

# ANNUAL REPORT 2020

Consortia Group Holdings Pty Limited  
ACN 119 530 960

# CONTENTS

Directors' Report	02
Auditor's Independence Declaration	05
Statement of Profit or Loss and Other Comprehensive Income	06
Statement of Financial Position	07
Statement of Changes in Equity	08
Statement of Cash Flows	09
Notes to the Financial Statements	10
Directors' Declaration	49
Independent Auditor's Report	50



# DIRECTORS' REPORT



The directors of Consortia Group Holdings Pty Limited (the “**Company**”) and its controlled entities (together the “**Group**”) submit herewith the financial report of the Group for the year ended 31 December 2020. In order to comply with the provisions of the Corporations Act 2001, the directors report as follows:

## Directors

The names of the Company's directors in office during or since the end of the financial year, were:

Andrew Chepul	Executive Director
Ilias Pavlopoulos	Executive Director

Directors were in office for this entire period, unless otherwise stated.

## Dividends

No dividend was declared in relation to or paid since the start of the financial period (2019: Nil).

## Principal activities

The Company is a Non-Bank Financial Institution (“**NBFI**”). The Group is in the business of providing home loan products for wholesale and retail distribution channels as well as portfolio management for numerous Residential Mortgage Backed Securities (“**RMBS**”). It also provides products, services and infrastructure to facilitate the provision of mortgage products to potential borrowers.

The funding for the portfolio of mortgages is advanced from a blend of wholesale bank warehouse lines and through securitisation to wholesale investors.

The Group continues to focus its expansion strategy largely on strategic origination relationships and diversifying its product offering.

## Results and review of operations

The summary financial results and operations of the Group are as follows, with the performance in 2020 impacted by the COVID-19 pandemic, particularly in relation to borrowers requiring financial assistance with meeting their repayment obligations and the extent of growth in originations for the year:

- Net profit after tax of \$41.2 million (2019: \$16.5 million).
- Net asset value of \$63.9 million (2019: \$22.8 million).
- Loan portfolio growth of 28% to \$6.9 billion (2019: 47% to \$5.4 billion).
- Originations for the year totalling \$2.8 billion, an increase of 15% (2019: \$2.5 billion, an increase of 45%).
- Loans >30 days in arrears amounted to 0.36% of the loan portfolio as at 31 December 2020 (2019: 0.64%), with 2020 impacted by the exclusion of loans granted temporary relief from making repayments (“**Hardship**”) due to the impact of COVID-19, as is consistent with the approach adopted by the Australian Prudential Regulation Authority.

- Loans in Hardship amounted to 0.22% of the loan portfolio as at 31 December 2020 (2019: 0.04%).

## Significant change in state of affairs

During the 2020 financial year the Group continued to have a highly active funding program comprised of both privately sourced funding, primarily in the form of warehouse facilities, as well as RMBS issuance. The following RMBS transactions were executed during the 2020 financial year:

- March 2020: Settled the new \$1,000 million Triton Bond Trust 2020 Series 1;
- June 2020: Settled the new \$600 million Triton Bond Trust 2020 Series 2;
- July 2020: Settled the new \$400 million Triton SMSF Bond Trust 2020 Series 1, a world first all self-managed super fund residential mortgage loan RMBS;
- October 2020: Settled the new \$419 million Vermilion Bond Trust 2020 Series 1; and
- November 2020: Called the Triton Trust No.2 Series 2014-1, with all remaining investors being repaid in full.

There have been no other changes to the state of affairs of the Company other than as outlined in this report.

## Significant events after the reporting period

Post the reporting date the Group in February 2021 executed the new \$1,500 million Triton Bond Trust 2021 Series 1 RMBS, its largest ever RMBS issue. There have been no other significant events occurring after the reporting date which may affect either the Group's operations or results of those operations or the Group's state of affairs.

## Future Developments

The Group continues to focus on profitable growth together with innovative product distribution and product design opportunities, as well as assessing potential acquisition opportunities.

Going concern

The Group's management has made an assessment of the Group's ability to continue as a going concern and is satisfied that the Group has the resources to continue in business for the foreseeable future. Furthermore, management is not aware of any material uncertainties that may cast significant doubt upon the Group's ability to continue as a going concern. The financial statements therefore continue to be prepared on a going concern basis.

The Trusts (as defined in Note 2.3) are reliant on non-recourse third-party funding to carry out their activities. The funding is secured against the assets of the Trusts. The directors do not expect any technical tenures for the Group's warehouse funding lines to affect the ability of the Group to operate as a going concern.

Environmental regulation and performance

The Group's operations are not subject to any significant environmental regulation under a law of the Commonwealth or of a state or territory. The business is conscious of its potential environment impact and where possible consideration is taken when making strategic decisions.

Share options

No options over issued shares or interests in the Group were granted during or since the end of the financial year and there were no options outstanding at the date of this report.

Indemnification and insurance of directors and officers

During the financial year, the Group paid a premium in respect of a contract of insurance for the directors and executive officers of the Group. The contract of insurance prohibits disclosure of the nature of the risks insured and the premium paid.

Indemnification of auditor

To the extent permitted by law, the Group has agreed to indemnify its auditor, Ernst & Young (Australia), as part of the terms of its audit engagement agreement against claims by third parties arising from the audit (for an unspecified amount). No payment has been made to indemnify Ernst & Young (Australia) during or since the financial year.

Proceedings on behalf of the group

There are no proceedings brought or intervened in, or applicants to bring or intervene in proceedings, on behalf of the Group by a member or other person entitled to do so as per the Corporations Act 2001.

Rounding

The amounts contained in the financial report have been rounded to the nearest \$1,000 (where rounding is applicable) where noted (\$000) under the option available to the Company under ASIC Corporations (Rounding in Financial/ Directors' Reports) Instrument 2016/191. The Company is an entity to which this legislative instrument applies.

Auditor's independence

The directors have obtained an independence declaration from the Company's auditor, Ernst & Young (Australia), a copy of which is attached to this report and forms part of the directors' report for the year ended 31 December 2020.

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



Andrew Chepul

Executive Director

Sydney

26 February 2021

AUDITOR'S INDEPENDENCE DECLARATION



Building a better working world

Ernst & Young  
200 George Street  
Sydney NSW 2000 Australia  
GPO Box 2646 Sydney NSW 2001

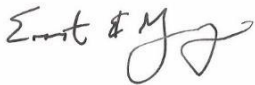
Tel: +61 2 9248 5555  
Fax: +61 2 9248 5959  
ey.com/au

Auditor's Independence Declaration to the Directors of Consortia Group Holdings Pty Limited

As lead auditor for the audit of the financial report of Consortia Group Holdings Pty Limited for the financial year ended 31 December 2020, I declare to the best of my knowledge and belief, there have been:

- a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
- b) no contraventions of any applicable code of professional conduct in relation to the audit.

This declaration is in respect of Consortia Group Holdings Pty Limited and the entities it controlled during the financial year.



Ernst & Young



Kieren Cummings  
Partner  
26 February 2021

## ► STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2020

	Notes	Group		Company	
		2020 \$000	2019 \$000	2020 \$000	2019 \$000
Interest and similar income	4.1	231,843	187,319	1,466	492
Interest and similar expense	4.2	(149,959)	(149,764)	(3,959)	(3,132)
<b>Net interest income/(expense)</b>		<b>81,884</b>	<b>37,555</b>	<b>(2,493)</b>	<b>(2,640)</b>
Net gain on financial instruments designated at fair value through profit or loss/hedge ineffectiveness		-	137	-	-
Other operating income	4.3	9,326	9,493	2,493	2,704
<b>Net operating income</b>		<b>91,210</b>	<b>47,185</b>	<b>-</b>	<b>64</b>
Employee expenses	4.4	(12,190)	(7,794)	-	-
Depreciation and amortisation expenses of non-financial assets		(2,119)	(577)	(8)	(8)
Impairment expense		(4,090)	(2,416)	-	-
Other operating expenses	4.5	(15,334)	(11,981)	(422)	(166)
<b>Total operating expenses</b>		<b>(33,733)</b>	<b>(22,768)</b>	<b>(430)</b>	<b>(174)</b>
<b>Profit before tax</b>		<b>57,477</b>	<b>24,417</b>	<b>(430)</b>	<b>(110)</b>
Income taxes	5	(16,240)	(7,966)	844	5
<b>Net profit after tax</b>		<b>41,237</b>	<b>16,451</b>	<b>414</b>	<b>(105)</b>
<b>Other comprehensive income for the year</b>					
Net loss on cash flow hedge reserve		(54)	(224)	-	-
Currency translation		(92)	(2)	-	-
<b>Total comprehensive income for the year, net of tax</b>		<b>41,091</b>	<b>16,225</b>	<b>414</b>	<b>(105)</b>
<b>Total comprehensive income attributable to:</b>					
Owners of the Group		41,091	16,225	414	(105)
		<b>41,091</b>	<b>16,225</b>	<b>414</b>	<b>(105)</b>

The above statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes.

## ► STATEMENT OF FINANCIAL POSITION

As at 31 December 2020

	Notes	Group		Company	
		2020 \$000	2019 \$000	2020 \$000	2019 \$000
<b>Assets</b>					
Cash and cash equivalents	6	252,296	213,984	178	313
Trade and other receivables		3,683	2,848	-	-
Mortgage assets	7	7,093,868	5,518,208	-	-
Other assets	8	907	1,091	23,558	3,541
Investment in controlled entities		-	-	27,507	27,507
Property, equipment and right-of-use assets	9	7,148	9,003	-	-
Deferred tax assets	5	5,465	4,208	878	34
Intangible assets	10	1,398	1,248	25	34
<b>Total assets</b>		<b>7,364,765</b>	<b>5,750,590</b>	<b>52,146</b>	<b>31,429</b>
<b>Liabilities</b>					
Trade and other payables		8,954	11,367	63	50
Borrowings	11	7,132,196	5,616,065	43,000	23,000
Income tax payable		15,957	6,720	-	-
Derivative liabilities		673	620	-	-
Employee benefit liabilities		1,104	794	-	-
Other financial liabilities	12	130,535	83,452	2,348	2,058
Deferred tax liabilities	5	11,477	8,794	-	-
<b>Total liabilities</b>		<b>7,300,896</b>	<b>5,727,812</b>	<b>45,411</b>	<b>25,108</b>
<b>Net assets</b>		<b>63,869</b>	<b>22,778</b>	<b>6,735</b>	<b>6,321</b>
<b>Equity</b>					
Issued capital	13	3,457	3,457	3,457	3,457
Retained earnings		60,884	19,647	3,278	2,864
Cash flow hedge reserve		(378)	(324)	-	-
Currency translation		(94)	(2)	-	-
<b>Total equity</b>		<b>63,869</b>	<b>22,778</b>	<b>6,735</b>	<b>6,321</b>

The above statement of financial position should be read in conjunction with the accompanying notes.



## ► STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2020

Group	Issued capital \$000	Retained earnings \$000	Cash flow hedge reserve \$000	Currency translation \$000	Total \$000
<b>Balance as at 1 January 2019</b>	<b>3,301</b>	<b>3,196</b>	<b>(100)</b>	<b>-</b>	<b>6,397</b>
Share issue	156	-	-	-	156
Net profit after tax	-	16,451	-	-	16,451
Total comprehensive income/(loss) for the year	-	-	(224)	-	(224)
Currency translation	-	-	-	(2)	(2)
Dividend paid	-	-	-	-	-
<b>Balance at 31 December 2019</b>	<b>3,457</b>	<b>19,647</b>	<b>(324)</b>	<b>(2)</b>	<b>22,778</b>
<b>Balance as at 1 January 2020</b>	<b>3,457</b>	<b>19,647</b>	<b>(324)</b>	<b>(2)</b>	<b>22,778</b>
Net profit after tax	-	41,237	-	-	41,237
Total comprehensive income/(loss) for the year	-	-	(54)	-	(54)
Currency translation	-	-	-	(92)	(92)
Dividend paid	-	-	-	-	-
<b>Balance at 31 December 2020</b>	<b>3,457</b>	<b>60,884</b>	<b>(378)</b>	<b>(94)</b>	<b>63,869</b>

Company	Issued capital \$000	Retained earnings \$000	Cash flow hedge reserve \$000	Currency translation \$000	Total \$000
<b>Balance as at 1 January 2019</b>	<b>3,301</b>	<b>2,969</b>	<b>-</b>	<b>-</b>	<b>6,270</b>
Net profit after tax	-	(105)	-	-	(105)
Share issue	156	-	-	-	156
Total comprehensive income/(loss) for the year	-	-	-	-	-
Dividend paid	-	-	-	-	-
<b>Balance at 31 December 2019</b>	<b>3,457</b>	<b>2,864</b>	<b>-</b>	<b>-</b>	<b>6,321</b>
<b>Balance as at 1 January 2020</b>	<b>3,457</b>	<b>2,864</b>	<b>-</b>	<b>-</b>	<b>6,321</b>
Net profit after tax	-	414	-	-	414
Total comprehensive income/(loss) for the year	-	-	-	-	-
Dividend paid	-	-	-	-	-
<b>Balance at 31 December 2020</b>	<b>3,457</b>	<b>3,278</b>	<b>-</b>	<b>-</b>	<b>6,735</b>

The above statement of changes in equity should be read in conjunction with the accompanying notes.

## ► STATEMENT OF CASH FLOWS

For the year ended 31 December 2020

	Group		Company	
	2020 \$000	2019 \$000	2020 \$000	2019 \$000
<b>Operating activities</b>				
Interest received or receipts	254,813	202,821	-	-
Interest and other costs of finance paid	(142,410)	(143,675)	-	-
Bank interest received	281	1,395	-	-
Fees and other receipts	14,091	11,495	-	-
Operating expenses paid	(48,198)	(29,844)	(227)	(160)
Income tax payments	(5,479)	-	-	-
Interest on lease	(531)	(124)	-	-
<b>Net cash generated by operating activities</b>	<b>72,567</b>	<b>42,068</b>	<b>(227)</b>	<b>(160)</b>
<b>Investing activities</b>				
Repayment/(origination) of loans	(1,542,976)	(1,737,274)	-	-
Purchase of fixed assets and intangibles	(504)	(1,248)	-	(42)
Investments in third parties	23	(1,724)	-	(1,700)
Loan to related party	-	-	(20,000)	-
Dividends received	1	-	2,493	2,704
Interest received related party loan	-	-	1,466	492
<b>Net cash used in investing activities</b>	<b>(1,543,456)</b>	<b>(1,740,246)</b>	<b>(16,041)</b>	<b>1,454</b>
<b>Cash flows from financing activities</b>				
Proceeds from issue of shares	-	156	-	156
Trust establishment costs	(6,184)	(8,217)	-	-
Proceeds from trust borrowings	1,500,687	1,767,750	-	-
Proceeds from corporate borrowings	20,000	-	20,000	-
Interest paid on corporate borrowings	(3,959)	(3,196)	(3,959)	(3,196)
Amounts advanced from related parties	-	-	92	1,768
Payment of lease liability	(1,343)	-	-	-
<b>Net cash (used in)/provided by financing activities</b>	<b>1,509,201</b>	<b>1,756,493</b>	<b>16,133</b>	<b>(1,272)</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>38,312</b>	<b>58,315</b>	<b>(135)</b>	<b>22</b>
Cash and cash equivalents at the beginning of the financial year	213,984	155,669	313	291
<b>Cash and cash equivalents at the end of the financial year</b>	<b>252,296</b>	<b>213,984</b>	<b>178</b>	<b>313</b>

The above statement of cash flows should be read in conjunction with the accompanying notes.

► **NOTES TO THE FINANCIAL STATEMENTS**

For the year ended 31 December 2020

**1 Corporate information**

The financial report of the Group and the Company for the year ended 31 December 2020 was authorised for issue in accordance with a resolution of the directors on 26 February 2021.

The Company is a for-profit company limited by shares incorporated in Australia.

The registered office and principal place of business of the Company is Level 12, 77 Castlereagh Street, Sydney, NSW 2000 Australia.

Columbus Capital Pty Limited, a subsidiary of the Company, holds an Australian financial services licence (no. 337303).

The nature of the operations and principal activities of the Group are described in the Directors' report.

**2 Basis of preparation and summary of significant accounting policies**

**2.1 Basis of preparation**

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

The financial report has been prepared on a historical cost basis, except for the revaluation of certain assets and financial instruments which have been measured at fair value. Cost is based on the fair values of the consideration given in exchange for assets.

Assets and liabilities have been presented on the face of the statement of financial position in decreasing order of liquidity and do not distinguish between current and non-current items.

The financial report is presented in Australian dollars and all values are rounded to the nearest thousand dollars (\$000), as allowed by ASIC Corporations (Rounding in Financial/ Directors' Reports) Instrument 2016/191 unless otherwise stated.

*ASIC Class Order 10/654* has been applied, and as such, both the Company and the Group financial statements are presented in this financial report.

The financial report also complies with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board.

**COVID-19**

COVID-19 is a respiratory illness caused by the novel coronavirus and was declared a worldwide pandemic by the World Health Organisation in March 2020. COVID-19 and related measures to slow the spread of the virus, have since had a significant impact on the Australian and global economy, supply chains and financial markets.

The Group has considered the impact of COVID-19 and related market volatility in preparing these financial statements. While the methodologies and assumptions applied in the measurement of various items within the financial statements remain unchanged from those applied in the 2019 financial statements, the impact of COVID-19 has resulted in the application of further judgement and the incorporation of estimates and assumptions specific to the impact of COVID-19. Principally this has resulted in updates to the Group's assumptions used in determining expected credit losses ("**ECL**") and the impairment assessment for other non-financial assets.

**2.2 Accounting policies**

**New and amended standards and interpretations**

**Interest Rate Benchmark Reform: Amendments to AASB 9, AASB 139 and IFRS 7**

*The Australian Accounting Standards Board ("**AASB**") Interest Rate Benchmark Reform Amendments to AASB 9, AASB 139 and AASB 7* includes a number of reliefs, which apply to all hedging relationships that are directly affected by interest rate benchmark reform. A hedging relationship is affected if the reform gives rise to uncertainties about the timing and or amount of benchmark-based cash flows of the hedged item or the hedging instrument during the period before the replacement of an existing interest rate benchmark with an alternative nearly risk-free interest rate ("**RFR**"). This may lead to uncertainty whether a forecast transaction is highly probable and whether prospectively the hedging relationship is expected to be highly effective. Interbank Offered Rates ("**IBOR**") reform Phase 1 provides reliefs which require the Company to assume that hedging relationships are unaffected by the uncertainties caused by IBOR reform. This includes assuming that hedged cash flows are not altered as a result of IBOR reform. Also, the reliefs allow the Group to not discontinue hedging relationships as a result of retrospective or prospective ineffectiveness. IBOR Reform Phase 1 also requires additional disclosures in relation to those hedging relationships to which the reliefs are applied, provided below. Management have considered the impacts of IBOR Transition on existing hedge accounting arrangements and there was no material financial impact on the Group.

The most significant interest rate benchmark to which the Group is exposed is the Bank Bill Swap Rate ("**BBSW**"). Locally, there has been no regulatory announcement indicating the discontinuation of BBSW similar to that from the Financial Conduct Authority concerning the London Interbank Offered Rate ("**LIBOR**") and therefore the Group does not expect the current IBOR reforms to have a direct impact on its hedge accounting arrangements, apart from those discussed below.

The amendments are effective from 1 January 2020.

**Phase 2**

Additional amendments have been issued by the AASB in relation to interest rate benchmark reform for AASB 7, AASB 9, AASB 16 and AASB 139. These amendments will come into effect for reporting periods beginning on or after 1 January 2021 and have not been early adopted by the Group. These amendments are in addition to the phase 1 amendments that were announced in October 2019. The phase 2 amendments focus on the effect of applying accounting standards when changes are made to contractual cash flows or hedging relationships because of the interest rate benchmark reform. The Group is currently assessing the impact of this amendment.

These amendments will impact the Group's financial instruments and lease liabilities that reference an IBOR rate. The Group's financial instruments are mainly exposed to BBSW which, as indicated above, is expected to remain a benchmark rate for the foreseeable future.

The Group will apply IBOR reform Phase 2 from 1 January 2021.

AASB interpretation 23 Uncertainty over Income Tax Treatment

Interpretation 23 sets out how to determine the accounting tax position when there is uncertainty over income tax treatments that affects the application of AASB 112 *Income Taxes* (“**AASB 112**”). It does not apply to taxes or levies outside the scope of AASB 112, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. The Interpretation specifically addresses the following:

- Whether an entity considers uncertain tax treatments separately;
- The assumptions an entity makes about the examination of tax treatments by taxation authorities;
- How an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates; and
- How an entity considers changes in facts and circumstance.

The Interpretation is effective for annual periods beginning on or after 1 July 2019.

The Group determines whether to consider each tax treatment separately or together with one or more other uncertain tax treatments and used the approach that better predicts the resolution on the uncertainly.

The Interpretation has not had a significant impact on the Company or Group’s financial statements.

AASB 9 Financial Instruments – Fees in the “10 per cent” test for derecognition of financial liabilities

As part of its 2018-2020 Annual Improvements to IFRS standards process, the AASB issued an amendment to AASB 9. The amendment clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other’s behalf. An entity applies the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment.

The amendment is effective for annual reporting periods beginning on or after 1 January 2022.

2.3 Basis of consolidation

The consolidated financial statements comprise those of Nautilus Trust No. 1, Triton Trust No.2, Triton Trust No.3, Triton Trust No.5, Triton Trust No.6, Triton Trust No.7, Triton Trust No.8, Triton Trust No.9, Triton Trust No. 10, Triton Bond Trust 2020, Triton SMSF Bond Trust 2020, Triton BEN Warehouse Trust, Triton Warehouse Trust 2020SF, Triton Trust 2020CN, Vermilion Trust No. 1, Vermilion Bond Trust 2020, Triton Consumer Asset Trust, Poros Trust No. 1, Lumina Trust 2020, Lantern Bond Trust 2020 (collectively the “**Trusts**”), Consortia Group Holdings Pty Limited, Columbus Capital Pty Limited, ColCap Pty Limited, Columbus Capital Funds Management Pty Limited, Columbus Capital Financial Pty Limited, AVA U2 Pty Ltd, Origin Mortgage Management Services Pty Ltd, ColCap Investments Pty Ltd, ColCap Servicing Pty Ltd, Homestar Finance Pty Ltd, Pharos NB Pty Ltd, Pharos AQ Pty Ltd, Pharos IAC Pty Ltd, Pharos IAC 2017-2 Pty Ltd, Pharos IAC 2018-1 Pty Ltd, Pharos IAC 2019-3 Pty Ltd, Pharos AQ NTX Pty Ltd, Pharos CB 2020 Pty Ltd, Pharos AQ 2020 Pty Ltd, Pharos RV Pty Ltd and Pharos IAC 2020 Pty Ltd (collectively the “**Group**”).

