RESIMAC GROUP LTD

Financial Report

for the year ended 30 June 2022

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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 2022. In order to comply with the provisions of the *Corporations Act 2001*, the Directors' Report is 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 University of Cape Town. Susan has 40 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)
- Non-Executive Director of Go2 People Limited (resigned July 2022)

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 holds a Bachelor of Commerce and Law degree from University of Cape Town and a Masters of Science degree from Oxford University. 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 (since July 2020)
- Member of the Audit Committee (since July 2020)

DIRECTORS' REPORT
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)

Special responsibilities

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

Mrs Caroline Waldron
Independent Non-Executive Director since 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)

- Non-executive Director of AMA Group Limited (appointed 1 March 2022)
- Non-executive Director of Genetic Signatures Limited (appointed 13 May 2022)

Special responsibilities

- Chair of the Technology, Digital and Innovation Committee (since April 2021)
- Member of the Remuneration and Nomination Committee (since January 2021)
- Member of the Risk and Compliance Committee (since February 2022).

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 secretarial 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 2022:

Directors	Fully paid ordinary shares	Number of rights over ordinary shares
Warren McLeland	12,130,165	Nil
Susan Hansen	212,738	Nil
Wayne Spanner	15,732	Nil
Duncan Saville	254,586,353	Nil
Caroline Waldron	Nil	Nil

DIRECTORS' REPORT
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 399,560 shares were granted/exercised:

- 99,560 shares granted under the Employee Share Plan on 22 October 2021;
- 300,000 options exercised by Scott McWilliam on 16 September 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).

			Committees							
	Board Meetings		Audit		Risk and Compliance		Remuneration and Nomination		Technology, Digital and Innovation	
Director	(A)	(B)	(A)	(B)	(A)	(B)	(A)	(B)	(A)	(B)
Warren McLeland	14	14	3	3	5	5	6	6	-	-
Susan Hansen	14	14	3	3	5	5	6	6	5	5
Wayne Spanner	14	13	3	3	5	5	6	6	-	-
Duncan Saville	14	13	-	-	-	-	-	-	5	5
Caroline Waldron	14	14	-	-	3	3	6	5	5	5

(A) Number of meetings eligible to attend.
(B) Number of meetings attended.

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 2022 and is to be read in conjunction with the following information:

	FY22 $'000	FY21 $'000
Profit		
Profit attributable to ordinary equity holders of the parent	**102,147**	107,557
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 2022:		
(a) out of the profits for the year ended 30 June 2021 and retained earnings on the fully-paid ordinary shares:		
• fully-franked final dividend of 4.00 cents (FY20: 1.80 cents) per share paid on 21 September 2021.	**16,336**	7,334
(b) out of the profits for the half-year ended 31 December 2021 and retained earnings on the fully-paid ordinary shares:		
• fully-franked interim dividend of 4.00 cents (HY21: 2.40 cents) per share paid on 24 March 2022.	**16,343**	9,786
(c) out of the profits for the full year ended 30 June 2022 and retained earnings on the fully-paid ordinary shares:		
• fully-franked final dividend of 4.00 cents (FY21: 4.00 cents) per share declared on 25 August 2022.	**16,277**	16,336

DIRECTORS' REPORT

Operating and Financial Review

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 and servicing a high quality loan portfolio, and operating a global funding program.

The Group's core capabilities include:

- *Lending products*: The Group applies its detailed knowledge of the Australian and New Zealand markets to offer products to address consumer and SME customer 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*: The Group possesses strong long-term relationships with onshore and offshore banking and funding partners, with extensive experience issuing 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 the Board approved funding strategy.

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

- *Corporate debt facility & NIM bond*: 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 2022, the Group had three onshore and five offshore warehouse funders.

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. 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. The Group holds seven Australian Credit Licences. 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 economic downturn driving an increase in unemployment and/or a sustained period of high inflation in a rising rate environment could reduce the ability of our customers to service their debt (credit risk);

- *COVID-19*: The impact of COVID-19 on the Group remains a risk, albeit significantly diminished compared to previous years. At 30 June 2022, the Group continued to support 55 customers who remain impacted by pandemic related issues.

  The Group supports the end of border lockdowns and work from home mandates. The Group's employees operate a hybrid office/work from home model maintaining productivity whilst offering a flexible work environment for our employees.

DIRECTORS' REPORT
RESIMAC GROUP LTD AND ITS CONTROLLED ENTITIES

- *Availability of Skilled Staff:* The closed international borders during COVID and subsequent reduced migration continue to place strain on the Australian and New Zealand labour market, with fierce competition evident in financial services for experienced talent. The Group's focus on providing employees with a positive results driven culture has ensured the Group can attract the talent and skills required to fulfil strategic growth ambitions, including asset finance diversification. The Group's FTE in Australia and New Zealand increased from 226 at 30 June 2021 to 275 at 30 June 2022.

- *Climate and extreme weather events:* Over the last 24 months, the east coast of Australia has endured a number of extreme weather events in particular bushfires and floods. The Group remains committed to assisting customers who are impacted by these events where requested. At 30 June 2022, 4 customers were under an active hardship arrangement as a result of floods during FY22. The Group is committed to its ESG strategy and supports the new Federal Government's increased policy focus on climate change.

- *Interest rate environment:* Recent interest rate rises have materially increased borrowing costs, with further increases forecasted over the next 12 months. These increases are likely to have the largest impact on borrowers who have taken out home loans in the last 12 months at higher LVR's. The Group's conservative approach to credit including assessing loan serviceability at least 3% higher than customers' interest rate at origination, in addition to a large number of customers being ahead on their repayments, provides the Group with confidence the rise in interest rates can be absorbed by our customer base.

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 Resimac Asset Finance brand;
- Targeting Prime self serve customers via our direct to consumer brand *homeloans.com.au*;
- Launch of the new digital customer banking environment;
- 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 17 June 2022 Resimac entered into an agreement to acquire the residential loan book of Volt Bank, an Australian consumer neobank which announced closure of its business in June 2022. The portfolio is a broker originated Prime portfolio, with a weighted average LVR at origination of 61.6%.
- The Group continues to evaluate M&A opportunities in both the home loan and asset finance segments in Australia and New Zealand.

DIRECTORS' REPORT

Review of operations

The Group generated a net profit after tax (NPAT) of $102,147,000 for the year ended 30 June 2022. 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 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	**FY22 $'000**
Statutory NPAT	**102,147**
Historical discharge fee refund	**3,940**
Dividend income from listed equity investment	**(748)**
Tax effect of normalised items	**(958)**
Normalised NPAT	**104,381**

Net interest income of $238,078,000 decreased 2% on prior year driven by lower home loan margins partly offset by higher asset finance income and higher home loan AUM.

Operating expenses of $79,435,000 increased 12% on prior year driven by average FTE increasing from 211 to 251, and higher marketing costs.

Loan impairment expense increased to $11,446,000 driven by higher Collective Provision to increase coverage for potential macroeconomic headwinds and growth in assets under management.

Total home loan settlements across the Group's direct and third party distribution channels were $6.3 billion, up 30% on prior year.

The Group's assets under management at 30 June 2022 comprise:

- On balance sheet home loans and advances to customers of $15.3 billion, up 11% compared to 30 June 2021;
- On balance sheet asset finance loans of $0.4 billion;
- White label portfolio of $1.2 billion, down 42% compared to 30 June 2021 in line with the Group's strategy to cease originating white label loans; and
- Combined these make up the total assets under management of $16.9 billion.

Political Donations

In the year ended 30 June 2022, the Group's political contributions were Nil (FY21 $10,000 - Liberal National Party of Australia).

Funding programmes

During the year ended 30 June 2022, 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 Triomphe Trust - Premier Series 2021-2 transaction was settled on 2 September 2021 and is a domestic prime issue with a total issuance size of $1 billion;

The RESIMAC Prime Series 2021-1 transaction was settled on 16 September 2021 and is a New Zealand prime issue with a total issuance size of NZD$300 million;

The RESIMAC Bastille Series 2021-2NC transaction was settled on 28 October 2021 and is a multi-currency non-conforming issue with a total issuance of $1.5 billion equivalent;

The RESIMAC Triomphe Trust - Premier Series 2021-3 transaction was settled on 16 December 2021 and is a multi-currency prime issue with a total issuance size of $1 billion equivalent;

The RESIMAC Bastille Trust – Warehouse Series No.3 was settled on 23 December 2021 and is a domestic non-conforming warehouse with a facility limit of $750 million;

The RESIMAC Triomphe Trust - Premier Series 2022-1 transaction was settled on 17 March 2022 and is a domestic prime issue with a total issuance size of $1 billion; and

The RESIMAC Bastille Series 2022-1NC transaction was settled 19 May 2022 and is a multi-currency non-conforming issue with a total issuance of $1 billion equivalent.

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 will be 9 September 2022. The payment date will be 23 September 2022. The dividend has not been provided for in this financial report.

Investment in 23 Degrees Capital Partners Pty Ltd

On 1 August 2022, Resimac exercised the option to acquire a controlling stake in 23 Degrees Capital Partners Pty Ltd (operating as Sonder) for a purchase consideration of $900k. Sonder is an asset finance broker providing commercial lending solutions to SME's. Resimac's interest in 23 Degrees Capital Partners Pty Ltd is now 51%.

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 118 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 2022 (AUDITED)

Contents

REMUNERATION REPORT 2022 (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 2022.

Resimac's mission is to be a customer obsessed 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, Equity & 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 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.

3. Remuneration and Cultural Activities

Continuous review and assessment of our remuneration and benefits continued throughout FY22 with a number of initiatives being included as part of the Remuneration and Cultural Activities plan.

These activities included:

- Employee engagement survey;
- Employee Diversity, Equity & Inclusion survey;
- WGEA Reporting which includes pay parity reporting;
- Introduction of formalised hybrid working arrangements, enabling employees to work 5 days a fortnight from home;
- Introduction of 'Staying Connected Policy' which enables employees to work remotely within Australia or overseas for a period of up to 4 weeks to reconnect with friends and family after COVID;
- Establishment of an Environmental, Social & Governance (ESG) committee;
- Establishment of a Diversity, Equity & Inclusion committee.
- Virtual fitness classes during lockdown
- Expansion of existing Wellbeing Program including wellness hours, mindfulness program, professional online exercise classes and senior leadership health assessments;
- Opportunities for individual leadership and coaching programs;
- Secondment and on the job learning opportunities.

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	Chief Treasury Officer (CTO)	Full Term
Danielle Corcoran	Chief Operating Officer (COO)	Full Term
Majid Muhammad	Chief Information Officer (CIO)	Full Term

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	Full Term

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

Resimac's remuneration strategy for KMP focuses on both financial and non-financial measures and the Board's Remuneration & Nomination Committee assist with reviewing and recommending remuneration arrangements for KMP that is both consistent and competitive within the market. The total remuneration of the KMP 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 are performing is considered by the Remuneration and Nomination Committee.

5.2 Short-Term Incentive (STI)

Each KMP is eligible to receive an annual Short-Term Incentive (STI). The Remuneration & Nominations Committee approves any STI awarded, at the end of each performance period (i.e. 1 July to 30 June). The Committee measures KMP performance against set KPI 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. However, in some cases a component of the STI awarded will be deferred for a specified period.

KPIs include:

- Corporate strategy iniatives
- Financial metrics including NPAT growth, cost to income ratio and demonstrated innovative cost initiatives;
- Innovation and technology initiatives and enhancements to allow for simplification, scale and digitalisation;
- Operational efficiency and effectiveness to allow scale;
- People, strategic leadership and culture;
- Environmental, Social and Governance (ESG); 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.

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 was exercised on 16 September 2021,
  - 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 eligible executives 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.

