); plus

- **From 30 September 2019 to 31 December 2019 (205,499,013)**

  - 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 (93/184).

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14. Issues of equity securities

Issued capital at 31 December 2020 was $182.293 million representing 407,760,735 ordinary shares (FY20: $181.895 million representing 407,449,337 ordinary shares as at 30 June 2020).

During the period, 311,398 shares were issued on 30 September 2020 under the DRP in relation to the FY20 final dividend.

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15. Fair value of financial instruments

This note provides information about how the Group determines the fair value of various financial assets and liabilities.

15.1 Fair value of financial assets and liabilities that are measured at fair value on a recurring basis

Financial assets and liabilities are disclosed in accordance with AASB 9 *Financial Instruments*.

A number of the Group's financial assets and liabilities are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of those financial assets and liabilities are determined (in particular, the valuation technique(s) and inputs used).

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)	HY21 $'000	FY20 $'000
Financial assets				
Listed shares – BNK Banking Corporation Limited (ASX: BBC)	Level 1	Most recent traded price and other available market information	**3,129**	1,921
Unlisted shares – Athena Financial Pty Ltd	Level 3	Acquisition value, financial performance since acquisition. Subsequent capital raise since acquisition adjusted for changes in market and macroeconomic factors	**2,000**	2,000
Unlisted shares – Positive Finance Holdings Pty Ltd	Level 3	Acquisition value, financial performance since acquisition and strategic value from synergies	**3,000**	3,000
Interest rate swaps	Level 2	Discounted cash flow Forward interest rates, contract interest rates	**2,958**	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	**1,781**	3,277
Cross currency swaps	Level 2	Discounted cash flow Forward interest rates, contract interest rates	**122,772**	-

16. Derivative financial assets and liabilities

The carrying values are as follows:

	HY21 $'000	FY20 $'000
Derivative financial assets		
Cross currency swaps	**-**	49,262
Interest rate swaps	**2,958**	3,330
	2,958	52,592
Derivative financial liabilities		
Cross currency swaps	**122,772**	-
Interest rate swaps	**1,781**	3,277
	124,553	3,277

The Group seeks to minimise the effects of currency and interest rate risks by using derivative financial instruments to hedge risk exposures. 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, USD/AUD volatility drove material movement in our 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.

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17. Share based payments

17.1 Employee share option plan of the Company

The Company has a share option scheme (pursuant to the Resimac Group 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

On 18 August 2017, share options were granted to the joint CEOs of Resimac, who were offered 1,800,000 share options vesting in three equal tranches on each anniversary of the grant date. 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.

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) performance hurdles, digital transformation hurdles, compliance hurdles and remaining employed with the Group until the vesting date.

17.2 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 options total	Weighted average fair value $ - LTI#1	Weighted average fair value $ - LTI#2
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**	**-**	**4,425,000**	**0.08**	**-**
Unvested options at 31 December 2020	-	3,525,000	3,525,000	-	0.20
Vested options at 31 December 2020	900,000	-	900,000	0.08	-
Options held at 31 December 2020	**900,000**	**3,525,000**	**4,425,000**	**0.08**	**0.20**

17.3 Share options exercised during the period

There were no shares exercised during the period.

18. Subsequent events

18.1 Financial dividend declared

The Board of Resimac Group Ltd declared a fully-franked interim dividend of 2.40 cents per share. The Record Date is 5 March 2021. The payment date will be 31 March 2021. The dividend has not been provided for in this financial report.

18.2 Resimac takes controlling stake in IA Group

Effective 1 February 2021, Resimac exercised the option to acquire the remaining 40% of IA Group for $8.24m, increasing its ownership from 60% to 100%. The carrying amount of IA Group's net assets on the date of acquisition was $1.1m.

The financial effects of increasing ownership from 60% to 100% have not been brought to account at 31 December 2020.

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INDEPENDENT AUDITOR'S REVIEW REPORT

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; and

(b) 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.

Signed in accordance with a resolution of the Directors made pursuant to s.303 (5) of the *Corporations Act 2001.*

On behalf of the Directors

Warren McLeland
Chairman

Sydney
25 February 2021

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Deloitte.

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The Board of Directors
Resimac Group Limited
Level 9, 45 Clarence Street
Sydney, NSW 2000

25 February 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.

As lead audit partner for the review of the financial statements of Resimac Group Limited for the financial half-year ended 31 December 2020, 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 review; and

(ii) any applicable code of professional conduct in relation to the review.

Yours faithfully

DELOITTE TOUCHE TOHMATSU

DELOITTE TOUCHE TOHMATSU

Delarey Nell
Partner
Chartered Accountants

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

Report on the Half-Year Financial Report

Conclusion

We have reviewed the half-year financial report of Resimac Group Limited (the "Company") and its subsidiaries (the "Group"), which comprises the condensed consolidated statement of financial position as at 31 December 2020, and the condensed consolidated income statement, the condensed consolidated statement of comprehensive income, the condensed consolidated statement of cash flows and the condensed consolidated statement of changes in equity for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors declaration of the consolidated entity comprising the company and entities it controlled at the end of the half-year or from time to time during the half-year.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of the Group is not in accordance with the *Corporations Act 2001*, including:

(a) giving a true and fair view of the Group's financial position as at 31 December 2020 and of its performance for the half-year ended on that date; and

(b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Basis for Conclusion

We conducted our review in accordance with ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*. Our responsibilities are further described in the *Auditor's Responsibilities for the Review of the Half-year Financial Report* section of our report. We are independent of the Group in accordance with the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the annual 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 review report.

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Directors' Responsibilities for the Half-year Financial Report

The directors of the Company are responsible for the preparation of the half-year 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 half-year financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

Auditor's Responsibilities for the Review of the Half-year Financial Report

Our responsibility is to express a conclusion on the half-year financial report based on our review. ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Group's financial position as at 31 December, 2020 and its performance for the half-year ended on that date, and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

Delarey Nell
Partner
Chartered Accountants

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