The Group’s consolidated financial statements have been prepared by consolidating the financial statements of all entities that comprise the Group, being the Company (the parent entity) and its controlled entities as defined by accounting standard AASB 10 *Consolidated Financial Statements*.

Consistent accounting policies have been employed in the preparation and presentation of the financial statements. All intercompany balances and transactions between entities in the economic entity including any unrealised profits and losses have been eliminated in consolidation.

2.4 Summary of significant accounting policies

a) Interest and other income

Upfront fees and commissions charged to customers are included in the amortised cost of the mortgage assets to the extent that they are incremental to the origination of the financial asset. These upfront fees and commissions are therefore recognised on a time proportionate basis that takes into account the effective yield on the mortgage asset at a Group level, under the effective interest rate (“**EIR**”) method.

The EIR method is a method of calculating the amortised cost of a mortgage asset and of allocating interest income over the relevant period. The EIR is the rate that exactly discounts estimated future cash receipts through the expected life of the mortgage asset or, where appropriate, a shorter period.

Bank interest and other income

Bank interest and other fees are recognised when the Group’s right to receive the payment is established.

Where fee and commission income are not incremental to the origination of a financial asset, including at a Company level where mortgage assets are not recognised, the fee and commission income is recognised upon satisfaction of the relevant service.

In relation to manager and servicer income at the Company level, the Company receives fees for providing specific administrative tasks in relation to certain assets held in the Trusts. These services include trust management, collecting cash flows from borrowers and remitting them to beneficial interest holders, monitoring delinquencies and executing foreclosures. These services represent a single performance obligation comprised of a series of distinct daily services that are substantially the same and have the same pattern of transfer over the contract period. As the benefit to the customer of the services is transferred evenly over the contract period, these fees are recognised as revenue evenly over the period based on time elapsed, and the outstanding balance of the Trusts’ borrowings.

b) Business combinations

Business combinations are accounted for using the acquisition method. The consideration transferred in a business combination shall be measured at fair value, which shall be calculated as the sum of the acquisition date fair values of the assets transferred by the acquirer, the liabilities incurred by the acquirer to former owners of the acquiree and the equity issued by the acquirer, and the amount of any non-controlling interest in the acquiree. For each business combination, the acquirer measures the non-controlling interest in the acquiree either at fair value or at the proportionate share of the acquiree’s identifiable net assets. Acquisition-related costs are expensed as incurred and included in administrative expenses.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic conditions, the Group’s operating or accounting policies and other pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer’s previously held equity interest in the acquiree is remeasured to fair value at the acquisition date through profit or loss.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability will be recognised in accordance with AASB 9 either in profit or loss or as a change to other comprehensive income. If the contingent consideration is classified as equity, it should not be remeasured until it is finally settled within equity.



### c) Interest and other expense

The interest expense on borrowings is recognised under the EIR method (refer to Note 2.4(m) for further details).

Where fee and commission expense are incremental and directly attributable to the origination of the financial liability, it is accounted for under the EIR method (refer to Note 2.4(m) for further details).

Where fee and commission expense are not incremental and directly attributable to the origination of a financial liability, it is recognised as incurred.

### d) Derivative financial instruments and hedge accounting

#### *Initial recognition and subsequent measurement*

The Group uses derivative financial instruments, such as interest rate swaps to hedge its interest rate risks. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently re-measured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.

The Group elected as a policy choice permitted under AASB 9 to continue to apply hedge accounting in accordance with AASB 139. For the purpose of hedge accounting, hedges are classified as cash flow hedges when hedging the exposure to variability in cash flows that is either attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction or the foreign currency risk in an unrecognised firm commitment. Hedges that meet all the qualifying criteria for hedge accounting are accounted for as described below.

#### *Cash flow hedges*

The effective portion of the gain or loss on the hedging instrument is recognised in other comprehensive income (“**OCI**”) in the cash flow hedge reserve, while any ineffective portion is recognised immediately in the statement of profit or loss and other comprehensive income as gain or loss on financial instruments designated at fair value through profit or loss.

The amounts accumulated in OCI are accounted for, depending on the nature of the underlying hedged transaction. If the hedged transaction subsequently results in the recognition of a non-financial item, the amount accumulated in equity is removed from the separate component of equity and included in the initial cost or other carrying amount of the hedged asset or liability. This is not a reclassification adjustment and will not be recognised in OCI for the period. This also applies where the hedged forecast transaction of a non-financial asset or non-financial liability subsequently becomes a firm commitment for which fair value hedge accounting is applied.

For any other cash flow hedges, the amount accumulated in OCI is reclassified to profit or loss as a reclassification adjustment in the same period or periods during which the hedged cash flows affect profit or loss.

If cash flow hedge accounting is discontinued, the amount that has been accumulated in OCI must remain in accumulated OCI if the hedged future cash flows are still expected to occur. Otherwise, the amount will be immediately reclassified to profit or loss as a reclassification adjustment. After discontinuation, once the hedged cash flow occurs, any amount remaining in accumulated OCI must be accounted for depending on the nature of the underlying transaction as described above.

### e) Income tax

#### *Current tax*

Current tax is calculated by reference to the amount of income taxes payable or recoverable in respect of the taxable profit or tax loss for the period. It is calculated using tax rates and tax laws that have been enacted or substantively enacted by the reporting date.

#### *Deferred tax*

Deferred tax is accounted for using the balance sheet liability method. Temporary differences are differences between the tax base of an asset or liability and its carrying amount in the statement of financial position. The tax base of an asset or liability is the amount attributed to that asset or liability for tax purposes.

In principle, deferred tax liabilities are recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that sufficient taxable amounts will be available against which deductible temporary differences or unused tax losses and tax offsets can be utilised. However, deferred tax assets and liabilities are not recognised if the temporary differences giving rise to them arise from the initial recognition of assets and liabilities (other than as a result of a business combination) which affects neither taxable income nor accounting profit.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period(s) when the asset and liability giving rise to them are realised or settled, based on the tax rates (and tax laws) that have been enacted or substantively enacted by reporting date.

The Group offsets deferred tax assets and deferred tax liabilities if and only if it has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

#### *Current and deferred tax for the period*

Current and deferred tax is recognised as an expense or income in the statement of profit or loss and other comprehensive income except when it relates to items credited or debited directly to equity, in which case the deferred tax is also recognised directly in equity, or where it arises from the initial accounting for a business combination, in which case it is taken into account in the determination of goodwill or excess.

#### *Goods and services tax (“GST”)*

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

- where the amount of GST incurred is not recoverable from the taxation authority, it is recognised as part of the cost of acquisition of an asset or as part of an item of expense; or
- for receivables and payables which are recognised inclusive of GST.

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

Cash flows are included in the statement of cash flows on a gross basis. 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.

f) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, demand deposits and cash held by the trustee. Cash and cash equivalents are measured at fair value, being the principal amount. Cash held by the trustee is held in a specific bank account controlled by the trustee and is not available for the Group’s use.

Where cash deposits are held as guarantees, transactions may require co-signing by financiers.

Refer to Note 6 for further details.

g) Trade and other receivables

Trade receivables, which typically have 30 to 60-day terms, are recognised initially at fair value and subsequently at amortised cost, (refer to Note 2.4(h) for further details).

h) Mortgage and financial assets

Mortgage assets

Loans and advances are financial assets for which the contractual cash flows are solely repayments of principal and interest and that are held in a business model with the objective of collecting contractual cash flows. Loans and advances include loan assets, premiums, discounts, and accrued interest. Loans and advances are initially recognised at fair value including direct and incremental transaction costs relating to loan. Mortgage assets are subsequently measured at amortised cost using the EIR method less impairment. The amounts required to bring the allowance for impairment to their assessed levels is recognised in the statement of profit or loss and other comprehensive income each reporting period. Interest is recognised by applying the EIR methodology.

Financial assets

Classification and measurement

Except for certain trade receivables, under AASB 9 the Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Under AASB 9, debt financial instruments are subsequently measured at fair value through profit or loss (“**FVPL**”), amortised cost, or fair value through other comprehensive income (“**FVOCI**”). The classification is based on two criteria namely the Group’s business model for managing the assets and provided that the contractual cash flows are “solely payments of principal and interest on the principal amount outstanding” (the “**SPPI**” criterion).

The classification and measurement of the Group’s debt financial assets including mortgage assets is as follows:

- Debt instruments are measured at amortised cost for financial assets that are held within a business model with the objective to hold the financial assets in order to collect contractual cash flows that meet the SPPI criterion. This category includes the Group’s mortgage assets, related party loans and trade and other receivables.

Other financial assets are classified and subsequently measured as follows:

- Financial assets at FVPL comprise derivative instruments which the Group had not irrevocably elected at initial recognition or transition to classify at FVOCI. This category also includes debt instruments whose cash flow characteristics fail the SPPI criterion or are not held within a business model whose objective is either to collect contractual cash flows or to both collect contractual cash flows and sell.

Fair values of financial assets

The Group measures financial instruments at fair value at each reporting date.

Fair value is the price that would be received to sell an asset in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- in the principal market for the asset or liability; or
- in the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible to by the Group.

The fair value of an asset is measured using the assumptions that market participants would use when pricing the asset, assuming that market participants act in their economic best interest.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1	Quoted (unadjusted) market prices in active markets for identical assets or liabilities
Level 2	Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
Level 3	Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

Impairment of financial assets

The Group records an allowance in its ECL model for all loans and other debt financial assets not held at FVPL which are assessed at each reporting date under the forward-looking ECL approach.

ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive. The shortfall is then discounted at an approximation to the asset’s original effective interest rate. Mortgage assets are split into three baskets to determine the amount of impairment recognised in the ECL at each reporting date. The baskets are performing (“**Stage 1**”), underperforming (“**Stage 2**”) and non-performing (“**Stage 3**”) loans.

Stage 1 loans are assumed to have not experienced any credit deterioration since initial recognition. Their credit risk is low and the assets are recognised on potential losses within the next 12 months from the reporting date.

Stage 2 loans are assumed to be loans greater than 30 days in arrears, or loans that are current but have had previous credit issues, or there is information to suggest they are in difficulty. These are assessed under a lifetime expected loss on the asset. These are moderate to high credit risk assets.

Stage 3 loans are loans where there is an expected loss or where there is a requirement for a specific provision. There is strong evidence of impairment and the credit risk is very high. A lifetime ECL is recognised.

Macroeconomic factors are considered within the ECL modelling. This assessment provides weighting to the probability of default and factors their impact on the performance of the loans (e.g. does the general level of unemployment in the economy have potential to impact losses and impairment of the mortgage assets).

For trade receivables, the Group applies a simplified approach in calculating ECL. The Group does therefore not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECL at each reporting date. The Group considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

i) Property, equipment and right-of-use assets

Property and equipment

Property and equipment is stated at cost (excluding the costs of day-to-day servicing) less accumulated depreciation and accumulated impairment in value. Changes in the expected useful life are accounted for by changing the amortisation period or methodology, as appropriate, and treated as changes in accounting estimates.