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

The table below provides the details of options issued under the Long-Term Incentive Plan:

Granted to	Number of options	Tranche	Grant date	Fair value at grant date ($)	Exercise price of option ($)	Vesting date	Expiry date	Options forfeited/ exercised prior to 1 July 2022	Number of options held at 1 July 2022	Options exercised during the year	Number of options held at 30 June 2022	Number of options vested at 30 June 2022	Number of options unvested at 30 June 2022
CEO	300,000	Tranche 1	18 August 2017	0.07	0.55	1 July 2018	30 June 2021	(300,000)[1]	-	-	-	-	-
CEO	300,000	Tranche 2	18 August 2017	0.08	0.55	1 July 2019	30 June 2022	-	300,000	(300,000)[2]	-	-	-
CEO	300,000	Tranche 3	18 August 2017	0.09	0.55	1 July 2020	30 June 2023	-	300,000	-	300,000	300,000	-
CEO	300,000	Tranche 1	15 August 2019	0.20	0.65	31 August 2022	30 June 2025	-	300,000	-	300,000	-	300,000
CEO	300,000	Tranche 2	15 August 2019	0.20	0.65	31 August 2022	30 June 2025	-	300,000	-	300,000	-	300,000
CEO	300,000	Tranche 3	15 August 2019	0.20	0.65	31 August 2022	30 June 2025	-	300,000	-	300,000	-	300,000
Other KMPs	1,000,000	Tranche 1	15 August 2019	0.20	0.65	31 August 2022	30 June 2025	(125,000)	875,000	-	875,000	-	875,000
Other KMPs	1,000,000	Tranche 2	15 August 2019	0.20	0.65	31 August 2022	30 June 2025	(125,000)	875,000	-	875,000	-	875,000
Other KMPs	1,000,000	Tranche 3	15 August 2019	0.20	0.65	31 August 2022	30 June 2025	(125,000)	875,000	-	875,000	-	875,000
	4,800,000							**(675,000)**	**4,125,000**	**(300,000)**	**3,825,000**	**300,000**	**3,525,000**

1 $165,000 was paid by Scott McWilliam for the exercise of 300,000 options on 26 April 2021. There are no amounts remaining unpaid in relation to Trache 1.

2 $165,000 was paid by Scott McWilliam for the exercise of 300,000 options on 16 September 2021. There are no amounts remaining unpaid in relation to Trache 2.

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

6.2 Short-Term Incentive Plan (STIP)

KMPs 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 100% 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 is 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.

7. FY22 Outcomes

In July 2022, 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 fixed remuneration for KMPs for FY23.

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. Note the Group undertook a buyback programme and cancelled 2,482,741 shares in FY22.

Financial year ended 30 June	FY22	FY21	FY20	FY19
NPAT ($'000) [1]	**102,147**	107,557	55,908	47,185
Total dividends per share (cents)	**4.00**	4.00	2.70	1.90
Dividend payout ratio (%)	**31.9**	24.3	19.6	16.1
Basic earnings per share (cents)	**25.05**	26.37	13.75	11.75
Return on equity (ROE) (%) [2]	**29.9**	36.9	25.5	17.3
Return on assets (%) [3]	**6.1**	7.3	4.3	4.4
Share price at 30 June ($)	**1.15**	2.46	1.01	0.64

1 NPAT excludes non-controlling interest (FY22: Nil, FY21: $249k)

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.

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 2022.

	Short-term benefits			Post-employment benefits	Long-term benefits		Share-based payments[3]	Total		
	Salary ($)	STI awarded ($)	Non-monetary benefits ($)	Super-annuation[1] ($)	Leave[2] ($)	Termination benefits ($)	Option rights ($)	($)	Percentage performance related[4] (%)	Percentage rights related (%)
CURRENT KMP										
Scott McWilliam										
FY22	**622,500**	**442,000**	**-**	**27,500**	**32,294**	**-**	**157,375**	**1,281,669**	**34.5**	**12.3**
FY21	550,000	366,562	-	25,000	9,166	-	157,375	1,108,103	33.1	14.2
Andrew Marsden										
FY22	**352,500**	**160,000**	**10,000**	**27,500**	**13,576**	**-**	**63,966**	**627,542**	**25.5**	**10.2**
FY21	322,500	150,000	10,000	25,000	5,375	-	63,966	576,841	26.0	11.1
Danielle Corcoran										
FY22	**420,586**	**170,000**	**-**	**27,500**	**10,155**	**-**	**63,966**	**692,207**	**24.6**	**9.2**
FY21	385,000	200,000	-	25,000	6,417	-	63,966	680,383	29.4	9.4
Jason Azzopardi										
FY22	**378,474**	**160,000**	**-**	**27,500**	**8,318**	**-**	**63,966**	**638,258**	**25.1**	**10.0**
FY21	330,000	150,000	-	25,000	5,500	-	63,966	574,466	26.1	11.1

8. Statutory remuneration (continuation)

	Short-term benefits			Post-employment benefits	Long-term benefits		Share-based payments[3]	Total		
	Salary ($)	STI awarded ($)	Non-monetary benefits ($)	Super-annuation[1] ($)	Leave[2] ($)	Termination benefits ($)	Option rights ($)	($)	Percentage performance related[4] (%)	Percentage rights related (%)
Majid Muhammad										
FY22	**372,500**	**160,000**	**-**	**27,500**	**7,271**	**-**	**63,966**	**631,237**	**25.3**	**10.1**
FY21	345,000	175,000	-	25,000	5,750	-	63,966	614,716	28.5	10.4
TOTAL										
FY22	**2,146,560**	**1,092,000**	**10,000**	**137,500**	**71,614**	**-**	**413,239**	**3,870,913**		
FY21	1,932,500	1,041,562	10,000	125,000	32,208	-	413,239	3,554,509		

1 Superannuation concessional contributions cap was subject to $27,500

2 Long-term benefits relate to long service leave accrued during the year.

3 Share based payment expense related to options granted to KMP on 15 August 2019.

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

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 16 November 2021, the shareholders approved an increase to the maximum aggregate fee pool per annum for non-executives to $800,000.

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 Remuneration & Nominations Committee met in June 2022 to review the Directors fees and resolved to not increase fees in FY23.

The FY22 fee levels inclusive of superannuation where applicable were as follows:

Name	Position	Maximum Fee ($)
Warren McLeland	Chairman and Risk and Compliance Chair	140,664 p.a
Susan Hansen	Independent Non-Executive Director, Audit Chair and Resimac New Zealand Chair	140,409 p.a
Wayne Spanner	Independent Non-Executive Director and Remuneration and Nomination Chair	93,500 p.a
Duncan Saville[1]	Non-Executive Director	74,975 p.a
Caroline Waldron	Independent Non-Executive Director and Technology, Digital and Innovation Chair	111,711 p.a

1. Exclusive of superannuation.

9. Non-Executive Director Remuneration (continuation)

9.1.4 Board skills and behaviours

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 behaviours. 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 behaviours, 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 and behaviours 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 and behaviours 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.

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 FY22 are set out below:

	Short-term benefits	Post -employment benefits	
Current	**Fees**	**Superannuation[1]**	**Total**
	$	**$**	**$**
Warren McLeland			
FY22	**127,876**	**12,788**	**140,664**
FY21	120,000	11,400	131,400
Susan Hansen[2]			
FY22	**131,334**	**9,075**	**140,409**
FY21	126,880	8,075	134,955
Wayne Spanner			
FY22	**85,000**	**8,500**	**93,500**
FY21	75,000	7,125	82,125
Duncan Saville			
FY22	**74,975**	**-**	**74,975**
FY21	70,000	-	70,000
Caroline Waldron[2; 3]			
FY22	**103,211**	**8,500**	**111,711**
FY21	46,635	4,430	51,065
Total remuneration			
FY22	**522,396**	**38,863**	**561,259**
FY21	438,515	31,030	469,545

1. Australian superannuation is paid where applicable. New Zealand Kiwisaver is not paid.
2. A portion of remuneration is paid in NZD.
3. Appointed Independent Non-Executive Director on 17 November 2020.

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, equity 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
- Caroline Waldron

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.

10.1.3 Services from remuneration consultants

The Company engaged Godfrey Remuneration Group and Colvin Consulting Group in FY22 to provide advice on a revised equity plan and Long Term Variable Remuneration (LTVR) design. This service had not been completed at 30 June 2022. Fees payable were $20,000 excluding GST.

10. Other Remuneration Information (continuation)

10.1.4 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 2021	**Net change**	**Held at 30 June 2022**
Non-Executive Directors			
Warren McLeland	12,126,338	**3,827**	**12,130,165**
Susan Hansen	203,730	**9,008**	**212,738**
Wayne Spanner	15,732	**-**	**15,732**
Duncan Saville	254,468,487	**117,866**	**254,586,353**
Caroline Waldron	-	**-**	**-**
	266,814,287	**130,701**	**266,944,988**
Senior executives			
Scott McWilliam	1,301,600	**148,400**	**1,450,000**
Jason Azzopardi	80,000	**(30,000)**	**50,000**
Andrew Marsden	-	**-**	**-**
Danielle Corcoran	92,642	**4,096**	**96,738**
Majid Muhammad	-	**-**	**-**
	1,474,242	**122,496**	**1,596,738**
Total	268,288,529	**253,197**	**268,541,726**

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 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. Other Remuneration Information (continuation)

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	Three months' notice (or payment in lieu) May be terminated immediately for serious misconduct

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 during the reporting period, are outlined below.

Name	Balance 1 July 2021 $	**Balance 30 June 2022 $**	**Interest payable for the year[1] $**	**Highest Balance during the year $**
Non-Executive Directors				
Duncan Saville	9,322,631	**15,449,316**	**358,370**	**15,720,878**
Senior executives				
Scott McWilliam	1,928,311	**2,000,000**	**41,338**	**2,092,615**
Jason Azzopardi	1,620,914	**-**	**29,806**	**2,003,839**
Danielle Corcoran	370,080	**356,412**	**10,795**	**370,983**
	13,239,166	**17,805,728**	**440,309**	**20,188,315**

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. No such loans and ad hoc services were provided during FY22 (FY21: Nil).

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
25 August 2022

CONSOLIDATED STATEMENT OF PROFIT OR LOSS
FOR THE YEAR ENDED 30 JUNE 2022

	Note	**FY22 $'000**	FY21 $'000
Interest income	1	**490,695**	467,637
Interest expense	2	**(252,617)**	(224,893)
Net interest income		**238,078**	242,744
Fee and commission income	1	**8,178**	9,856
Fee and commission expense	2	**(40,477)**	(35,193)
Other income	1	**28,562**	8,022
Employee benefits expense	2	**(45,267)**	(37,489)
Other expenses	2	**(34,168)**	(33,188)
Loan impairment expense	2	**(11,446)**	(2,676)
Profit before tax		**143,460**	152,076
Income tax expense	3	**(41,313)**	(44,270)
PROFIT AFTER TAX		**102,147**	107,806
Attributable to:			
Owners of the parent		**102,147**	107,557
Non-controlling interest		**-**	249
		102,147	107,806

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2022

	Note	FY22 $'000	FY21 $'000
PROFIT AFTER TAX		**102,147**	107,806
Other comprehensive income, net of income tax			
Items that will not be reclassified subsequently to profit or loss:			
Fair value movement on equity investment in listed companies through OCI, net of tax		**(1,683)**	126
Items that may be reclassified subsequently to profit or loss:			
Changes in fair value of cash flow hedges		**(3,877)**	(6,294)
Tax effect		**1,163**	1,888
Currency translation differences		**(1,236)**	(204)
Other comprehensive income, net of tax		**(5,633)**	(4,484)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**96,514**	103,322
Attributable to:			
Owners of the parent		**96,514**	103,072
Non-controlling interest		**-**	250
		96,514	103,322

	Note	FY22 cents per share	FY21 cents per share
Earnings per share			
Basic	21	**25.05**	26.37
Diluted	21	**24.90**	26.21

Notes to the consolidated financial statements are included on pages 34 to 116.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2022

	Note	**FY22 $'000**	FY21 $'000
ASSETS			
Cash and cash equivalents	4	**932,781**	619,809
Trade and other receivables	5	**5,661**	4,581
Loans and advances	6	**15,669,860**	13,914,628
Contract assets	1	**24,077**	33,299
Other financial assets	7	**23,483**	15,083
Derivative financial assets	23	**39,220**	2,256
Right-of-use assets	8	**8,959**	10,638
Plant and equipment	9	**1,928**	1,919
Other assets	10	**3,707**	3,773
Deferred tax assets	3	**-**	482
Goodwill and intangible assets	11	**27,496**	27,566
		16,737,172	14,634,034
LIABILITIES			
Trade and other payables	12	**30,062**	23,405
Current tax payable	3	**1,464**	20,437
Interest-bearing liabilities	13	**16,288,455**	14,170,651
Lease liabilities	14	**11,097**	12,482
Other financial liabilities	15	**11,750**	15,789
Derivative financial liabilities	23	**235**	60,976
Other liabilities	16	**3,476**	3,545
Provisions	17	**10,449**	5,218
Deferred tax liabilities	3	**2,116**	392
		16,359,104	14,312,895
NET ASSETS		**378,068**	321,139
EQUITY			
Share capital	20	**176,476**	181,675
Reverse acquisition reserve	20	**(61,541)**	(61,541)
Total issued capital	20	**114,935**	120,134
Reserves	20.3	**(25,466)**	(18,126)
Retained earnings	20.3	**288,599**	219,131
Equity attributable to owners of the parent		**378,068**	321,139
Non-controlling interest		**-**	-
		378,068	321,139

Notes to the consolidated financial statements are included on pages 34 to 116.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2022

	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 2021	**181,675**	**(61,541)**	**120,134**	**(18,126)**	**219,131**	**321,139**	**-**	**321,139**
Profit for the year	**-**	**-**	**-**	**-**	**102,147**	**102,147**	**-**	**102,147**
Other comprehensive income, net of income tax	**-**	**-**	**-**	**(5,633)**	**-**	**(5,633)**	**-**	**(5,633)**
Total comprehensive income for the year	**-**	**-**	**-**	**(5,633)**	**102,147**	**96,514**	**-**	**96,514**
Transactions with owners in their capacity as owners								
Issue of shares under the Dividend Reinvestment Plan	**1,794**	**-**	**1,794**	**-**	**-**	**1,794**	**-**	**1,794**
Share buyback	**(3,807)**	**-**	**(3,807)**	**-**	**-**	**(3,807)**	**-**	**(3,807)**
Equity dividends	**-**	**-**	**-**	**-**	**(32,679)**	**(32,679)**	**-**	**(32,679)**
Treasury shares	**(3,186)**	**-**	**(3,186)**	**-**	**-**	**(3,186)**	**-**	**(3,186)**
Share-based payments	**-**	**-**	**-**	**(1,707)**	**-**	**(1,707)**	**-**	**(1,707)**
Balance at 30 June 2022	**176,476**	**(61,541)**	**114,935**	**(25,466)**	**288,599**	**378,068**	**-**	**378,068**

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.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2022

	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.

Notes to the consolidated financial statements are included on pages 34 to 116.

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2022

	Note	FY22 $'000	FY21 $'000
Cash flows from operating activities			
Interest received		500,523	478,160
Interest paid		(227,173)	(211,859)
Receipts from loan fees and other income		38,934	49,781
Payments to suppliers and employees		(180,708)	(167,742)
Payments of net loans to borrowers		(1,660,033)	(1,545,974)
Income tax paid		(56,977)	(49,827)
Net cash used in operating activities	4	(1,585,434)	(1,447,461)
Cash flows from investing activities			
Payment for plant, equipment and intangible assets		(533)	(200)
Repayment of loans to related parties		-	(2)
Payments for new investments		(20,696)	(1,403)
Proceeds on disposal of investments		9,891	-
Payment for acquisition of residential loan book (Volt Bank)		(83,594)	-
Proceeds on disposal of white label loan tranche		1,756	-
Acquisition of subsidiary (RAF)		-	(8,240)
Balance of proceeds on disposal of Paywise		-	1,700
Dividend income from listed equity investments		800	-
Net cash used in investing activities		(92,376)	(8,145)
Cash flows from financing activities			
Proceeds from borrowings		14,597,019	11,793,151
Repayment of borrowings		(12,561,948)	(10,201,002)
Proceeds of loans sold to external party (Athena)		-	138,849
Proceeds from exercise of options		165	165
Payment of lease liabilities		(1,629)	(1,679)
Swap payments		(3,489)	(2,502)
Payment of dividends		(30,886)	(16,169)
Payment for acquisition of treasury shares		(4,118)	(1,336)
Payment for share buybacks		(3,807)	-
Net cash provided by financing activities		1,991,307	1,709,477
Net increase in cash and cash equivalents		313,497	253,871
Cash and cash equivalents at the beginning of the financial year (1 July)		619,809	365,987
Effects of exchange rate changes on cash balances held in foreign currencies		(525)	(49)
Cash and cash equivalents at end of year	4	932,781	619,809

Notes to the consolidated financial statements are included on pages 34 to 116.

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 2022 was authorised for issue in accordance with a resolution of the Directors on 25 August 2022. 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 with certain financial instruments 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;

- certain comparative amounts have been reclassified in order to comply with the method of presentation adopted in the current year. In particular, the Group has reclassified cash collections owed to trusts of $11.1 million from trade and other payables to gross loans and advances, as this amount represents the cash collected but not yet allocated against individual loans; and

- 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 2021. 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
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 2021 and 31 December 2021 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 rate 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 (KMP) 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 trail commission from funders on the non-principally funded loans (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 2022, 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.

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

	AUSTRALIAN LENDING		**NEW ZEALAND LENDING**		**CONSOLIDATED**	
	FY22	FY21	**FY22**	FY21	**FY22**	FY21
	$'000	$'000	**$'000**	$'000	**$'000**	$'000
Revenue from external customers	**489,688**	456,616	**37,747**	28,899	**527,435**	485,515
Total segment revenue	**489,688**	456,616	**37,747**	28,899	**527,435**	485,515
Segment results before tax, depreciation, amortisation, finance costs and impairment	**160,543**	164,391	**10,916**	8,400	**171,459**	172,791
Depreciation and amortisation	**(2,374)**	(3,009)	**(86)**	(85)	**(2,460)**	(3,094)
Loan impairment	**(11,426)**	(2,750)	**(20)**	74	**(11,446)**	(2,676)
Financing costs	**(13,318)**	(14,377)	**(775)**	(568)	**(14,093)**	(14,945)
Segment results before income tax	**133,425**	144,255	**10,035**	7,821	**143,460**	152,076
Income tax expense[1]					**(41,313)**	(44,270)
PROFIT AFTER TAX					**102,147**	107,806

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

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

	AUSTRALIAN LENDING		NEW ZEALAND LENDING		CONSOLIDATED	
	FY22 $'000	FY21 $'000	**FY22 $'000**	FY21 $'000	**FY22 $'000**	FY21 $'000
Segment assets	**15,889,429**	13,857,991	**847,743**	786,693	**16,737,172**	14,633,552
	15,889,429	13,857,991	**847,743**	786,693	**16,737,172**	14,633,552
Segment liabilities excl. tax	**(15,548,901)**	(13,547,634)	**(806,623)**	(755,564)	**(16,355,524)**	(14,292,066)
Net assets excl. tax	**340,528**	310,357	**41,120**	31,129	**381,648**	341,486
Tax assets[2]					**-**	482
Tax liabilities[2]					**(3,580)**	(20,829)
NET ASSETS					**378,068**	321,139

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 income, annuity trail commission 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.

	FY22 $'000	FY21 $'000
Interest income		
Loans and advances	**488,570**	464,787
Bank deposits	**450**	592
Discount unwind on NPV of trail commission	**1,675**	2,258
	490,695	467,637
Fee and commission income (Revenue from contracts with customers)	**8,178**	9,856
Other income		
Fair value gains on financial assets (Athena)	**-**	5,110
Fair value gains on interest rate swaps	**25,749**	1,721
Fair value gains on overnight index swaps	**333**	-
Other	**2,480**	1,191
	28,562	8,022
Total revenue	**527,435**	485,515

Recognition & Measurement

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, 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 rate 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.

Acquisition costs representing mortgage insurance premiums and upfront broker commissions related to originating loans and advances 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 as part of the effective interest rate.

Loans and advances in arrears or hardship at 30 June 2022 continue to accrue interest income. Consideration for potential future credit losses on loans in arrears or hardship is reflected in Note 23.

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.

1. **Revenue** (continuation)

Fee and commission income

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. Fee and commission income include fees other than those that are an integral part of loans and advances measured using effective interest rate method, and which are accounted for in accordance with AASB 15 *Revenue from contracts with customers*

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

CLASSIFICATION & MEASUREMENT OF REVENUE			
Timing	**Type of service**	**Nature, timing of satisfaction of performance obligations**	**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. **Revenue** (continuation)

Fair value gains on interest rate swaps

The Group's funding structures contractually require the Group to enter into interest rate swaps on the origination of fixed rate loans to customers, to ensure the Group's special purpose vehicles maintain sufficient cash flows by eliminating interest rate risk exposure.

At 30 June 2022, the fair value of future cash flows of each swap was determined in line with AASB 9 *Financial Instruments*. During the year, the 2-3 year curve steepened resulting in a material increase in the fair value of the Group's portfolio of interest rate swaps. These fair value gains are expected to unwind in future reporting periods.

Other income

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

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 37).

1. **Revenue** (continuation)

	AUSTRALIAN LENDING		NEW ZEALAND LENDING		CONSOLIDATED	
	FY22 $'000	FY21 $'000	**FY22 $'000**	FY21 $'000	**FY22 $'000**	FY21 $'000
Major service lines						
Mortgage origination	**1,564**	2,375	**-**	-	**1,564**	2,375
Loan management	**78**	2,243	**-**	-	**78**	2,243
Lending fee income	**5,380**	4,310	**1,156**	928	**6,536**	5,238
	7,022	8,928	**1,156**	928	**8,178**	9,856
Timing of revenue recognition						
Service transferred at a point in time	**7,022**	8,928	**1,156**	928	**8,178**	9,856
Revenue from contracts with customers	**7,022**	8,928	**1,156**	928	**8,178**	9,856
Interest income	**462,442**	442,483	**28,253**	25,154	**490,695**	467,637
Other income	**20,224**	5,205	**8,338**	2,817	**28,562**	8,022
External revenue as reported in segment information	**489,688**	456,616	**37,747**	28,899	**527,435**	485,515

1. **Revenue** (continuation)

1.3 Assets related to contract with customers

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

	FY22 **$'000**	FY21 $'000
Contract assets – present value of future trail commission receivable		
Current	**7,763**	9,093
Non-current	**16,314**	24,206
	24,077	33,299

Recognition and measurement

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. White label loans ceased origination in FY19, and the portfolio ($1.3 billion) is in runoff.

Initial recognition

Expected value of future trail commission receivable were 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 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.

Key estimates and assumptions

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

	FY22	FY21
Annualised run-off	**22.9%**	22.2%
Prepayment rate (run-off buffer)	**25%**	25%

Annualised run-off

Run-off is a combination of discharges, prepayments and scheduled loan repayments. A three year rolling average is used in the valuation as the Group's best estimate of future run-off to avoid potential year-on-year volatility in run-off.

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 FY21.