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

Computer equipment	3 - 5 years
Office equipment and furniture	3 - 5 years
Office fittings	Life of lease
Motor vehicles	8 years

An item of property and equipment and any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of profit or loss when the asset is derecognised.

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

Right-of-use assets

The Group recognises right-of-use assets at the commencement date of the lease (i.e. the date the underlying asset is available for use). Right-of-use assets are measured at cost less any accumulated depreciation and impairment, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term. Right-of-use assets are subject to impairment.

Lease liabilities

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

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

Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to its office leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option. It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered of low value (i.e. below \$5,000). Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

j) Intangible assets

Brand names

Brand names acquired in a business combination (e.g. Homestar) are recognised at cost. Brand names are subsequently not amortised but tested for impairment at least annually or whenever there is an indication of impairment.

Goodwill

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognised by the Group for the net identifiable assets acquired and liabilities assumed.

After initial recognition, goodwill is measured at cost less any accumulated impairment. For the purpose of impairment testing, goodwill acquired in a business combination is from the acquisition date allocated to each of the Group’s cash-generating units (“CGU”) that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.



Where goodwill has been allocated to a CGU and part of the operation within that unit is disposed of, the goodwill associated with the disposed operation is included in the carrying amount of the operation when determining the gain or loss on disposal. Goodwill disposed in these circumstances is measured based on the relative values of the disposed operation and the portion of the CGU retained.

Goodwill is subsequently not amortised but tested for impairment at least annually or whenever there is an indication of impairment.

**Software**

Software costs include certain internal and external costs directly incurred in acquiring and developing software. Software is recorded at cost less accumulated amortisation and impairment. Amortisation is charged on a straight-line basis over its estimated useful lives. The estimated useful life and amortisation method is reviewed at the end of each annual reporting period, with any changes being recognised as a change in accounting estimate.

**Intellectual property and other intangibles**

Intangible assets acquired separately or in a business combination are initially measured at cost. The cost of an intangible asset acquired in a business combination is its fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment. Internally generated intangible assets, excluding capitalised development costs, are not capitalised and expenditure is recognised in profit or loss in the year in which the expenditure is incurred.

**Amortisation**

The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are amortised over the useful life and tested for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year-end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for prospectively by changing the amortisation period or method, as appropriate, which is a change in accounting estimate.

The amortisation expense on intangible assets with finite lives is recognised in profit or loss in the expense category consistent with the function of the intangible asset.

The following estimated useful lives are used in the calculation of amortisation:

Software	3 - 7 years
Intellectual property and other intangibles	5 years - indefinite life

**k) Impairment of non-financial assets**

At each reporting date the Group reviews the carrying amounts of its tangible and intangible assets 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 in order to determine the extent of the impairment loss (if any).

Where the asset does not generate cash flows that are independent from other assets, the Group estimates the recoverable amount of the CGU to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual CGUs, or otherwise they are allocated to the smallest group of CGUs for which a reasonable and consistent allocation basis can be identified.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment annually and whenever there is an indication that the asset may be impaired. The recoverable amount is the higher of the fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised in profit or loss immediately unless the relevant asset is carried at fair value, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised in profit or loss immediately, unless the relevant asset is carried at fair value, in which case the reversal of the impairment loss is treated as a revaluation increase.

**l) Trade and other payables**

Trade payables and other payables are recognised when the Group becomes obliged to make future payments resulting from the purchase of goods and services.

**m) Borrowings and financial liabilities**

Financial liabilities are initially recognised at fair value net of directly attributable incremental transaction costs including rating agency, legal, professional fees, and other establishment costs. After initial recognition, financial liabilities are subsequently measured at amortised cost. Any difference between the proceeds net of transaction costs and the redemption amount is recognised in the statement of profit or loss and other comprehensive income over the life of the financial liability using the EIR method.

Financial liabilities comprise the following:

*Other financial liabilities*

Other financial liabilities are initially measured at fair value net of transaction costs, and are subsequently recorded at amortised cost using the EIR method with interest expense recognised on an effective yield basis.

## n) Commissions

### ***Future trail commission liability***

The amount of trailing commissions payable to introducers is determined using the discounted cash flow (“**DCF**”) valuation technique. These calculations require the use of assumptions. The key assumptions underlying the calculation of trail commissions payable to introducers during the year include the prepayment rate, the expected trail commission rate and the discount rate.

To the extent that trail commission arrangements are renegotiated, resulting in a reduced or increased trail commission liability, such gain or loss is recognised in the statement of profit or loss and other comprehensive.

At a Group level upfront and trail commissions are included in the amortised cost of the mortgage assets and recognised under the EIR method (refer to Note 2.4(h) and 2.4(a) for further details respectively).

## o) Provisions

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 reporting date, taking into account the risks and uncertainties surrounding the obligation. Where 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 some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

## p) Employee benefit liabilities

Liabilities for wages and salaries, including non-monetary benefits and annual leave, are recognised in respect of employees' services up to the reporting date. They are measured at the present value of expected future payments when the liabilities are settled. Expenses for non-accumulating sick leave are recognised when the leave is taken and are measured at the rates paid.

The long service leave liability is recognised and measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date. Provision is made for the full length of service, after an employee completes five years of service, and are measured at the current wage rates.

## q) Investments in controlled entities

Investments by the Company in controlled entities are measured at cost less any assessed impairment loss.

## r) Equity accounted investments

Equity accounted investments are initially measured at cost, and the carrying amount is subsequently increased or decreased to recognise the share of profit or loss of the investee after the date equity accounting commenced, less any assessed impairment loss.

## s) Issued capital

Issued capital in respect of ordinary shares is recognised as the fair value of consideration received by the Company.

## t) Comparatives

Prior year comparative information, where necessary, has been reclassified to achieve consistency in disclosure with current financial period amounts and other disclosures.

## u) Foreign currency translation

The consolidated financial statements are presented in Australian dollars (\$). For each entity in the Group, the Group determines the functional currency and items included in the financial statements of each entity are measured using that functional currency. The Group uses the direct method of consolidation.

Transactions in foreign currencies are initially recorded in the functional currency at the spot rate of exchange ruling at the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are retranslated into the functional currency at the spot rate of exchange at the reporting date. All foreign exchange differences arising on non-trading activities are taken to other operating income/expense in the statement of profit or loss and other comprehensive income, with the exception of the effective portion of the differences on foreign currency borrowings that are accounted for as an effective hedge against a net investment in a foreign entity. These differences are recognised in OCI until the disposal of the net investment, at which time they are recognised in the statement of profit or loss and other comprehensive income. Tax charges and credits attributable to exchange differences on those monetary items are also recorded in OCI.

Non-monetary items that are measured at historical cost in a foreign currency are translated using the spot exchange rates as at the date of recognition.

On consolidation, the assets and liabilities in foreign operations are translated into dollars at the spot rate of exchange prevailing at the reporting date and their statements of profit or loss and other comprehensive income are translated at spot exchange rates prevailing at the dates of the transactions. The exchange differences arising on translation for consolidation are recognised in OCI.

3 Significant accounting judgements, estimates and assumptions

In the application of the Group’s accounting policies, management is required to make judgements, estimates and assumptions about carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Estimates and assumptions

The following are the key assumptions concerning the future and other key sources of estimation uncertainty at the reporting period 31 December 2020, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial period:

*Impairment of financial assets – mortgage assets*  
The Group has applied AASB 9, using its forward looking ECL model for all mortgage assets and other debt financial instruments not held at FVPL. The Group’s mortgage asset provisioning is based on its substantial data of the loan book and considers economic conditions and the outlook in its assessment.

The assessment of the correlation between historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The Group’s historical credit loss experience and forecast of economic conditions may also not be representative of customer’s actual default in the future. The information about the ECLs on the Group’s financial assets is disclosed in Note 7.

The potential implications of COVID-19 were given careful consideration when determining the assumptions and scenario probability weightings impacting the ECL

model, with more conservative assumptions adopted than for the prior year. The specific provision analysis also entailed a detailed assessment of loans in Hardship and in arrears taking into account the value of the loan security and any lenders mortgage insurance.

Purchase price allocation

The price paid is allocated firstly against the tangible assets and then the intangible assets, in proportion of the fair value intangible recognised. Third party valuation multiples have been used to provide substance to the valuation of the brand, with any remaining allocation applied to goodwill.

Future trail commission

The amount of trail commission payable to originators is determined by using the DCF valuation technique. These calculations require the use of assumptions. The key assumptions underlying the calculation of trail commissions receivable during the period include the prepayment rate, the expected trail commission rate and the discount rate. These assumptions are determined by management as follows:

	Year ended 31 December 2020	Year ended 31 December 2019
Prepayment rate	13.70%	17.75%
Discount	8.00%	8.75%

Where there has been a contractual reduction in the future commission payable, the value of that reduction is measured using DCF techniques. The resulting value is applied against the existing future trailing commission payable and taken to profit and loss.

Amortised cost and application of the EIR

Management have reviewed all amounts recognised at amortised cost and determined that all amounts are recognised appropriately under the EIR method. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees that are an integral part of the EIR. These calculations require the use of assumptions. The key assumptions underlying the amortised cost calculation are the prepayment rate and the estimate of future cash flows.

Taxation

Provisions for taxation require significant judgement with respect to outcomes that are uncertain. The Company has estimated its tax provisions based on expected outcomes. Deferred tax assets are recognised for deductible temporary differences and losses carried forward, as management considers that it is probable that future taxable profits will be available to utilise those deferred tax assets. In forming their view, management considers the probability of forecast future taxable income and performs stress testing on expecting budgets to assess the likelihood of deferred tax assets being utilised. Management does not recognise deferred tax assets where utilisation is not considered probable.

Going concern

The Group’s management has made an assessment of its ability to continue as a going concern and is satisfied that it has the resources to continue in business for the foreseeable future. Furthermore, management is not aware of any material uncertainties that may cast significant doubt on the Group’s ability to continue as a going concern. Therefore, the financial statements continue to be prepared on the going concern basis.

4 Revenue and expenses

4.1 Interest and similar income

	Group		Company	
	2020 \$000	2019 \$000	2020 \$000	2019 \$000
Mortgage interest income	231,574	185,966	-	-
Bank and other interest	269	1,353	1,466	492
	<b>231,843</b>	<b>187,319</b>	<b>1,466</b>	<b>492</b>

4.2 Interest and similar expense

	Group		Company	
	2020 \$000	2019 \$000	2020 \$000	2019 \$000
Interest on borrowings	148,959	149,250	3,959	3,132
Swap expense	1,000	514	-	-
	<b>149,959</b>	<b>149,764</b>	<b>3,959</b>	<b>3,132</b>

4.3 Other operating income

	Group		Company	
	2020 \$000	2019 \$000	2020 \$000	2019 \$000
Fees charged for services	9,303	8,381	-	-
Other	23	1,112	2,493	2,704
	<b>9,326</b>	<b>9,493</b>	<b>2,493</b>	<b>2,704</b>



4 Revenue and expense (continued)

4.4 Employee expenses

	Group		Company	
	2020	2019	2020	2019
	\$000	\$000	\$000	\$000
Salaries and wages	10,411	6,729	-	-
Superannuation	627	527	-	-
Leave provision	309	82	-	-
Other employee expenses	843	456	-	-
	12,190	7,794	-	-

The number of employees employed by the Group as at 31 December 2020 was 160 (2019: 127).