2. Expenses

	FY22 $'000	FY21 $'000
Interest		
Bond and warehouse facilities	**237,975**	213,675
Amortisation – bond issue costs	**11,524**	9,154
Discount unwind on NPV of trail commission	**826**	1,098
Corporate facility	**1,832**	440
Interest on lease liabilities	**460**	526
	252,617	224,893
Fee and commission		
Mortgage origination	**444**	279
Loan management	**22,460**	20,495
Borrowing costs	**5,184**	7,144
RMBS financing costs	**8,449**	7,275
Discharge fee refund provision[1]	**3,940**	-
	40,477	35,193
Employee benefits		
Remuneration, superannuation and on-costs	**44,477**	36,697
Share-based payments	**790**	792
	45,267	37,489
Other		
Marketing	**6,477**	4,805
Technology expenses[2]	**14,629**	15,722
Audit and other professional fees	**2,500**	2,399
Rent and occupancy costs	**961**	1,294
Insurance	**2,291**	1,801
Depreciation and amortisation	**791**	1,199
Depreciation of right-of-use assets	**1,669**	1,895
Other	**4,850**	4,073
	34,168	33,188
Loan impairment expense	**11,446**	2,676
	383,975	333,439

1. See Note 17 for details of the discharge fee refund provision
2. Includes core banking IT project costs (FY22: $5.1 million; FY21: $7.8 million).

2. Expenses (continuation)

Recognition and measurement

2.1 Interest

Bond and warehouse facilities

Recognised in the profit or loss as its accrues using the effective interest rate method. Bond and warehouse facilities interest expense include coupon payments on notes issued, and interest paid on non-securitised funding facilities.

Amortisation – bond issue costs

Transaction costs incurred by the Group incremental to 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

Commitment fees directly related to the Group's global funding program.

RMBS financing costs

Other financing costs include trustee and servicer fees, liquidity fees, rating agency fees, and other fees related to the ongoing operation of the bond and warehouse facilities.

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

2.5 Loan impairment

Loan impairment expenses relates to the movement in the:

- specific and collective provisions;
- 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

	FY22 **$'000**	FY21 $'000
Current tax		
In respect of the current year	**38,033**	45,156
In respect of prior years	**(9)**	822
Translation loss on foreign currency assets and liabilities	**-**	12
	38,024	45,990
Deferred tax		
In respect of the current year	**4,333**	290
In respect of prior years	**(1,044)**	(2,010)
	3,289	(1,720)
Total income tax expense recognised in the current year	**41,313**	44,270
The income tax expense for the year can be reconciled to the accounting profit as follows:		
Profit before tax	**143,460**	152,076
Income tax expense calculated at 30% (FY21: 30%)	**43,038**	45,623
Effect of expenses that are not deductible in determining taxable profit	**28**	41
Effect of different tax rates of subsidiaries operating in other jurisdictions	**(144)**	(120)
Employee share scheme	**(342)**	(584)
Other items	**(214)**	498
	42,366	45,458
Adjustments recognised in the current year in relation to the deferred tax of prior years	**(1,044)**	(2,010)
Adjustments recognised in the current year in relation to the current tax of prior years	**(9)**	822
Income tax expense recognised in profit or loss	**41,313**	44,270

The tax rate used for FY22 and FY21 reconciliations above is the corporate tax rate of 30% payable by corporate entities in Australia and 28% in New Zealand on taxable profits respectively.

Recognition and measurement

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

3.2 Current tax liabilities

	FY22 **$'000**	FY21 $'000
Current tax payable	**(1,464)**	(20,437)
	(1,464)	(20,437)

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:

	FY22 **$'000**	FY21 $'000
Deferred tax assets	**-**	482
Deferred tax liabilities	**(2,116)**	(392)
Net deferred tax (liabilities)/assets	**(2,116)**	90

FY22	**Opening balance** **$'000**	**Current year recognised in profit or loss** **$'000**	**Previously unrecognised in profit or loss** **$'000**	**Recognised directly in equity** **$'000**	**Closing balance** **$'000**
Deferred tax assets/(liabilities)					
Doubtful debts	9,903	**2,598**	**-**	**(13)**	**12,488**
Plant, equipment and software	3,351	**(113)**	**(2)**	**-**	**3,236**
Deferred mortgage insurance	163	**(72)**	**-**	**-**	**91**
Employee entitlements	1,268	**387**	**(5)**	**(1)**	**1,649**
Net provision for lease make good	59	**-**	**-**	**-**	**59**
Provision for discharge fee refund	-	**1,182**	**-**	**-**	**1,182**
Other accrued expenses	2,165	**1,253**	**(8)**	**-**	**3,410**
Blackhole expenditure	8	**(7)**	**(1)**	**-**	**-**
Trail commission payable	4,897	**(1,284)**	**-**	**-**	**3,613**
Lease liability	516	**76**	**-**	**-**	**592**
Financial assets	-	**(680)**	**1,060**	**-**	**380**
Shares	(1,627)	**-**	**-**	**1,188**	**(439)**
Share-based payments	1,802	**(626)**	**-**	**(1,287)**	**(111)**
Accrued income and other	70	**(70)**	**-**	**-**	**-**
Capitalised incentive commission	(13,483)	**(2,861)**	**-**	**25**	**(16,319)**
Loans and advances	1,206	**(730)**	**-**	**-**	**476**
Deferred bond issue cost	(3,786)	**(802)**	**-**	**8**	**(4,580)**
Derivatives	3,574	**(5,351)**	**-**	**1,163**	**(614)**
Trail commission receivable	(9,996)	**2,767**	**-**	**-**	**(7,229)**
	90	**(4,333)**	**1,044**	**1,083**	**(2,116)**

3. Income tax (continuation)

FY21	Opening balance $'000	Current year recognised in profit or loss $'000	Previously unrecognised in profit or loss $'000	Recognised directly in equity $'000	Closing balance $'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	1,180	88	-	-	1,268
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
Trail commission receivable	(12,593)	2,597	-	-	(9,996)
	(3,540)	(290)	2,010	1,910	90

Recognition and measurement

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

3. Income tax (continuation)

3.4 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.

3.5 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.

3.6 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.

3.7 Tax consolidation

On 1 February 2021, Resimac Asset Finance (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 at this date.

3. Income tax (continuation)

3.8 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.

3.9 Nature of the tax funding agreement

Members of the Group have entered into a tax funding agreement. 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.

4. Cash and cash equivalents

	Note	**FY22 $'000**	FY21 $'000
Cash at bank and on hand		**18,996**	50,622
Cash collections accounts [1]		**912,283**	567,687
Restricted cash [2]		**1,502**	1,500
	22	**932,781**	619,809
Reconciliation of profit after tax to the net cash flows from operating activities			
Profit after tax		**102,147**	107,806
Adjustments for			
Depreciation and amortisation	2	**791**	1,199
Depreciation charge of right-of-use assets	2	**1,669**	1,895
Amortisation of bond issue costs	2	**11,524**	9,154
Fair value gain on financial assets	1	**-**	(5,110)
Fair value movement on swaps		**(22,593)**	780
Loan impairment expense	2	**11,446**	2,676
Net (profit)/loss on disposal of non-current assets		**(272)**	944
Present value of future trail commission income		**7,949**	8,655
Present value of future trail commission expense		**(4,039)**	(5,008)
Share-based payments expense	2	**790**	792
Discount on mortgage		**(232)**	(550)
Dividend income from listed equity investments		**(800)**	-
(Increase)/decrease in assets			
Trade and other receivables		**(1,112)**	(358)
Loans and advances		**(1,682,234)**	(1,559,645)
Other assets		**(3)**	60
Impairment allowance account		**(1,970)**	(1,809)
Increase/(decrease) in liabilities			
Trade and other payables		**6,658**	8,646
Current tax payable		**(12,693)**	(3,615)
Interest-bearing liabilities		**(4,343)**	(12,244)
Provisions		**4,853**	212
Deferred tax liabilities		**(2,970)**	(1,941)
Net cash flows used in operating activities		**(1,585,434)**	(1,447,461)

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)

Reconciliation of liabilities arising from financing activities

	Issued capital	Share-based payment reserve	Interest-bearing liabilities	Lease liabilities	Total
	$'000	$'000	$'000	$'000	$'000
Balance at 1 July 2021	**181,675**	**2,201**	**14,701,651**	**12,482**	**14,367,009**
Operating cashflows	**-**	**-**	**(4,343)**	**-**	**(4,343)**
Financing cashflows	**(6,132)**	**165**	**2,034,839**	**(1,629)**	**2,027,243**
Non-cash movements	**933**	**(1,872)**	**87,308**	**244**	**86,613**
Balance at 30 June 2022	**176,476**	**494**	**16,288,455**	**11,097**	**16,476,522**
Balance at 1 July 2020	181,895	490	12,685,616	13,622	12,881,623
Operating cashflows	-	-	(12,244)	-	(12,244)
Financing cashflows	(220)	-	1,591,599	(1,679)	1,589,700
Non-cash movements	-	1,711	(94,320)	539	(92,070)
Balance at 30 June 2021	181,675	2,201	14,170,651	12,482	14,367,009

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	**FY22 $'000**	FY21 $'000
Current			
Fee and commission receivable		**604**	843
Prepayments		**2,531**	2,371
GST receivable		**960**	743
Sundry receivable		**1,566**	624
		5,661	4,581

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 and no material impairment recognised.

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

Comprises trail commission receivables on settlement terms of 30 days. This is initially recognised at the fair value of the consideration receivable.

Sundry receivable

This includes receivables from Volt Bank for amounts collected on behalf of the Group and mortgage insurance claims recoverables. The Group has assessed these receivables as fully recoverable at balance date.

6. Loans and advances

	Note	**FY22** **$'000**	FY21 $'000
Gross loans and advances			
Loans and advances		**15,684,500**	13,934,440
Capitalised upfront commissions		**54,564**	45,125
Deferred mortgage fee		**(10,107)**	(16,240)
Collections owed to trusts		**(12,056)**	(11,132)
		15,716,901	13,952,193
Less: allowance for impairment		**(47,041)**	(37,565)
	22	**15,669,860**	13,914,628
Current		**4,557,901**	3,627,570
Non-current		**11,159,000**	10,324,623
		15,716,901	13,952,193
Impairment allowances			
Collective allowance		**42,692**	32,126
Specific allowance		**4,349**	5,439
		47,041	37,565
Movement in impairment allowances			
Balance at 1 July		**37,565**	36,698
Provided for during the year			
- Specific		**842**	1,096
- Collective		**10,604**	1,580
Write-offs		**(1,970)**	(1,809)
Balance at 30 June		**47,041**	37,565

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 rate method.

The effective interest rate is the rate that discounts estimated future cash receipts (including all fees paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) excluding expected credit losses, through the expected life of the loans and advances.

Gains and losses are recognised in the statement of comprehensive income when the loans and advances are derecognised or impaired.

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.

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.

Security properties repossessed

As at 30 June 2022, the Group had exercised their right to foreclose on 13 residential properties (FY21: 16) being the security for loans and advances. These loans and advances are security for the funding provided by warehouse facilities and RMBS (securitised loans). The Group intends to sell these properties with the proceeds to go towards clearing the outstanding balance of the underlying loans. Mortgages in possession are held as part of loans and advances, until sold.

7. Other financial assets

	Note	**FY22 $'000**	FY21 $'000
Equity in ASX Listed Companies	22	**15,963**	4,713
Equity in Unlisted Companies	22	**7,260**	10,110
Short-term investment	22	**260**	260
		23,483	15,083
Current		**260**	260
Non-current		**23,223**	14,823
		23,483	15,083

Equity in ASX Listed Companies

Equity investments in ASX listed companies are investments the Group intends to hold for long term strategic purposes. As permitted by AASB 9, the Group designated these investments at the date of initial application as measured at fair value through other comprehensive income. The accumulated fair value reserve related to these investments will not be reclassified to profit or loss. Dividends will be recognised in profit or loss as other income when the Group's right to receive payment is established.

Equity in Unlisted Companies

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 assessment conducted on the unlisted shares, included assessing the impact of COVID-19 and other market conditions on the current and future operating models. The fair value assessments include comparisons against forecasted operating performance at time of investment. The valuation methodology for these investments is disclosed in Note 22.

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

	FY22 $'000	FY21 $'000
Lease - buildings		
Balance at 1 July	**10,638**	12,279
Additions	**-**	256
Depreciation	**(1,669)**	(1,895)
Foreign exchange	**(10)**	(2)
Balance at 30 June	**8,959**	10,638

	FY22 $'000	FY21 $'000
Lease - buildings		
Right-of-use assets at cost	**14,234**	14,510
Less: accumulated depreciation	**(5,275)**	(3,872)
Total right-of-use assets	**8,959**	10,638

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 and 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

Carrying amounts of	Computer equipment $'000	Office furniture $'000	Operating lease equipment $'000	Leasehold improvement $'000	Total $'000
Balance at 1 July 2021	**457**	**122**	**359**	**981**	**1,919**
Additions	**543**	**2**	**251**	**-**	**796**
Disposals	**(15)**	**(30)**	**-**	**(20)**	**(65)**
Depreciation expense	**(267)**	**(17)**	**(175)**	**(260)**	**(719)**
Foreign exchange	**(3)**	**-**	**-**	**-**	**(3)**
Balance at 30 June 2022	**715**	**77**	**435**	**701**	**1,928**
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

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	**For life of the lease**

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

	FY22 $'000	FY21 $'000
Reinsurance claim receivable	**3,476**	3,545
Other	**231**	228
	3,707	3,773
Current	**231**	228
Non-current	**3,476**	3,545
	3,707	3,773

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

Goodwill	FY22 $'000	FY21 $'000
Balance at 1 July	**27,430**	27,430
Movement in the current year	**-**	-
Balance at 30 June	**27,430**	27,430

Other intangible assets	Software $'000	Brand name $'000	Total $'000
Balance at 1 July 2021	**110**	**26**	**136**
Amortisation for the year	**(44)**	**(26)**	**(70)**
Write-offs	**-**	**-**	**-**
Balance at 30 June 2022	**66**	**-**	**66**
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

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 2022, the Group has performed the impairment testing, which included consideration of the impact of COVID-19. Goodwill of $21.7 million 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 RAF goodwill of $5.7 million is considered a separate CGU, and the associated goodwill has been separately 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 FY21 and the acquisition price has been determined to still be strong evidence of fair value.

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
- macro economic conditions as a result of COVID-19 pandemic.

Management have assessed that there are no such indicators which would impair the goodwill balance as at 30 June 2022.

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:

	FY22	FY21
Growth rate for 4-year forecast period (p.a.)	**2.5%**	**2.5%**
Discount rate (post-tax)	**11.5%**	**11.0%**
Terminal growth rate	**2.0%**	**2.0%**

The post-tax discount rate of 11.5% 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 pandemic 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 pandemic including rising interest rates and inflation 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 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 pandemic and the current economic environment 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 ($ millions)			
Discount Rate	**10%**	**11%**	**12%**	**20%**
Base Case	777	652	552	157
Stress Test Case	453	368	301	32

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 RAF CGU, using the Calibration methodology within the FV concept, management believe there are no indicators of impairment mainly due to the following:

- RAF CGU has outperformed initial NPAT expectations; and
- robust portfolio management and cost controls are embedded to protect the business in the current post COVID-19 macroeconomic environment.

Impairment charge

Management believe potential impacts of COVID-19 and the change in economic environment have been adequately considered for goodwill impairment testing purposes at 30 June 2022. Based upon the impairment testing performed, there is no impairment charge for FY22 (FY21: 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	• Fee for use of application software
Recognise as an operating expense as the service is received	• 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	**FY22 $'000**	FY21 $'000
Current			
Revenue collected in advance		**1,179**	436
Commissions payable		**5,267**	5,315
Accruals		**13,433**	13,064
Other creditors		**10,183**	4,590
	22	**30,062**	23,405

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.

Commissions payable

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

Accruals and other creditors

Accruals and other creditors are accrued fees and expenses and unsecured payables relating to expenses arising in the ordinary course of business.

13. Interest-bearing liabilities

	Note	**FY22 $'000**	FY21 $'000
Debt securities on issue		**15,840,773**	13,780,348
Corporate debt facilities		**70,000**	-
Issuance facilities		**377,682**	390,303
	22	**16,288,455**	14,170,651
Current		**4,723,652**	3,684,369
Non-current		**11,564,803**	10,486,282
		16,288,455	14,170,651

Recognition and measurement

All borrowings are initially recognised at fair value of the consideration received less 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, 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.

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 SPVs facilities provide the initial duration financing of loans and advances to customers. 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, including the mortgage security. 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.

The total capacity for the 13 warehouse facilities at 30 June 2022 was AUD 8.2 billion (equivalent) (FY21: AUD 6.9 billion (equivalent)).

During the financial year there were no material breaches to the warehouse agreements. All warehouse facilities were renewed, 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 years from issue, and a call option of up to 5 years.

The RMBS bond holders 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 2022, AUD 5.8 billion (equivalent) of new RMBS and MTNS were issued (FY21: AUD 5.5 billion (equivalent)). These RMBS issuance paid down warehouse facilities creating capacity to fund new mortgages. During the financial year, there were no breaches to the terms of the RMBS.

13. Interest-bearing liabilities (continuation)

13.2 Corporate debt facility

As at 30 June 2022, the Company had a $30 million corporate facility maturing in September 2023. The Group had an undrawn balance of $10 million at 30 June 2022 (FY21: $30 million). In accordance with the terms of the Group's corporate debt facilities, the Group is required to comply with certain covenants. During the entire year and as at 30 June 2022, the Group was compliant with these covenants.

During the year, the Group issued $50 million in corporate debt securities (Secured Capital Note) with a 3 year tenor. The $50 million liability is disclosed under corporate debt facilities. Proceeds will be used to fund growth in our home loan and asset finance portfolios.

The corporate debt facilities are secured by a first-ranking charge over the trust assets (beneficiary rights over the trust's residual income) 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

Lease liabilities included in the Statement of Financial Position	**FY22 $'000**	FY21 $'000
Balance at 1 July	**12,482**	13,622
Addition	**251**	541
Interest incurred	**460**	526
Payment of lease liabilities	**(2,089)**	(2,205)
Foreign exchange	**(7)**	(2)
Balance at 30 June	**11,097**	12,482
Current	**1,700**	1,520
Non-current	**9,397**	10,962
	11,097	12,482
Amounts recognised in Statement of Comprehensive Income		
Depreciation charge of right-of-use assets	**1,669**	1,895
Interest expense on lease liabilities	**460**	526
Amounts recognised in Statement of Cash Flows		
Interest paid	**(1,629)**	(1,679)
Payment of lease liabilties	**(460)**	(526)

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.

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.

14. Lease liabilities (continuation)

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	**FY22 $'000**	FY21 $'000
Present value of future trail commission payable		**11,750**	15,789
	22	**11,750**	15,789
Current		**3,847**	4,528
Non-current		**7,903**	11,261
		11,750	15,789

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 calculating the present value of estimated future cash flows at the effective interest rates at each reporting date. The resulting adjustment is recognised as income or expense in the statement of comprehensive income.

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

	FY22 $'000	FY21 $'000
Non-current		
Reinsurance claim reserve	**3,476**	3,545
	3,476	3,545

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

17. Provisions

	FY22 $'000	FY21 $'000
Employee benefits	**6,062**	4,760
Make good	**447**	458
Discharge fee refund	**3,940**	-
	10,449	5,218
Current	**9,493**	4,401
Non-current	**956**	817
	10,449	5,218

	Employee benefits $'000	**Make good $'000**	**Discharge Fee refund $'000**	**Total $'000**
Balance at 1 July 2021	4,760	458	-	5,218
Additional provisions recognised	**2,674**	**-**	**3,940**	**6,614**
Provision utilised	**(1,372)**	**(11)**	**-**	**(1,383)**
Balance at 30 June 2022	**6,062**	**447**	**3,940**	**10,449**

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.

17.3 Discharge fee refund

The Group conducted a governance review of loan agreements during the year, where the Group identified it had potentially overcharged a segment of customers discharge fees from 2006 to 2017. A liability is recognised for the likely economic outflow to refund these discharge fees, accrued interest and associated cost involved in processing the refunds to the affected customers.

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	**FY22 $'000**	FY21 $'000
Issued capital	20	**114,935**	120,134
Reserves	20	**(25,466)**	(18,126)
Retained earnings	20	**288,599**	219,131
		378,068	321,139

The Group manages its capital through various means, including:

- adjusting the amount of ordinary dividends paid to shareholders;
- Dividend Reinvestment Plan, offered to shareholders at various times to reinvest cash dividends in new ordinary shares of the Group on the dividend payment date;
- raising or repaying capital; and
- reinvesting profits.

19. Dividends

	FY22 $'000	FY21 $'000
Declared and paid during the period (fully-franked at 30 percent)		
Final dividend for FY21: $0.04 (FY20: $0.018)	**16,336**	7,334
Interim dividend for FY22: $0.04 (Interim FY21: $0.024)	**16,343**	9,786
	32,679	17,120
Proposed and unrecognised as a liability (fully-franked at 30 percent)		
Final dividend for FY22: $0.04 (FY21: $0.04)	**16,277**	16,336
	16,277	16,336
Franking credit balance		
Franking credits available for future years at 30% adjusted for the payment of income tax and dividends receivable or payable	**95,073**	57,198
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.	**(6,976)**	(7,001)

20. Issued capital and reserves

	FY22 $'000	FY21 $'000
Issued capital	**180,998**	183,011
Treasury shares	**(4,522)**	(1,336)
Share capital	**176,476**	181,675
Reverse acquisition reserve [1]	**(61,541)**	(61,541)
	114,935	120,134

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 2022 was $180,998,155 (406,912,503 ordinary shares).

During the period, movements in issued capital include:

- Issuance of 990,783 shares for $1,793,603 in respect of the Resimac Dividend Reinvestment Plan (DRP), and
- Acquisition of 2,482,741 shares for $3,806,645 (average price of $1.53 per share) under the Group's on market share buyback scheme. These shares were cancelled prior to 30 June 2022.

20.1 Issued capital

	No. of shares – Thousands	**$'000**
Balance at 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
Issue of shares under the DRP:		
• FY21 Dividend on 21 September 2021	**388**	**837**
• HY22 Dividend on 24 March 2022	**603**	**957**
Share buyback cancelled shares (average price: $1.53 per share)	**(2,483)**	**(3,807)**
Balance at 30 June 2022	**406,912**	**180,998**

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 2020	-	-
Subscription of shares by the Trust (average price: $2.13 per share)	300	639
Allocation of shares under LTI#1 (Tranche 1)	(300)	(639)
Acquisition of shares (average price: $2.47 per share)	540	1,336
Balance at 30 June 2021	540	1,336
Allocation of shares under LTI#1 (Tranche 2)	**(300)**	**(740)**
Allocation of shares under Employee Share Plan	**(100)**	**(192)**
Acquisition of shares (average price: $1.48 per share)	**2,785**	**4,118**
Balance at 30 June 2022	**2,925**	**4,522**

20. Issued capital and reserves (continuation)

20.3 Reserves (net of income tax) and retained earnings

		Reserves					
	Retained earnings	**Cash flow hedge reserve**	**Foreign currency translation reserve**	**Fair value reserve**	**Share-based payment reserve**	**Other reserve**	**Non-controlling interest**
	$'000	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
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)	-
Balance at 1 July 2021	**219,131**	**(9,917)**	**(55)**	**(2,373)**	**2,201**	**(7,982)**	**-**
Profit after tax	**102,147**	**-**	**-**	**-**	**-**	**-**	**-**
Changes in fair value of cash flow hedges, net of tax	**-**	**(2,714)**	**-**	**-**	**-**	**-**	**-**
Currency translation differences	**-**	**-**	**(1,236)**	**-**	**-**	**-**	**-**
Fair value movement on investment through OCI, net of tax	**-**	**-**	**-**	**(1,683)**	**-**	**-**	**-**
Equity dividends	**(32,679)**	**-**	**-**	**-**	**-**	**-**	**-**
Share-based payments	**-**	**-**	**-**	**-**	**(1,707)**	**-**	**-**
Balance at 30 June 2022	**288,599**	**(12,631)**	**(1,291)**	**(4,056)**	**494**	**(7,982)**	**-**

20. Issued capital and reserves (continuation)

20.4 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.