4.5 Other operating expenses

	Group		Company	
	2020	2019	2020	2019
	\$000	\$000	\$000	\$000
Trust related expenses	5,959	3,919	-	-
Marketing and sponsorship	3,389	2,279	-	-
Computer support and licensing	1,678	1,612	-	-
Professional fees	1,761	1,558	421	166
Communication expenses	458	181	-	-
Business insurance	400	310	-	-
Other operating expenses	1,689	2,122	1	-
	15,334	11,981	422	166

5. Income tax

The tax rate used in the reconciliation is the corporate tax rate of 30% payable by Australian corporate entities on taxable profits under Australian tax law. There has been no change in the corporate tax rate when compared with the previous reporting period.

Current income tax:

Current income tax charge  
Adjustments in respect of current tax of previous years\*

Deferred tax:

Origination and reversal of temporary differences

Income tax expense reported in the statement of profit or loss and other comprehensive income

\*Relates to the impact of the amended tax treatment of certain expenses in previous years, adopted in 2020.

The prima facie income tax debit/(credit) on pre-tax accounting profit from operations reconciles to the income tax expense in the financial statements as follows:

	Group		Company	
	2020	2019	2020	2019
	\$000	\$000	\$000	\$000
Profit/(loss) from operations	57,477	24,417	(430)	(110)
At Australia's statutory income tax rate of 30% (2019: 30%)	17,243	7,325	(129)	(33)
Non-deductible expenses for tax purposes	36	230	33	33
Non-assessable income for tax purposes	(1)	219	-	-
Adjustment in respect of income tax of previous years				
- Current tax expense adjustment*	(4,374)	(5)	-	(5)
- Deferred tax expense adjustment*	3,345	-	-	-
Other tax adjustments	(9)	197	(748)	-
	16,240	7,966	(844)	(5)

\*Relates to the impact of the amended tax treatment of certain expenses in previous years, adopted in 2020.

5. Income Tax (continued)

Deferred tax

The following table shows deferred tax recorded in the statement of financial position and changes recorded in the Income tax expense:

Group	2020			2019		
	Deferred tax assets \$000	Deferred tax liabilities \$000	Net \$000	Deferred tax assets \$000	Deferred tax liabilities \$000	Net \$000
Provisions	1,543	-	1,543	1,016	-	1,016
Employee benefits	394	-	394	289	-	289
Property, equipment and right-of-use assets	1,927	(1,806)	121	2,386	(2,364)	22
Derivative financial instruments	202	-	202	186	-	186
Capitalised costs	-	(5,847)	(5,847)	-	(1,653)	(1,653)
Acquisition costs	-	(2,053)	(2,053)	-	(2,559)	(2,559)
Other temporary differences	1,399	(1,771)	(372)	331	(2,218)	(1,887)
	5,465	(11,477)	(6,012)	4,208	(8,794)	(4,586)

Company	2020			2019		
	Deferred tax assets \$000	Deferred tax liabilities \$000	Net \$000	Deferred tax assets \$000	Deferred tax liabilities \$000	Net \$000
Franking credits offsets	840	-	840	-	-	-
Other temporary differences	38	-	38	34	-	34
	878	-	878	34	-	34

6. Cash and cash equivalents

	Group		Company	
	2020 \$000	2019 \$000	2020 \$000	2019 \$000
Cash and cash at banks	48,609	15,352	178	313
Cash payable to trust	-	-	-	-
Cash held by trustee*	158,151	166,970	-	-
Cash held by trustee - collateral/reserves*	45,536	31,662	-	-
	252,296	213,984	178	313

\* Cash held by trustee represents a resource available to support the noteholders of the Trusts and is not available to the shareholders of the Group.

At 31 December 2020, the Group had available \$1.2 billion (2019: \$1.0 billion) of undrawn borrowing facilities.

For the purpose of the statement of cash flows, cash and cash equivalents comprise the above.

6. Cash and cash equivalents (continued)

Reconciliation of the net profit after tax to net cash flows from operations:

	Group		Company	
	2020 \$000	2019 \$000	2020 \$000	2019 \$000
Net profit after tax	41,237	16,451	414	(105)
Adjustments to reconcile profit after tax to net cash flows:				
Depreciation and amortisation of non-financial assets	2,139	606	8	8
Other amortisation expenses	14,773	10,648	-	-
Impairment/bad debts	4,986	2,416	-	-
Interest received from investing activities	-	-	(1,466)	(492)
Dividends received	(1)	-	(2,493)	(2,704)
Unrealised revaluation of swaps	(1)	(95)	-	-
Interest paid from financing activities	3,959	3,132	3,959	3,132
Other non-cash movements	11	258	-	-
Changes in assets and in liabilities:				
(Increase)/decrease in trade and other receivables	(2,452)	(2,361)	1	-
Decrease/(increase) in other assets	142	205	(17)	-
(Decrease)/increase in trade and other payables	(2,427)	2,472	13	6
Increase in income tax payable	9,237	6,720	-	-
Increase in employee benefit liabilities	310	72	-	-
(Decrease)/increase in borrowings and other financial liabilities	(771)	927	198	-
Increase/(decrease) in net deferred tax (assets)/liabilities	1,425	617	(844)	(5)
Net cash generated by operating activities	72,567	42,068	(227)	(160)

Changes in liabilities arising from financing activities.

Group	2020		2019	
	Note-holders \$000	Loans \$000	Note-holders \$000	Loans \$000
Opening balance 1 January 2019	5,600,422	23,000	3,831,963	23,000
Cash flow items:				
Issuances	4,707,270	20,000	4,993,214	-
Repayment	(3,206,583)	-	(3,225,464)	-
Non-cashflow items				
Movement in accrued interest	(407)	-	710	-
Ending balance 31 December 2020	7,100,702	43,000	5,600,423	23,000

Financing facilities

The Group has no overdraft facilities.

The Group expects to meet its obligations from operating cash flows and the proceeds of maturing financial assets.

## 7. Mortgage assets

	Group		Company	
	2020 \$000	2019 \$000	2020 \$000	2019 \$000
Loan portfolio	6,940,386	5,410,744	-	-
Deferred (income)/expenses	24,177	22,550	-	-
Future trail commission asset*	134,447	88,688	-	-
<b>Mortgages</b>	<b>7,099,010</b>	<b>5,521,982</b>	<b>-</b>	<b>-</b>
Less: Allowance for impairment	(5,142)	(3,774)	-	-
	<b>7,093,868</b>	<b>5,518,208</b>	<b>-</b>	<b>-</b>

\* Future trail commission asset has a corresponding future trail commission liability of \$127.5 million (2019: \$80.0 million) included within other financial liabilities (see Note 12.), the net Group trail commission asset being \$7.0 million (2019: \$8.7 million).

A reconciliation of the allowance for impairment of the loan portfolio is as follows:

	Group		Company	
	2020 \$000	2019 \$000	2020 \$000	2019 \$000
Balance at beginning of year	3,774	3,119	-	-
Net increase in allowance	1,368	655	-	-
Balance at end of year	<b>5,142</b>	<b>3,774</b>	<b>-</b>	<b>-</b>
Individually assessed impairment	1,318	1,601	-	-
Collective impairment	3,824	2,173	-	-
	<b>5,142</b>	<b>3,774</b>	<b>-</b>	<b>-</b>

Changes in the gross carrying value of mortgages are as follows:

Group	Stage 1 \$000	Stage 2 \$000	Stage 3 \$000	Total \$000
<b>As at 1 January 2019</b>	<b>3,736,067</b>	<b>21,270</b>	<b>9,874</b>	<b>3,767,211</b>
New assets originated or purchased	2,432,383	15,912	-	2,448,295
Assets derecognised or repaid	(687,761)	(5,301)	(462)	(693,524)
Transfers to Stage 1	187	(187)	-	-
Transfers to Stage 2	(52,408)	52,408	-	-
Transfers to Stage 3	-	(741)	741	-
<b>As at 31 December 2019</b>	<b>5,428,468</b>	<b>83,361</b>	<b>10,153</b>	<b>5,521,982</b>
New assets originated or purchased	2,813,824	432	-	2,814,256
Assets derecognised or repaid	(1,227,108)	(4,784)	(5,336)	(1,237,228)
Transfers to Stage 1	7,460	(6,168)	(1,292)	-
Transfers to Stage 2	(13,738)	13,997	(259)	-
Transfers to Stage 3	(3,990)	(950)	4,940	-
<b>As at 31 December 2020</b>	<b>7,004,916</b>	<b>85,888</b>	<b>8,206</b>	<b>7,099,010</b>

## 7. Mortgage assets (continued)

Changes in the corresponding ECL allowances in relation to residential mortgages are as follows:

Group	Stage 1 \$000	Stage 2 \$000	Stage 3 \$000	Total \$000
<b>As at 1 January 2019</b>	<b>900</b>	<b>897</b>	<b>1,322</b>	<b>3,119</b>
New assets originated or purchased	586	143	-	729
Assets derecognised or repaid	(48)	(48)	(462)	(558)
Transfers to Stage 1	2	(2)	-	-
Transfers to Stage 2	(17)	408	-	391
Transfers to Stage 3	-	(648)	741	93
<b>As at 31 December 2019</b>	<b>1,423</b>	<b>750</b>	<b>1,601</b>	<b>3,774</b>
New assets originated or purchased	1,382	15	-	1,397
Assets derecognised or repaid	(282)	21	(1,350)	(1,611)
Transfers to Stage 1	4	27	(65)	(34)
Transfers to Stage 2	(3)	484	(13)	468
Transfers to Stage 3	(1)	4	1,145	1,148
<b>As at 31 December 2020</b>	<b>2,523</b>	<b>1,301</b>	<b>1,318</b>	<b>5,142</b>

## 8. Other assets

	Group		Company	
	2020 \$000	2019 \$000	2020 \$000	2019 \$000
Related party loans	-	-	23,541	3,541
Financial assets at FVPL	-	523	-	-
Equity accounted investments	500	-	-	-
Deferred expenses - corporate	407	568	17	-
	<b>907</b>	<b>1,091</b>	<b>23,558</b>	<b>3,541</b>



## 9. Property, equipment and right-of-use assets

Group	Computer equipment \$000	Office furniture and fittings \$000	Motor vehicles \$000	Right-of- use assets \$000	Total \$000
<b>Cost or valuation</b>					
At 1 January 2019	494	379	135	-	1,008
Effect of adoption of IFRS 16 as at 1 January 2019	-	-	-	872	872
Additions	190	719	102	7,086	8,097
Disposals	(310)	(60)	-	-	(370)
<b>At 31 December 2019</b>	<b>374</b>	<b>1,039</b>	<b>237</b>	<b>7,958</b>	<b>9,608</b>
Additions	213	27	-	-	240
Disposals	(2)	-	-	-	(2)
Exchange adjustments	(25)	(51)	-	(84)	(160)
<b>At 31 December 2020</b>	<b>560</b>	<b>1,015</b>	<b>237</b>	<b>7,874</b>	<b>9,686</b>
<b>Depreciation and impairment</b>					
At 1 January 2019	302	85	7	-	394
Effect of adoption of IFRS 16 as at 1 January 2019	-	-	-	-	-
Depreciation charge for the year	65	94	22	357	538
Disposals	(269)	(58)	-	-	(327)
<b>At 31 December 2019</b>	<b>98</b>	<b>121</b>	<b>29</b>	<b>357</b>	<b>605</b>
Depreciation charge for the year	154	215	30	1,563	1,962
Disposals	-	-	-	-	-
Exchange adjustments	(12)	(17)	-	-	(29)
<b>At 31 December 2020</b>	<b>240</b>	<b>319</b>	<b>59</b>	<b>1,920</b>	<b>2,538</b>
<b>Net book value</b>					
As at 31 December 2019	276	918	208	7,601	9,003
As at 31 December 2020	320	696	178	5,954	7,148