Other reserve

Other reserves represent the recognition made directly in equity for difference between the amount by which the Non-Controlling Interest (NCI) was adjusted and the fair value of consideration paid on Resimac's acquisition of the remaining 40% shares of RAF on 1 February 2021.

21. Earnings per share

	FY22	FY21
Profit attributable to ordinary equity holders of the parent ($'000)	**102,147**	107,557
WANOS [1] used in the calculation of basic EPS (shares, thousands)	**407,743**	407,824
Dilutive effect of share options	**2,498**	2,592
WANOS [1] used in the calculation of diluted EPS (shares, thousands)	**410,241**	410,416
Earnings per share		
Basic (cents per share)	**25.05**	26.37
Diluted (cents per share)	**24.90**	26.21

1. Weighted average number of shares

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.

22. Financial assets and financial liabilities

The Group holds the following financial instruments:

Financial assets	Basis of measurement	Note	FY22 $'000	FY21 $'000
Cash and cash equivalents	Amortised cost	4	**932,781**	619,809
Trade and other receivables (excluding prepayments)	Amortised cost	5	**3,130**	2,210
Loans and advances	Amortised cost	6	**15,669,860**	13,914,628
Short-term investment	Amortised cost	7	**260**	260
Equity in ASX Listed Companies	FVOCI	7	**15,963**	4,713
Equity in Unlisted Companies	FVTPL	7	**7,260**	10,110
Derivative financial assets – Cross currency swaps	FVOCI	23	**11,400**	-
Derivative financial assets - Others	FVTPL	23	**27,820**	2,256
			16,668,474	14,553,986
Financial liabilities				
Trade and other payables	Amortised cost	12	**30,062**	23,405
Interest-bearing liabilities	Amortised cost	13	**16,288,455**	14,170,651
Lease liabilities	Amortised cost	14	**11,097**	12,482
Present value of trail commission payable	Amortised cost	15	**11,750**	15,789
Derivative financial liabilities – Cross currency swaps	FVOCI	23	**-**	60,504
Derivative financial Liabilities - Others	FVTPL	23	**235**	472
			16,341,599	14,283,303

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)	FY22 $'000	FY21 $'000
Financial assets				
Equity in ASX Listed Companies	Level 1	Most recent traded price and other available market information	**15,963**	4,713
Equity in Unlisted Companies	Level 3	Acquisition value, financial performance since acquisition. Subsequent capital raise since acquisition adjusted for changes in market and macroeconomic factors	**7,260**	10,110
Interest rate swaps	Level 2	Discounted cash flow Forward interest rates, contract interest rates	**27,252**	2,256
Cross currency swaps	Level 2	Discounted cash flow Forward interest rates, contract interest rates	**11,400**	-
Overnight index swaps	Level 2	Discounted cash flow Forward interest rates, contract interest rates	**568**	-
Financial liabilities				
Interest rate swaps	Level 2	Discounted cash flow Forward interest rates, contract interest rates	**-**	472
Cross currency swaps	Level 2	Discounted cash flow Forward interest rates, contract interest rates	**-**	60,504
Overnight index swaps	Level 2	Discounted cash flow Forward interest rates, contract interest rates	**235**	-

In the year to 30 June 2022 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. Financial assets and liabilities (continuation)

22.2 Financial assets and liabilities

22.2.1 Recognition and initial measurement

All 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.

22.2.2 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 interest rate swaps and overnight index swaps 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. Financial assets and liabilities (continuation)

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.

22.2.2.3 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. In disposal or derecognition of investment the cumulative gain or loss is not reclassified to profit or loss, instead it is transferred to retained earnings.

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 Modification of financial instruments

A financial instrument is modified when its original contractual cash flows are renegotiated or modified. A financial asset that is renegotiated is derecognised if the rights to receive cash flows from the existing agreement have expired, either through replacement by a new agreement or the existing terms are modified to that effect. A financial liability that is renegotiated is derecognised if the existing agreement is cancelled and a new agreement is made on substantially different terms or if that existing terms are modified such that the renegotiated financial instrument is a substantially different financial instrument. Where the modification results in derecognition of the original financial instrument, the new financial instrument is recorded initially at its fair value and the resulting difference is recognised in profit or loss in accordance with the nature of the financial instrument as described in the derecognition of financial assets and liabilities policy.

For financial instruments measured at amortised cost, and for debt financial assets measured at FVOCI, when modification does not result in derecognition, a gain or loss is recognised in profit or loss in accordance with the nature of the financial instrument as described in the derecognition of financial assets and liabilities policy. The gain or loss is measured as the adjustment of the gross carrying amount to reflect the renegotiated or modified contractual cash flows, discounted at the instrument's original effective interest rate.

22.2.5 Impairment of financial assets

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

- Trade and other receivables
- Loans and advances measured at amortised cost
- Contract assets
- Lease receivable

The Group applies the following approach for measuring credit provisions:

- Specific Provisions (Stage 3);
- ECL modelled Collective Provision in line with AASB 9 requirements; and
- Post model overlays including macroeconomic, model and management overlays

ECL's are monitored regularly in conjunction with monthly hardship and arrears metrics provided to the Group's Asset and Liabilities Committee (ALCO). The Group takes a tailored loan by loan approach to managing credit risk where customers fall into arrears.

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

(d) 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, housing price index, GDP growth, unemployment rates and interest rates.

(e) Post model overlays: Management apply various overlays to ensure the Group has sufficient Balance Sheet coverage for known and potential credit risk factors that are not modelled in the above assumptions including:

Model risk overlay – applied by management to the base ECL model for potential errors in development and implementation of any of the quantitative elements underpinning the model.

Macroeconomic overlay – applied by management to the base ECL model to provide for future potential macroeconomic shocks on the loan portfolio (e.g. rising unemployment, house price decline, low wage growth).

To develop the Macroeconomic overlay, we consider three key macroeconomic assumptions (unemployment, property prices, Australian GDP) and stress the portfolio under three different scenarios.

Management overlay – applied by management where ECL model and overlays are deemed insufficient Balance Sheet coverage.

22. Financial assets and liabilities (continuation)

The Group aligns its approach to credit risk in line with the segmentation of AASB 9. As such, the ECL for financial assets measured at amortised cost 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 and the LGD, adjusted for forward looking estimates (FLE).

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, the lifetime losses associated with that PD and LGD, 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. The Group also classifies certain loans that have a resolved hardship status as stage 2 for an observation period after the cessation of the hardship arrangement.

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 (specific)

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.

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 (stage 2) or are credit impaired (stage 3), or if the financial instrument is a purchased or originated credit-impaired financial asset (stage 3). 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.

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 observable data about the following events:

- significant financial difficulty of the borrower; or

- breach of contract, such us 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.

See Note 23.6 for further details on credit-impaired financial assets.

22. Financial assets and liabilities (continuation)

Definition of default

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

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 and overnight index swaps
Market risk – equity investment valuation	Investments in equity securities	Sensitivity analysis	Equity investments not held for trading
Credit risk	Mortgage portfolio and warehouse facilities and RMBS 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, diversification of funders

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.

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.

The following table details the amounts relating to items designated as cash flow hedges:

30 June 2022 (Disclosed in AUD)	**USD CCS $'000**	**JPY CCS $'000**	**Total $'000**
Notional amount	**1,794,825**	**450,000**	**2,244,825**
Average fixed contract rate (FX rate per AUD)	**0.73**	**77.22**	
Carrying amount of the hedging instrument			
• Assets	**99,369**	**-**	**99,369**
• Liabilities	**-**	**(87,969)**	**(87,969)**
Total carrying amount of the hedging instrument	**99,369**	**(87,969)**	**11,400**
Change in value of hedging instrument	**145,107**	**(73,202)**	**71,905**
Change in value of hedged item	**(131,617)**	**55,835**	**(75,782)**
Change in value of hedging instrument recognised in cash flow hedge reserve[1]	**13,490**	**(17,367)**	**(3,877)**

1. Amounts disclosed net of FX spot translation on the hedged risk, which is recognised in profit or loss to offset the hedged item FX translation (unrealised).

23. Financial risk management (continuation)

30 June 2021 (Disclosed in AUD)	**USD CCS $'000**	**JPY CCS $'000**	**Total $'000**
Notional amount	1,771,479	250,000	2,021,479
Average fixed contract rate (FX rate per AUD)	0.66	75.00	
Carrying amount of the hedging instrument			
• Assets	-	-	-
• Liabilities	(45,738)	(14,766)	(60,504)
Total carrying amount of the hedging instrument	(45,738)	(14,766)	(60,504)
Change in value of hedging instrument	(95,001)	(14,766)	(109,767)
Change in value of hedged item	79,186	24,287	103,473
Change in value of hedging instrument recognised in cash flow hedge reserve[1]	(15,815)	9,521	(6,294)

1. Amounts disclosed net of FX spot translation on the hedged risk, which is recognised in profit or loss to offset the hedged item FX translation (unrealised).

23.3.2 Derivative financial assets and liabilities

The carrying values are as follows:

	FY22 $000	FY21 $000
Derivative financial assets		
Cross currency swaps	**11,400**	-
Interest rate swaps	**27,252**	2,256
Overnight index swaps	**568**	-
	39,220	2,256
Derivative financial liabilities		
Cross currency swaps	**-**	60,504
Interest rate swaps	**-**	472
Overnight index swaps	**235**	-
	235	60,976

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 the Group's US RMBS bonds. These movements in the derivative balances are matched with the 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, equity prices 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 and overnight index 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 RMBS in special purpose and bankruptcy-remote entities. Under such arrangements, the repayment profile of the RMBS 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:

	FY22 $000	FY21 $000
10bps +/-		
Borrowing costs	**16,190**	14,158

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.

	FY22 $000	FY21 $000
Fair value asset		
Derivative financial assets	**27,252**	2,256
Fair value liabilities		
Derivative financial liabilities	**-**	472

23. Financial risk management (continuation)

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

	FY22 $000	FY21 $000
Notional principal value		
Less than 1 year	**114,574**	6,935
1 to 2 years	**237,079**	152,722
2 to 5 years	**788,335**	694,900
	1,139,988	854,557

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 Overnight index swap contracts

Under overnight index swap contracts, the Group agrees to exchange the difference between the overnight cash rate plus a margin and 1 month BBSW on agreed notional principal amounts. Such contracts enable the Group to mitigate the exposure of basis differentials in an increasing rates environment, of its loan and funding book. The fair value of overnight index 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.

	FY22 $000	FY21 $000
Fair value asset		
Derivative financial assets	**568**	-
Fair value liability		
Derivative financial liabilities	**235**	-

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

	FY22 $000	FY21 $000
Notional principal value		
Less than 1 year	**1,000,000**	-
1 to 2 years	**2,000,000**	-
2 to 5 years	**-**	-
	3,000,000	-

23. Financial risk management (continuation)

23.4.5 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 +/-	FY22 $000	FY21 $000
Impact on corporate interest revenue		
Interest rate + 10bps	**933**	620
Interest rate - 10bps	**(933)**	(620)
Impact on corporate funding costs[1]		
Interest rate + 10bps	**(70)**	-
Interest rate - 10bps	**70**	-

1. As at 30 June 2021, the corporate debt facilities balance was Nil.

23.4.6 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.

23.4.7 Equity investment valuation risk – sensitivity analysis

If equity prices on listed shares had been 10% higher / lower:

- Other comprehensive income would increase/decrease by $1,596,000 as a result of the changes in fair value of investments in listed shares (FY21: $471,000).

If fair value assessments on unlisted shares had been 10% higher / lower:

- Net profit for the year ended 30 June 2022 would increase/decrease by $726,000 as a result of the changes in fair value of the investments in unlisted shares (FY21: $1,011,000); and

23.5 Foreign currency risk

23.5.1 Accounting translation

As at reporting date the Group held cash assets and loans 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 and JPY. 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 and notional principal amounts outstanding at the end of the reporting period are set out in Note 23.3.1.