## 9. Property, equipment and right-of-use assets (continued)

Set out below are the carrying amounts of lease liabilities (included under Borrowings in Note 11) and the movements during the period:

	Group	
	2020 \$000	2019 \$000
<b>As at 1 January</b>	<b>7,707</b>	<b>872</b>
Additions	-	7,086
Accretion of interest	531	124
Payments	(1,874)	(375)
<b>As at 31 December</b>	<b>6,364</b>	<b>7,707</b>

## 10. Intangible assets

<b>Group</b>
Cost or valuation
At 1 January 2019
Additions
Disposals
<b>At 31 December 2019</b>
Additions
Disposals
<b>At 31 December 2020</b>
<b>Amortisation and impairment</b>
At 1 January 2019
Impairment
Disposals
<b>At 31 December 2019</b>
Impairment
Disposals
<b>At 31 December 2020</b>
<b>Net book value</b>
As at 31 December 2019
As at 31 December 2020

Brand \$000	Goodwill \$000	Software \$000	Other \$000	Total \$000
854	133	2,781	96	3,864
-	-	196	-	196
-	-	(2,715)	-	(2,715)
854	133	262	96	1,345
-	-	266	-	266
-	-	-	-	-
854	133	528	96	1,611
-	-	2,761	6	2,767
-	-	24	18	42
-	-	(2,712)	-	(2,712)
-	-	73	24	97
-	-	96	20	116
-	-	-	-	-
-	-	169	44	213
854	133	189	72	1,248
854	133	359	52	1,398

10. Intangible assets (continued)

Company	Brand \$000	Goodwill \$000	Software \$000	Other \$000	Total \$000
<b>Cost or valuation</b>					
At 1 January 2019	-	-	-	42	42
Additions	-	-	-	-	-
Disposals	-	-	-	-	-
<b>At 31 December 2019</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>42</b>	<b>42</b>
Additions	-	-	-	-	-
Disposals	-	-	-	-	-
<b>At 31 December 2020</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>42</b>	<b>42</b>
<b>Amortisation and impairment</b>					
At 1 January 2019	-	-	-	-	-
Impairment	-	-	-	8	8
Disposals	-	-	-	-	-
<b>At 31 December 2019</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>8</b>	<b>8</b>
Impairment	-	-	-	9	9
Disposals	-	-	-	-	-
<b>At 31 December 2020</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>17</b>	<b>17</b>
<b>Net book value</b>					
As at 31 December 2019	-	-	-	34	34
As at 31 December 2020	-	-	-	25	25

Intangible assets include brand and goodwill acquired through the Homestar business combination. The brand has been reflected as having an indefinite useful life. The business does not envisage a limit to the cashflow generation from these intangible assets and does not see a reason for any impairment to be recognised.

11. Borrowings

	Group		Company	
	2020 \$000	2019 \$000	2020 \$000	2019 \$000
RMBS	4,807,626	3,451,915	-	-
Warehouses and other	2,287,548	2,142,572	-	-
Accrued interest expense	5,528	5,936	-	-
<b>Noteholders</b>	<b>7,100,702</b>	<b>5,600,423</b>	<b>-</b>	<b>-</b>
Loans	43,000	23,000	43,000	23,000
Deferred expenses - Trusts related	(17,870)	(15,065)	-	-
Lease liabilities	6,364	7,707	-	-
	<b>7,132,196</b>	<b>5,616,065</b>	<b>43,000</b>	<b>23,000</b>

A reconciliation of the carrying amounts of RMBS is set out below:

	Group	
	2020 \$000	2019 \$000
Triton Trust No. 2 - Bond Series 2014-1	-	125,601
Triton Trust No. 7 - Bond Series 2016-1	110,002	146,593
Triton Trust No. 7 - Bond Series 2017-1	172,500	240,154
Triton Trust No. 7 - Bond Series 2017-2	222,490	307,375
Triton Trust No. 8 - Bond Series 2018-1	366,670	479,223
Triton Trust No. 8 - Bond Series 2019-1	271,332	329,280
Triton Trust No. 8 - Bond Series 2019-2	517,179	645,888
Triton Trust No. 8 - Bond Series 2019-3	791,265	949,466
Triton Bond Trust 2020 - Series 1	862,179	-
Triton Bond Trust 2020 - Series 2	520,402	-
Triton SMSF Bond Trust 2020 - Series 1	383,477	-
Vermilion Trust No. 1 - Bond Series 2019-1	189,083	228,335
Vermilion Bond Trust 2020 Series 1	401,047	-
<b>RMBS</b>	<b>4,807,626</b>	<b>3,451,915</b>

12. Other financial liabilities

	Group		Company	
	2020 \$000	2019 \$000	2020 \$000	2019 \$000
Future trail commission liability	127,451	80,005	-	-
Payable to Trusts	-	-	2,348	2,058
Payable to third parties	3,084	3,447	-	-
	<b>130,535</b>	<b>83,452</b>	<b>2,348</b>	<b>2,058</b>

13. Issued capital

	Group		Company	
	2020 \$000	2019 \$000	2020 \$000	2019 \$000
2,063,989 partly paid ordinary shares (2019: 2,063,989)	3,457	3,457	3,457	3,457
	<b>3,457</b>	<b>3,457</b>	<b>3,457</b>	<b>3,457</b>

14. Maturity analysis of financial assets and liabilities

The table below reflects an analysis of financial assets and liabilities analysed to when they are on contractual maturity except for mortgage assets (including trail commission disclosed within other assets/other liabilities at the Company level), and borrowings which are disclosed based on the earlier of expected and contractual maturity, and derivatives which are disclosed at fair value and shown as current.

	Group			Company		
	Within 12 months \$000	After 12 months \$000	Total \$000	Within 12 months \$000	After 12 months \$000	Total \$000
<b>As at 31 December 2020</b>						
Cash and cash equivalents	251,486	810	252,296	178	-	178
Trade and other receivables	3,683	-	3,683	-	-	-
Mortgage assets*	3,027,862	4,066,006	7,093,868	-	-	-
Other assets	64	843	907	3	23,555	23,558
<b>Total financial assets</b>	<b>3,283,095</b>	<b>4,067,659</b>	<b>7,350,754</b>	<b>181</b>	<b>23,555</b>	<b>23,736</b>
Trade and other payables	8,954	-	8,954	63	-	63
Borrowings excl. lease liabilities	3,018,184	4,107,648	7,125,832	-	43,000	43,000
Income tax payable	15,957	-	15,957	-	-	-
Derivatives	673	-	673	-	-	-
Provisions	1,104	-	1,104	-	-	-
Lease liabilities	1,591	4,773	6,364	-	-	-
Other financial liabilities	32,338	98,197	130,535	558	1,790	2,348
Total financial liabilities	3,078,801	4,210,618	7,289,419	621	44,790	45,411
<b>Net financial assets/(liabilities)</b>	<b>204,294</b>	<b>(142,959)</b>	<b>61,335</b>	<b>(440)</b>	<b>(21,235)</b>	<b>(21,675)</b>
	Group			Company		
	Within 12 months \$000	After 12 months \$000	Total \$000	Within 12 months \$000	After 12 months \$000	Total \$000
<b>As at 31 December 2019</b>						
Cash and cash equivalents	213,181	803	213,984	313	-	313
Trade and other receivables	2,848	-	2,848	-	-	-
Mortgage assets*	2,802,962	2,713,511	5,516,473	-	-	-
Other assets	137	954	1,091	-	3,541	3,541
<b>Total financial assets</b>	<b>3,019,128</b>	<b>2,715,268</b>	<b>5,734,396</b>	<b>313</b>	<b>3,541</b>	<b>3,854</b>
Trade and other payables	11,367	-	11,367	50	-	50
Borrowings excl. lease liabilities	2,810,192	2,798,166	5,608,358	-	23,000	23,000
Income tax payable	6,720	-	6,720	-	-	-
Derivatives	620	-	620	-	-	-
Provisions	794	-	794	-	-	-
Lease liabilities	1,541	6,166	7,707	-	-	-
Other financial liabilities	17,648	65,804	83,452	-	2,058	2,058
<b>Total financial liabilities</b>	<b>2,848,882</b>	<b>2,870,136</b>	<b>5,719,018</b>	<b>50</b>	<b>25,058</b>	<b>25,108</b>
<b>Net financial assets/(liabilities)</b>	<b>170,246</b>	<b>(154,868)</b>	<b>15,378</b>	<b>263</b>	<b>(21,517)</b>	<b>(21,254)</b>

\* Includes warehouses and other borrowings, and the associated mortgage assets, categorised based on the availability period of the non-recourse financing facility as at the applicable date rather than the final repayment date of the drawn borrowings.

15. Auditor’s remuneration

	Group		Company	
	2020 \$000	2019 \$000	2020 \$000	2019 \$000
<i>Amounts received or due and receivable by Ernst &amp; Young (Australia) for:</i>				
<b>Audit services</b>				
Statutory audit of the current year financial report	436	605	24	22
Other regulatory services	31	10	-	-
<b>Other services</b>				
Tax services	45	90	15	12
Other services	-	12	-	-
	<b>512</b>	<b>717</b>	<b>39</b>	<b>34</b>

The auditor of the Group and the Company is Ernst & Young (Australia).

16. Commitments and contingencies

Regulatory credit risk retention obligations relating to the issuance of RMBS to certain international jurisdictions require the Group to retain an economic interest of at least 5% in the issue. The Company guarantees finance raised through subsidiaries specifically for the purposes of facilitating the required economic interest.