23. Financial risk management (continuation)

23.6 Credit risk management

Credit risk is the risk that a counterparty will fail to complete its contractual obligations when they fall due. The consequential loss is the amount of the financial obligation not paid back, or the loss incurred in replicating a trading contract with a new counterparty.

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

23.6.1 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 origination and funding programmes. 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 principles are adhered to:

- independence from brokers;
- 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 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, accounts receivable and other financial assets.

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	**FY22 $'000**	FY21 $'000
Cash and cash equivalents	4	**932,781**	619,809
Trade and other receivables (excluding prepayments)	5	**3,130**	2,210
Contract assets	1	**24,077**	33,299
Short-term investment	7	**260**	260
Derivative financial assets	23	**39,220**	2,256
		999,468	657,834
Loans and advances at amortised cost	6	**15,684,500**	13,934,440
		16,683,968	14,592,274

As at 30 June 2022, 100% of the Group's cash and cash equivalents are held with banks or financial institutions with a credit rating of AA- or better (FY21: 100%).

23.6.3.1 Residential mortgage borrowers

The Group manages credit risk by obtaining security over residential mortgage property and mortgage insurance 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.

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 26.2 for the guarantees in respect of the leases.

23. Financial risk management (continuation)

23.6.5 Credit risk management

The following table summarises the loans and advances and the expected credit loss by stage and risk category:

Maximum exposure to credit risk	Stage 1 - Collective $'000	Stage 2 - Collective $'000	Stage 3 - Collective $'000	Stage 3 - Specific $'000	Total $'000
Balance as at 30 June 2022					
Loans and advances					
- Mortgage lending	**14,923,300**	**318,070**	**39,547**	**6,000**	**15,286,917**
- Asset finance lending	**395,159**	**1,435**	**129**	**303**	**397,027**
- Commercial lending	**556**	**-**	**-**	**-**	**556**
Total	**15,319,015**	**319,505**	**39,676**	**6,304**	**15,684,500**
Balance as at 30 June 2021					
Loans and advances					
- Mortgage lending	13,330,389	430,138	36,915	12,194	13,809,636
- Asset finance lending	122,855	1,319	32	-	124,206
- Commercial lending	598	-	-	-	598
Total	13,453,842	431,457	36,947	12,194	13,934,440
Expected credit loss					
Balance as at 30 June 2022					
Loans and advances					
- Mortgage lending	**23,023**	**12,720**	**4,844**	**4,171**	**44,757**
- Asset finance lending	**1,969**	**81**	**55**	**178**	**2,283**
- Commercial lending	**1**	**-**	**-**	**-**	**1**
Total	**24,992**	**12,801**	**4,899**	**4,349**	**47,041**
Balance as at 30 June 2021					
Loans and advances					
- Mortgage lending	13,472	13,990	4,307	5,537	37,206
- Asset finance lending	327	26	3	2	358
- Commercial lending	1	-	-	-	1
Total	13,800	14,016	4,310	5,439	37,565

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.

Collateral held

The value of the collateral held as security for loans in stage 2 and stage 3 collective at 30 June 2022 is $522.8 million (30 June 2021: $689.6 million).

The value of the collateral held as security for loans in stage 3 specific loans at 30 June 2022 is $2.2 million (30 June 2021: $8.1 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 loans, 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:

Loans and advances at amortised cost	FY22 $'000	FY22 %	FY21 $'000	FY21 %
Concentration by region				
• New South Wales	**5,781,932**	**37%**	5,132,426	37%
• Victoria	**4,069,813**	**26%**	3,693,253	27%
• Queensland	**2,844,067**	**18%**	2,471,432	18%
• Western Australia	**1,101,971**	**7%**	1,012,975	7%
• South Australia	**948,254**	**6%**	752,651	5%
• Tasmania	**103,147**	**1%**	100,442	1%
• Northern Territory	**61,760**	**0%**	56,811	0%
• New Zealand	**773,556**	**5%**	714,450	5%
Total	**15,684,500**	**100%**	13,934,440	100%

Expected credit loss	FY22 $'000	FY22 %	FY21 $'000	FY21 %
Concentration by region				
• New South Wales	**15,173**	**32%**	14,961	40%
• Victoria	**11,202**	**24%**	9,926	26%
• Queensland	**9,728**	**21%**	5,144	14%
• Western Australia	**5,811**	**12%**	4,694	12%
• South Australia	**2,856**	**6%**	1,263	3%
• Tasmania	**243**	**1%**	184	0%
• Northern Territory	**1,410**	**3%**	1,004	3%
• New Zealand	**618**	**1%**	389	1%
Total	**47,041**	**100%**	37,565	100%

23. Financial risk management (continuation)

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 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.

Loans and advances at amortised cost[1]	FY22 $'000	FY21 $'000
• 0 days and less than 30 days	**15,592,251**	13,458,212
• 30 days and less than 60 days	**41,460**	395,691
• 60 days and less than 90 days	**9,024**	36,677
• 90 days and less than 180 days	**23,364**	23,188
• 180 days and less than 270 days	**6,885**	6,278
• 270 days and less than 365 days	**4,081**	2,753
• 365 days and over	**7,435**	11,641
Total	**15,684,500**	13,934,440

[1] Includes loans that are collectively and specifically provided for

Expected credit loss	FY22 $'000	FY21 $'000
• 0 days and less than 30 days	**39,206**	15,430
• 30 days and less than 60 days	**1,101**	11,549
• 60 days and less than 90 days	**558**	2,732
• 90 days and less than 180 days	**3,041**	2,800
• 180 days and less than 270 days	**802**	1,091
• 270 days and less than 365 days	**501**	328
• 365 days and over	**1,832**	3,635
Total	**47,041**	37,565

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 - Specific $'000	Total $'000
Provision for impairment losses					
Balance as at 30 June 2021	**13,800**	**14,016**	**4,310**	**5,439**	**37,565**
Net transfer between stages	**5,783**	**(4,188)**	**(371)**	**(1,224)**	**-**
Stage 1 - Collective	**-**	**(4,414)**	**(441)**	**(927)**	**(5,782)**
Stage 2 - Collective	**4,414**	**-**	**(178)**	**(48)**	**4,188**
Stage 3 - Collective	**441**	**178**	**-**	**(248)**	**371**
Stage 3 - Impaired	**927**	**48**	**248**	**-**	**1,223**
Net re-measurement of opening balance net of transfers	**(7,822)**	**2,608**	**688**	**-**	**(4,526)**
Impact of transfers between stages and re-measurement	**11,761**	**12,436**	**4,627**	**4,215**	**33,039**
Net Financial Assets Originated	**12,698**	**363**	**273**	**131**	**13,465**
Movements in existing individually assessed provisions and write-backs	**-**	**-**	**-**	**1,815**	**1,815**
Write-offs	**-**	**-**	**-**	**(1,970)**	**(1,970)**
Discharges/Other	**533**	**2**	**(1)**	**158**	**692**
Balance as at 30 June 2022	**24,992**	**12,801**	**4,899**	**4,349**	**47,041**
Credit Exposure					
Balance as at 1 July 2021	**13,453,842**	**431,457**	**36,947**	**12,194**	**13,934,440**
Net transfers between stages and financial assets originated	**1,865,173**	**(111,952)**	**2,729**	**(5,890)**	**1,750,060**
Write-offs	**-**	**-**	**-**	**(1,970)**	**(1,970)**
Balance as at 30 June 2022	**15,319,015**	**319,505**	**39,676**	**6,304**	**15,684,500**

23. Financial risk management (continuation)

	Stage 1 - Collective $'000	Stage 2 - Collective $'000	Stage 3 - Collective $'000	Stage 3 - Specific $'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	-
Stage 1 - Collective	-	(279)	(417)	174	(523)
Stage 2 - Collective	279	-	(298)	68	49
Stage 3 - Collective	417	298	-	309	1,025
Stage 3 - Impaired	-	(279)	(417)	174	(523)
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

23. Financial risk management (continuation)

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;
- RMBS;
- secured corporate debt facilities; 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, $15.83 billion at 30 June 2022 (FY21: $13.78 billion), they have not all been included in the table below.

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. Financial risk management (continuation)

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.

Financial liabilities	<6 months or on demand $'000	6-12 months $'000	1-3 years $'000	3-5 years $'000	>5 years $'000	Total cash flows $'000	Carrying amount $'000
FY22							
Non-derivatives							
Trade and other payables	**30,062**	**-**	**-**	**-**	**-**	**30,062**	**30,062**
Interest-bearing liabilities							
• Issuance facilities	**9,466**	**26,216**	**93,728**	**248,272**	**-**	**377,682**	**377,682**
• Corporate debt facilities	**-**	**-**	**70,000**	**-**	**-**	**70,000**	**70,000**
Present value of future trail commissions payable	**2,126**	**1,721**	**4,240**	**1,917**	**1,746**	**11,750**	**11,750**
Lease liabilities	**1,083**	**1,105**	**4,326**	**4,665**	**1,535**	**12,714**	**11,097**
	42,737	**29,042**	**172,294**	**254,854**	**3,281**	**502,208**	**500,591**
Derivatives	**235**	**-**	**-**	**-**	**-**	**235**	**235**
	42,972	**29,042**	**172,294**	**254,854**	**3,281**	**502,443**	**500,826**
FY21							
Non-derivatives							
Trade and other payables	23,405	-	-	-	-	23,405	23,405
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
	39,122	23,279	106,443	268,394	6,666	443,904	453,111
Derivatives	60,976	-	-	-	-	60,976	60,976
	100,098	23,279	106,443	268,394	6,666	504,880	514,087

23.7.2 Financing facilities

	FY22 $'000	FY21 $'000
Secured corporate debt facility which may be extended by mutual agreement		
• Amount used	**20,000**	-
• Amount unused	**10,000**	30,000
	30,000	30,000

24. Subsidiaries

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

Name of subsidiary	Principal activity	Place of incorporation and operation	Proportion of ownership interest held and voting power held by the Group	
			FY22 %	FY21 %
Controlled companies				
Access Network Management Pty Ltd	Mortgage manager	Australia	**100**	**100**
Auspak Financial Services Pty Ltd	Mortgage broker	Australia	**100**	**100**
Barnes Mortgage Management Pty Ltd[1]	Mortgage originator and manager	Australia	**-**	**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	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**
Resimac Asset Finance Holdings Pty Limited[3]	Holding company	Australia	**-**	**100**
Resimac Asset Finance Pty Limited[4]	Asset finance originator and manager	Australia	**100**	**100**
Evergreen Finance Company Pty Limited	Lender of record	Australia	**100**	**100**
RAF Structured Finance Pty Limited[5]	Consumer and commercial lending	Australia	**100**	**100**
SF Mortgage Pty Ltd	Lender of record	Australia	**100**	**100**
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. Deregistered on 11 May 2022.
2. Homeloans Pty Ltd changed its company name to Homeloans.com.au Pty Ltd on 15 August 2020.
3. Deregistered on 22 June 2022.
4. International Acceptance Pty Limited changed its company name to Resimac Asset Finance Pty Limited on 5 February 2021.
5. IA Structured Finance Pty Limited changed its company name to RAF Structured Finance Pty Limited on 6 February 2021.