The Group is committed to an Insurance Premium Funding policy. The commitments are shown below:

	Group		Company	
	2020 \$000	2019 \$000	2020 \$000	2019 \$000
Within 1 year	419	335	-	-
	<b>419</b>	<b>335</b>	<b>-</b>	<b>-</b>



17. Related parties

a. Subsidiaries

The financial statements include the financial statements of the Company and the controlled entities listed in the following table:

Name	Principal activity	Effective ownership interest	
		2020	2019
Columbus Capital Pty Limited	Holding Company, AFSL holder	100%	100%
<i>Entities controlled by Columbus Capital Pty Limited</i>			
Nautilus Trust No. 1 <sup>+</sup>	Mortgaged Backed Securities Trust	100%	100%
Triton Trust No. 2	Mortgaged Backed Securities Trust	100%	100%
Triton Trust No. 3 <sup>+</sup>	Mortgaged Backed Securities Trust	100%	100%
Triton Trust No. 5 <sup>+</sup>	Mortgaged Backed Securities Trust	100%	100%
Triton Trust No. 6 <sup>+</sup>	Mortgaged Backed Securities Trust	90%	90%
Triton Trust No. 7	Mortgaged Backed Securities Trust	100%	100%
Triton Consumer Asset Trust	Mortgaged Backed Securities Trust	100%	100%
Triton Trust No. 8	Mortgaged Backed Securities Trust	100%	100%
Triton Trust No. 9	Mortgaged Backed Securities Trust	100%	100%
Triton Trust No. 10	Mortgaged Backed Securities Trust	100%	100%
Triton Bond Trust 2020	Mortgaged Backed Securities Trust	100%	-
Triton SMSF Bond Trust 2020	Mortgaged Backed Securities Trust	100%	-
Triton BEN Warehouse Trust	Mortgaged Backed Securities Trust	100%	-
Triton Warehouse Trust 2020SF <sup>#</sup>	Mortgaged Backed Securities Trust	100%	-
Triton Trust 2020CN <sup>#</sup>	Mortgaged Backed Securities Trust	100%	-
Lantern Bond Trust 2020 <sup>#</sup>	Mortgaged Backed Securities Trust	100%	-
Lumina Trust 2020	Mortgaged Backed Securities Trust	100%	-
Vermilion Trust No.1	Mortgaged Backed Securities Trust	100%	100%
Vermilion Bond Trust 2020	Mortgaged Backed Securities Trust	100%	-
Poros Trust No. 1 <sup>*</sup>	Commission Backed Securities Trust	100%	100%
Pharos NB Pty Ltd	Investment	100%	100%
Pharos AQ Pty Ltd	Investment	100%	100%
Pharos IAC Pty Ltd	Investment	100%	100%
Pharos IAC 2017-2 Pty Ltd	Investment	100%	100%
Pharos IAC 2018-1 Pty Ltd	Investment	100%	100%
Pharos IAC 2019-3 Pty Ltd	Investment	100%	100%
Pharos AQ NTX Pty Ltd	Investment	100%	100%
Pharos CB 2020 Pty Ltd	Investment	100%	-
Pharos AQ 2020 Pty Ltd	Investment	100%	-
Pharos RV Pty Ltd	Investment	100%	-
Pharos IAC 2020 Pty Ltd	Investment	100%	-
ColCap Pty Limited*	Holding company	100%	100%
Columbus Capital Funds Management Pty Limited	Funds Management	100%	100%

17. Related parties (continued)

a. Subsidiaries (continued)

Name	Principal activity	Effective ownership interest	
		2020	2019
Entities controlled by Columbus Capital Pty Limited (continued)			
Columbus Capital Financial Pty Limited*	Investment	100%	100%
AVA U2 Pty Ltd	Investment	100%	100%
Origin Mortgage Management Services Pty Ltd*	Shelf company	100%	100%
ColCap Investments Pty Ltd*	Shelf company	100%	100%
ColCap Servicing Pty Ltd	Branch in the Philippines	100%	100%
Homestar Finance Pty Ltd	Mortgage Originating Company	100%	100%

\* No activity during 2020.

# Trusts established in 2020, not yet active

+ Trusts in process of being closed. No mortgage assets remain and all unit holders have been repaid.

b. Details of key management personnel

The directors of the Company during the year were:

Andrew Chepul	Executive Director
Ilias Pavlopoulos	Executive Director

Company board meetings	2020 Number of meetings	
	Held	Attended
Andrew Chepul	1	1
Ilias Pavlopoulos	1	1

The value of amounts owed to the Group by key management personnel and related parties is \$2,989.

c. Other related party transactions

The Company has provided an unsecured loan of \$23.5 million (2019: \$3.5 million) to Columbus Capital Pty Limited at a commercial rate and terms matching the Company's third party borrowings.

Columbus Capital Pty Limited is a \$1.8 million creditor of the Company (2019: \$1.8 million) in relation to payments made to third parties by Columbus Capital Pty Limited on behalf of the Company.

The Company received a dividend from Columbus Capital Pty Limited of \$2.5 million (2019: \$2.7 million).

The Company paid \$0.1 million (2019: \$0.1million) to individuals related to the directors.

18. Key management personnel compensation

The key management personnel are employed under a management service agreement negotiated with the Board.  
The aggregate compensation made to key management personnel of the Company and the Group is set out below.

	Group		Company	
	2020 \$000	2019 \$000	2020 \$000	2019 \$000
Short-term employee benefits	2,222	1,254	-	-
Long-term employee benefits	212	198	-	-
<b>Total compensation paid to key management personnel</b>	<b>2,434</b>	<b>1,452</b>	<b>-</b>	<b>-</b>

19. Segment information

The Group operates solely in one industry and geographic segment, mortgage origination and administration within Australia.

20. Events after the reporting period

Post the reporting date the Group in February 2021 executed the new \$1,500 million Triton Bond Trust 2021 Series 1 RMBS, its largest ever RMBS issue. There have been no other significant events occurring after the reporting date which may affect either the Group’s operations or results of those operations or the Group’s state of affairs.

21. Financial instruments

(a) Capital risk management

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

The capital structure of the Group consists of debt, which includes the borrowings reflected in Note 11, cash and cash equivalents, and equity attributable to equity holders of the Company comprising issued capital as reflected in Note 13 as well as accumulated profits as reflected in the statement of changes in equity.

The Group provides loans in Australia primarily through special purpose vehicles (trusts) established to manage the borrowings and loans serviced and managed by the Group. The Company is subject to capital requirements imposed by funders of the Group, and by the Australian Securities and Investments Commission in relation to Columbus Capital Pty Limited’s financial services license.

Operating cash flows are used to maintain and expand the Group’s assets, as well as make the routine outflows for repayment of maturing debt. Cash flows are monitored on an ongoing basis with monthly director reviews.

21. Financial instruments (continued)

(b) Financial risk management objectives

The Group’s Treasury function provides services to the business, 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 risk reports which analyse exposures by degree and magnitude of risks.

The risks exposed to include market risk (including fair value interest rate risk and price risk), credit risk, liquidity risk, operational risk and cash flow interest rate risk.

The Group seeks to mitigate the effects of market and interest rate risks by using derivative financial instruments to hedge these risk exposures. The use of financial derivatives is governed by the Group’s policies approved by the board of directors.

The Group’s activities expose it primarily to the financial risks of changes in interest rates and credit risk.

(c) Foreign currency risk

The Group has offshore support operations in the Philippines and as at the reporting date the Group held cash assets denominated in Philippine pesos (“**PHP**”). Fluctuations in the PHP are not expected to have a material impact on the consolidated financial statements of the Group

(d) Interest rate risk management

The Group is exposed to interest rate risk as it lends funds at both floating and fixed interest rates. The risk is managed by the Group by maintaining floating rate borrowings and by the use of interest rate swap contracts. Hedging activities are evaluated regularly to align with interest rate views and defined risk appetite, ensuring optimal hedging strategies are applied by either positioning the statement of financial position or protecting interest expense through different interest rate cycles.

There has been no change in nature to the Group’s exposure to market risks or the manner in which it manages and measures the risk.

Interest rate sensitivity analysis

At the reporting date, if interest rates on variable interest rate borrowings exposures had been 10 basis points higher or lower and all other variables were held constant, the Group’s net profit after tax would increase or decrease by \$4.5 million respectively (2019: \$3.4 million), and having taken hedges into account equity would increase or decrease by \$4.3 million respectively (2019: \$3.3 million). In the event of such a change, the Group would have the option of adjusting rates on the variable portion of its loan portfolio to recover or return part or all of the variation.

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. The fair value of interest rate swaps at the reporting date is determined by discounting the future cash flows using the curves at reporting date and the credit risk inherent in the contract.

21. Financial instruments (continued)

(d) Interest rate risk management (continued)

The following table details the notional principal amounts and remaining terms of interest rate swap contracts outstanding as at reporting date:

	2020		2019	
	Notional price amount	Fair value	Notional price amount	Fair value
	\$000	\$000	\$000	\$000
Group				
Fixed or floating	111,394	(673)	83,414	(620)
Total	111,394	(673)	83,414	(620)

(e) Interest rate risk of financial instruments

The table below analyses the Group’s interest rate risk exposure on non-trading financial assets and liabilities. The Group’s assets and liabilities are included at carrying amount and categorised by the earlier of re-pricing or contractual maturity dates.

Re-pricing / contractual maturity dates

	Variable/on demands	1 to 3 months	3 months to 1 year	1 to 5 years	Over 5 years	Total non-interest bearing	Total
	\$000	\$000	\$000	\$000	\$000	\$000	\$000
Group 2020							
Cash and cash equivalents	205,950	-	-	810	-	45,536	252,296
Trade and other receivables	-	-	-	-	-	3,683	3,683
Other assets	-	-	-	-	-	907	907
Mortgage assets							
Fixed rate	-	11,323	26,735	64,308	-	-	102,366
Variable rate	6,991,501	-	-	-	-	-	6,991,501
Total financial assets	7,197,451	11,323	26,735	65,118	-	50,126	7,350,753
Trade and other payables	-	-	-	-	-	8,954	8,954
Borrowings excl. lease liabilities	7,082,832	-	-	43,000	-	-	7,125,832
Lease liabilities	-	398	1,193	4,773	-	-	6,364
Other financial liabilities	-	-	-	-	-	130,535	130,535
Derivatives	-	673	-	-	-	-	673
Total financial liabilities	7,082,832	1,071	1,193	47,773	-	139,489	7,272,358

21. Financial instruments (continued)

(e) Interest rate risk of financial instruments (continued)

	Variable/on demands	1 to 3 months	3 months to 1 year	1 to 5 years	Over 5 years		Total
	\$000	\$000	\$000	\$000	\$000	\$000	\$000
Group 2019							
Cash and cash equivalents	181,519	-	-	803	-	31,662	213,984
Trade and other receivables	-	-	-	-	-	2,848	2,848
Other assets	23	-	-	-	-	1,068	1,091
Mortgage assets							
Fixed rate	-	7,131	31,040	46,831	-	-	85,002
Variable rate	5,431,471	-	-	-	-	-	5,431,471
Total financial assets	5,613,013	7,131	31,040	47,634	-	35,578	5,734,396
Trade and other payables	-	-	-	-	-	11,367	11,367
Borrowings excl. lease liabilities	5,585,358	-	-	23,000	-	-	5,608,358
Lease liabilities		283	893	6,531			7,707
Other financial liabilities	-	-	-	-	-	83,452	83,452
Derivatives	-	620	-	-	-	-	620
Total financial liabilities	5,585,358	903	893	29,531	-	94,819	5,711,504

(f) Credit risk management

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group.

The Group does not have any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics. The credit risk on liquid funds and derivative financial instruments is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies.

Credit risk is monitored primarily through monitoring of the arrears position of each loan. Loans in arrears are effectively monitored and borrowers are contacted to pursue payment. Arrears reporting is prepared and reviewed on a daily basis. Monthly reports are provided to the mortgage insurer detailing the status on each of their insured accounts that are in arrears.

The Group restricts its exposure to default losses through prudent underwriting and a requirement for borrowers to take out mortgage insurance in certain circumstances.

In certain circumstances, where there is mortgage insurance in place, there is some exposure to the insurance provider directly in the event of open claims and indirectly in the event of potential borrower defaults.

The Australian economy has experienced changes and there remains heightened uncertainty in terms of underlying economic measures such as employment. This manifests in increased uncertainty in determining credit provisions and also around the currency of key factors in credit models.

The carrying amount of financial assets recorded in the consolidated financial statements, net of any allowances for losses, represents the Group’s maximum exposure to credit risk without taking account of the value of any collateral obtained.