24. Subsidiaries (continuation)

Name of subsidiary	Principal activity	Place of incorporation and operation	Proportion of ownership interest held and voting power held by the Group FY22 %	FY21 %
Controlled companies				
RESIMAC NZ Home Loans Ltd	NZ Holding company	New Zealand	**100**	**100**
RESIMAC Premier Warehouse No.1 Pty LTD[6]	Unit Holder	Australia	**-**	**-**
RMC Fiduciary Services Pty Ltd[7]	Mortgage trustee	Australia	**-**	**-**
RHG Mortgage Corporation Pty Ltd[6]	Lender of record	Australia	**-**	**-**
RHG Mortgage Securities Pty Ltd[6]	Mortgage trustee	Australia	**-**	**-**
RHG Home Loan Pty Ltd	Mortgage Originator	Australia	**100**	**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[8]	Dormant	Australia	**-**	**100**
Clarence St Funding No.5 Pty Ltd	Dormant	Australia	**99.9**	**99.9**
Fiduciary Services Pty Ltd	Dormant	Australia	**100**	**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**
Homeloans Pty Ltd	Dormant	Australia	**100**	**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[9]	Issuer of RMBS	Australia	**100**	**100**
RESIMAC Triomphe Master Trust[9]	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	Issuer of RMBS	New Zealand	**100**	**100**
RMT Warehouse Trust No.2[9]	Warehouse mortgages	Australia	**100**	**100**
RMT Securitisation Trust No.7[9]	Issuer of RMBS	Australia	**100**	**100**
RMC Enhanced Income Fund[10]	Managed Investment Trust	Australia	**100**	**-**
RAF Trust[11]	Consumer and commercial lending	Australia	**100**	**-**
International Acceptance Trust	Consumer and commercial lending	Australia	**100**	**100**
The Trustee for the Resimac Group Limited Employee Share Trust[12]	Employee share trust	Australia	**-**	**-**

6. Ownership interest is 0% however the Group have Board control.
7. Incorporated on 8 June 2022. Ownership interest is 0% however the Group have Board control.
8. Deregistered on 10 February 2022
9. This does not represent holding in capital units, percentage ownership represents control of these Trusts.
10. Incorporated on 30 March 2022
11. Incorporated on 8 June 2022.
12. 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. Non-Controlling Interest (NCI)

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.

In FY21, Resimac exercised the option to acquire the remaining 40% interest in RAF. Post this acquisition there were no subsidiaries in the Group with any non-controlling interests.

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 $992,600 (FY21: $992,600). 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 will be 9 September 2022. The payment date will be 23 September 2022. The dividend has not been provided for in this financial report.

27.2 Investment in 23 Degrees Capital Partners Pty Ltd

On 1 August 2022, Resimac exercised the option to acquire a controlling stake in 23 Degrees Capital Partners Pty Ltd (operating as Sonder) for a purchase consideration of $0.9 million, increasing Resimac's interest in 23 Degrees Capital Partners Pty Ltd to 51%.

Other than the above, there have been no circumstances arising since 30 June 2022 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

	FY22	FY21
	$	$
Deloitte Touche Tohmatsu		
Audit or review of financial reports		
- Group	**307,757**	347,000
- Subsidiaries	**705,219**	600,899
	1,012,976	947,899
Statutory assurance services required by legislation to be provided by the auditor	**95,120**	64,000
Other assurance and agreed-upon procedures under other legislation or contractual arrangements	**218,246**	226,000
Other services		
- Tax consulting services	**3,990**	38,850
- Other consulting services	**-**	9,550
	3,990	48,400
Total remuneration of Deloitte Touche Tohmatsu	**1,330,332**	1,286,299
Non Deloitte Touche Tohmatsu audit firms		
Audit or review of financial reports		
- Subsidiaries	**-**	14,000
Statutory assurance services required by legislation to be provided by the auditor	**-**	6,000
Other services		
- Tax compliance services	**172,452**	173,344
- Tax consulting services	**44,246**	62,531
Total remuneration of Non Deloitte Touche Tohmatsu audit firms	**216,698**	255,875

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 $222,236 represents 16.7% of the total fees paid or payable to Deloitte and related practices for the year ended 30 June 2022 (FY21: $274,400).

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.

During the year, the Group entered into the following transaction with a related party that is not a member of the Group:

	Revenue received		**Expenses paid**	
	FY22 $'000	FY21 $'000	**FY22 $'000**	FY21 $'000
Director's related entity [1]	**-**	**-**	**2,000**	-
	-	**-**	**2,000**	-

1. Professional Indemnity and Directors & Officers Liability insurance premiums paid to General Provincial Insurance Ltd.. This insurance policy was entered into at commercial arms length 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**	
	FY22 $'000	FY21 $'000	**FY22 $'000**	FY21 $'000
Other related parties of Resimac Group Ltd [2]	**17,806**	13,421	**-**	-
	17,806	13,421	**-**	-

2. 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.

Compensation of KMP

The remuneration disclosures of Directors and other members of KMP during the year are provided in sections 1 to 9 of the remuneration report on pages 12 to 27 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.

KMP compensation	**FY22 $**	FY21 $
Short-term benefits	**3,248,560**	2,984,062
Post-employment benefits	**137,500**	125,000
Long-term benefits	**71,614**	32,208
Share-based payments	**413,239**	413,239
	3,870,913	3,554,509

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 2022, was Resimac Group Ltd.

Presented below is supplementary information about the parent entity.

	FY22 $'000	FY21 $'000
STATEMENT OF FINANCIAL POSITION		
ASSETS		
Current	**14,837**	37,127
Non-current	**456,856**	311,635
	471,693	348,762
LIABILITIES		
Current	**9,027**	27,602
Non-current	**37,309**	46,047
	46,336	73,649
NET ASSETS	**425,357**	275,113
EQUITY		
Issued capital	**185,646**	183,853
Reserves	**1,347**	876
Accumulated losses	**238,364**	90,384
	425,357	275,113
Attributable to members of the parent:		
Profit after tax	**180,658**	149,753
Total comprehensive income for the period	**180,658**	149,753

30.1 Guarantees, contingent liabilities and contingent assets

At 30 June 2022, there are no financial guarantees, contingent assets or contingent liabilities with respect to the parent company. (FY21: 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.

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 to 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 General Managers (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 $2.4 million. 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.

The LTI#1 and LTI#2 are administered 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 2022, 2,784,560 (FY21: 540,000) Resimac shares were purchased on-market at an average price of $1.48 per share (FY21: $2.47), for a total consideration of $4,118,335 (FY21: $1,336,233), to satisfy employee entitlements pursuant to the LTI#1, LTI#2 and ESP.

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 on 12 April 2021.

The second offer under the ESS was made during the current financial year on 22 October 2021. A total of 190 (FY21: 191) staff participated in this offer. The participants were each allocated 524 (FY21: 458) fully allocated shares based on the offer amount of $1,000 and the 5 day volume weighted average price (VWAP) of $1.9065 (FY21: $2.18), resulting in a total of 99,560 (FY21: 87,478) shares being allocated. The shares were allocated to staff for no cash consideration. For the financial year ended 30 June 2022, share-based payment expense relating to the ESS totalled $183,190 (FY21: $187,203).

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 2022	Number of options vested at 30 June 2022	Number of options unvested at 30 June 2022
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)	-	-	-
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)	-	-	-
Employee Share Plan	99,560	NA	22 October 2021	1.84	NA	22 October 2021	22 October 2021	-	(99,560)	-	-	-
	4,987,038							**(375,000)**	**(787,038)**	**3,825,000**	**300,000**	**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 2021	-	3,525,000	-	3,525,000	-	0.20	-
Vested options at 1 July 2021	600,000	-	-	600,000	0.09	-	-
Options held at 1 July 2021	**600,000**	**3,525,000**	**-**	**4,125,000**	**0.09**	**0.20**	**-**
Granted during the year	-	-	99,560	99,560	-	-	1.84
Exercised during the year	(300,000)	-	(99,560)	(399,560)	0.55	-	1.84
Unvested options at 30 June 2022	-	3,525,000	-	3,525,000	-	0.20	-
Vested options at 30 June 2022	300,000	-	-	300,000	0.09	-	-
Options held at 30 June 2022	**300,000**	**3,525,000**	**-**	**3,825,000**	**0.09**	**0.20**	**-**

31.4 Share options exercised during the period

The Trustee for the Resimac Group Limited Employee Share Trust acquired 300,000 and 99,560 fully paid ordinary shares on-market at an average price of $2.47 per share and $1.93 per share, respectively. The 300,000 shares acquired by the trustee were allocated to Scott McWilliam on his exercise of LTI#1 tranche 2 share options on 16 September 2021 and the 99,560 shares are held in the Trust on behalf of the employees under the ESP.

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 2021.

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

The UK Financial Conduct Authority announced that all LIBOR settings will either cease to be published by any administrator or will no longer be representative at a specified future date. 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.

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 amended 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 amendments are desirable and not materially prejudicial to the Class A1 Noteholders and US RMBS investors and have made modifications to the benchmark language in its RMBS transactions and any associated derivative contract.

AASB 2020-8 Amendment to Australian Accounting Standards

The Group has adopted AASB 2020-8 *Amendments to Australian Accounting Standards – Interest Rate Benchmark Reform – Phase 2* which came into effect for financial reporting period beginning on or after 1 January 2021and made amendments to standards including AASB 9 *Financial Instruments* and AASB 16 *Leases* to address accounting issues following the transition to ARRC. 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.

Based on management’s assessment as above, the impact of adopting the amendments were materially consistent with how the Group 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 2021 did not have any material impact on the disclosures or on the amounts recognised in the consolidated financial statements.

32. Other accounting policies (continuation)

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 2022 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 2020-3 *Amendments to Australian Accounting Standards – Annual Improvements 2018-2020 and Other Amendments* AASB	1 July 2022
AASB 2020-1 *Amendments to Australian Accounting Standards – Classification of Liabilities as Current or Non-current*	1 July 2023
AASB 2021-2 *Amendments to Australian Accounting Standards – Disclosure of Accounting Policies and Definition of Accounting Estimates*	1 July 2023
AASB 2021-5 *Amendments to Australian Accounting Standards – Deferred Tax related to Assets and Liabilities arising from a Single Transaction*	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.

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 J McLeland

Warren McLeland
Chairman

Sydney
25 August 2022

Deloitte Touche Tohmatsu
ABN 74 490 121 060

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The Board of Directors
Heather Baister
Partner
Chartered Accountants
25 August 2022

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 2022, 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

Heather Baister

Heather Baister
Partner
Chartered Accountants

Deloitte.

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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 2022, 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:

- Giving a true and fair view of the Group's financial position as at 30 June 2022 and of their financial performance for the year then ended; and
- 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.

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Key Audit Matter	How the scope of our audit responded to the Key Audit Matter
Impairment of loans and advances As at 30 June 2022, the Group has recognised provisions amounting to $47.0m for impairment losses on loans and advances held at amortised cost in accordance with the Expected Credit Loss (ECL) approach required under AASB 9 Financial Instruments as disclosed in Note 6, 22 and 23. Loans and advances subject to provisioning using the ECL model include the residential lending portfolio, asset finance portfolio and loans approved but not yet advanced. Significant management judgement was necessary in determining expected credit losses, including: • The application of the requirements of AASB 9 as reflected in the Group's ECL model particularly in light of the current economic environment and the impacts on the mortgage industry subsequent to 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	Our procedures in conjunction with our specialists included, but were not limited to: Testing the design and implementation of relevant controls over the impairment provision including: - The accuracy of data inputs used in the ECL calculation; - The selection and application of assumptions used in the model; and - The ongoing monitoring and identification of loans displaying indicators of impairment and whether they are migrating on a timely basis to appropriate stages in accordance with AASB 9. Assessing impairment model adequacy We assessed the adequacy and completeness of management's internally developed model in determining the impairment loss provision. Our procedures included, but were not limited to: • Assessing whether management's model adequately addresses the requirements of the relevant accounting standard; • Evaluating management's assessment of the impact of COVID-19 and the changing economic environment on the loan portfolio and as a result, the ECL; • Testing on a sample basis, individual exposures to assess if they are classified into appropriate default stages and aging buckets for the purpose of determining the impairment loss provision; • Assessing 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 by the collective impairment provision (including overlays) to the loan book, taking into account recent history, performance and a range of economic factors that could impact the relevant portfolios. We also assessed appropriateness of the disclosures in Note 6, 22 and 23 to the financial statements.

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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 2022 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 have 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.

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- 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 26 of the Directors' Report for the year ended 30 June 2022.

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

Responsibilities

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

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

Heather Baister
Partner
Chartered Accountants

Sydney, 25 August 2022