21. Financial instruments (continued)

(f) Credit risk management (continued)

Group	2020		2019	
	\$000	%	\$000	%
<b>Arrears band</b>				
Current	6,744,745	97.18%	5,155,986	95.29%
Less than 30 days	170,392	2.46%	220,350	4.07%
31-90 days	16,873	0.24%	23,670	0.44%
More than 91 days	8,376	0.12%	10,738	0.20%
<b>Total</b>	<b>6,940,386</b>	<b>100.00%</b>	<b>5,410,744</b>	<b>100.00%</b>
<b>Credit quality</b>				
Neither past due nor impaired	6,744,313	97.17%	5,155,987	95.29%
Past due not impaired	191,527	2.76%	253,634	4.69%
Individually impaired	4,546	0.07%	1,123	0.02%
<b>Total</b>	<b>6,940,386</b>	<b>100.00%</b>	<b>5,410,744</b>	<b>100.00%</b>

Risk concentrations

The Group's concentration of risk with respect to the loan portfolio is managed by origination source and by geographic region.

These risks are mitigated through diversity in geographical location and continually monitoring the pipeline for retail and wholesale lending.

Credit quality by class of financial assets

A proportion of current loans are insured for loss with a lenders mortgage insurance policy to be taken out at the time of origination for the full value of the loans. For insured loans, only in the event of a reduced or denied claim from the mortgage insurer will the remaining value be considered impaired and written off at the time of the finalisation of the mortgage insurance settlement process.

Carrying amount by class of financial assets whose terms have been renegotiated

Loan terms are renegotiated as necessary as part of the Group's credit management policy. The policy is reviewed on a regular basis by the risk committee.

21. Financial instruments (continued)

(g) Fair value of financial instruments

The directors consider that the carrying amount of financial assets and financial liabilities recorded at amortised cost in the financial statements approximates their fair values except for fixed rate loans when considered in isolation to their associated hedges.

	Level 1	Level 2	Level 3	Total fair value	Carrying value
	\$000	\$000	\$000	\$000	\$000
<b>Group 2020</b>					
<b>Financial assets not measured at fair value</b>					
Cash and cash equivalents	252,296	-	-	252,296	252,296
Trade and other receivables	-	-	3,683	3,683	3,683
Mortgage assets	-	-	7,092,858	7,092,858	7,093,868
Other assets	-	-	907	907	907
	<b>252,296</b>	<b>-</b>	<b>7,097,448</b>	<b>7,349,744</b>	<b>7,350,754</b>
<b>Financial liabilities measured at fair value</b>					
Derivatives	-	673	-	673	673
<b>Financial liabilities not measured at fair value</b>					
Trade and other payables	-	-	8,954	8,954	8,954
Borrowings excl. lease liabilities	-	-	7,125,832	7,125,832	7,125,832
Lease liabilities	-	-	6,364	6,364	6,364
Other financial liabilities	-	-	130,535	130,535	130,535
	<b>-</b>	<b>673</b>	<b>7,271,685</b>	<b>7,272,358</b>	<b>7,272,358</b>
<b>Net financial assets/(liabilities)</b>	<b>252,296</b>	<b>(673)</b>	<b>(174,237)</b>	<b>77,386</b>	<b>78,396</b>

	Level 1	Level 2	Level 3	Total fair value	Carrying value
	\$000	\$000	\$000	\$000	\$000
<b>Group 2019</b>					
<b>Financial assets not measured at fair value</b>					
Cash and cash equivalents	213,984	-	-	213,984	213,984
Trade and other receivables	-	-	2,848	2,848	2,848
Mortgage assets	-	-	5,516,436	5,516,436	5,518,208
Other assets	-	-	1,091	1,091	1,091
	<b>213,984</b>	<b>-</b>	<b>5,520,375</b>	<b>5,734,359</b>	<b>5,736,131</b>
<b>Financial liabilities measured at fair value</b>					
Derivatives	-	620	-	620	620
<b>Financial liabilities not measured at fair value</b>					
Trade and other payables	-	-	11,367	11,367	11,367
Borrowings excl. lease liabilities	-	-	5,608,358	5,608,358	5,608,358
Lease liabilities	-	-	7,707	7,707	7,707
Other financial liabilities	-	-	83,452	83,452	83,452
	<b>-</b>	<b>620</b>	<b>5,710,884</b>	<b>5,711,504</b>	<b>5,711,504</b>
<b>Net financial assets/(liabilities)</b>	<b>213,984</b>	<b>(620)</b>	<b>(190,509)</b>	<b>22,855</b>	<b>24,627</b>



**21. Financial instruments (continued)****(g) Fair value of financial instruments (continued)**

	Level 1	Level 2	Level 3	Total fair value	Carrying value
	\$000	\$000	\$000	\$000	\$000
<b>Company 2020</b>					
<b>Financial assets not measured at fair value</b>					
Cash and cash equivalents	178	-	-	178	178
Other assets	-	-	23,558	23,558	23,558
	<b>178</b>	<b>-</b>	<b>23,558</b>	<b>23,736</b>	<b>23,736</b>
<b>Financial liabilities not measured at fair value</b>					
Trade and other payables	-	-	63	63	63
Borrowings excl. lease liabilities	-	-	43,000	43,000	43,000
Other financial liabilities	-	-	2,348	2,348	2,348
	-	-	45,411	45,411	45,411
<b>Net financial assets/(liabilities)</b>	<b>178</b>	<b>-</b>	<b>(21,853)</b>	<b>(21,675)</b>	<b>(21,675)</b>
	Level 1	Level 2	Level 3	Total fair value	Carrying value
	\$000	\$000	\$000	\$000	\$000
<b>Company 2019</b>					
<b>Financial assets not measured at fair value</b>					
Cash and cash equivalents	313	-	-	313	313
Other assets	-	-	3,541	3,541	3,541
	<b>313</b>	<b>-</b>	<b>3,541</b>	<b>3,854</b>	<b>3,854</b>
<b>Financial liabilities not measured at fair value</b>					
Trade and other payables	-	-	50	50	50
Borrowings excl. lease liabilities	-	-	23,000	23,000	23,000
Other financial liabilities	-	-	2,058	2,058	2,058
	-	-	<b>25,108</b>	<b>25,108</b>	<b>25,108</b>
<b>Net financial assets/(liabilities)</b>	<b>313</b>	<b>-</b>	<b>(21,567)</b>	<b>(21,254)</b>	<b>(21,254)</b>

There have been no transfers between levels in the period.

**21. Financial instruments (continued)****(g) Fair value of financial instruments (continued)**

The table below summarises changes in fair value classified as Level 3:

	2020	2019
	\$000	\$000
<b>Group</b>		
<b>Financial assets not measured at fair value</b>		
<b>Balance at the beginning of year</b>	<b>5,520,375</b>	<b>3,766,112</b>
Trade and other receivables	835	709
Mortgage assets	1,576,422	1,753,791
Other assets	(184)	(237)
<b>Balance at end of year</b>	<b>7,097,448</b>	<b>5,520,375</b>
<b>Financial liabilities not measured at fair value</b>		
<b>Balance at the beginning of year</b>	<b>5,710,884</b>	<b>3,913,598</b>
Trade and other payables	(2,413)	2,321
Borrowings excl. lease liabilities	1,517,474	1,762,243
Lease liabilities	(1,343)	7,707
Other financial liabilities	47,083	25,015
<b>Balance at end of year</b>	<b>7,271,685</b>	<b>5,710,884</b>
<b>Net financial assets/(liabilities)</b>	<b>(174,237)</b>	<b>(190,509)</b>
	2020	2019
	\$000	\$000
<b>Company</b>		
<b>Financial assets not measured at fair value</b>		
<b>Balance at the beginning of year</b>	<b>3,541</b>	<b>3,541</b>
Trade and other receivables	-	-
Other assets	20,017	-
<b>Balance at end of year</b>	<b>23,558</b>	<b>3,541</b>
<b>Financial liabilities not measured at fair value</b>		
<b>Balance at the beginning of year</b>	<b>25,108</b>	<b>25,140</b>
Trade and other payables	13	(258)
Borrowings excl. lease liabilities	20,000	-
Other financial liabilities	290	226
<b>Balance at end of year</b>	<b>45,411</b>	<b>25,108</b>
<b>Net financial assets/(liabilities)</b>	<b>(21,853)</b>	<b>(21,567)</b>

**Valuation technique**

The interest rate swap valuation is the present value of the expected cash flows over the life of derivative contracts. The expected cash flows are the difference between the contractual fixed rate and market rate as at valuation date.

21. Financial instruments (continued)

(g) Fair value of financial instruments (continued)

Level 3 financial assets not measured at fair value

For financial assets not measured at fair value and categorised at Level 3, the following table shows the valuation techniques used in measuring as well as the significant unobservable inputs used.

Type	Valuation technique	Significant unobservable inputs
Mortgage assets (Note 7)	Variable rate mortgage assets are assumed to equate to the carrying value. A discounted cash flow approach is applied for any fixed rate mortgage assets at the estimated market interest rate.	Discount rate Cash flow forecasts Credit risk

(h) Liquidity risk management

The Group did not hold any financial assets or liabilities that could be set off in accordance with enforceable master netting arrangements.

Ultimate responsibility for liquidity risk management rests with the board of directors, which has built an appropriate liquidity risk management framework for the management of the Group's short, medium and long-term funding and liquidity management requirements. The Group manages liquidity risk by maintaining adequate reserves, banking facilities, and reserve borrowing facilities by continuously monitoring forecast and actual cash flows as well as matching the maturity profiles of financial assets and liabilities.

The following table details the Group's remaining contractual maturity for its non-derivative financial liabilities. The table has been drawn up based on undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay.

	Variable/ on demand \$000	1 to 3 months \$000	3 months to 1 year \$000	1 to 5 years \$000	Over 5 years \$000
<b>Group 2020</b>					
Trade payables	8,954	-	-	-	-
Borrowings	-	588,508	1,809,329	1,787,134	4,541,559
<b>Group 2019</b>					
Trade payables	11,367	-	-	-	-
Borrowings	-	552,804	1,670,315	689,249	3,913,848

The derivative contractual maturity values are based on the fair value of the interest rate swap. The valuation technique is outlined at point (g) above.

Liquidity risk and funding management

Approximately 32% of the loan portfolio is funded via warehouse facilities (2019: 38%), with the remaining 68% funded via RMBS (2019: 62%).

► DIRECTORS' DECLARATION

In accordance with a resolution of the directors of the Company, I state that:

In the opinion of the directors:

- (a)

the financial statements and notes of the Company and Group's financial year ended 31 December 2020 are in accordance with the *Corporations Act 2001*, including:

(i)

giving a true and fair view of the Company's and Group's financial positions as at 31 December 2020 and of its performance for the year ended on that date; and

(ii)

complying with Australian Accounting Standards and the *Corporations Regulation 2001*;

(b)

the financial statements and notes also comply with International Financial Reporting Standards as disclosed in Note 2; and

(c)

there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.
- On behalf of the Board
- 
- Andrew Chepul
- Executive Director
- Sydney
- 26 February 2021

► INDEPENDENT AUDITOR’S REPORT



Ernst & Young  
200 George Street  
Sydney NSW 2000 Australia  
GPO Box 2646 Sydney NSW 2001

Tel: +61 2 9248 5555  
Fax: +61 2 9248 5959  
ey.com/au

Independent Auditor's Report to the Members of Consortia Group Holdings Pty Limited

Opinion

We have audited the financial report of Consortia Group Holdings Pty Limited (the Company) and its subsidiaries (collectively the Group), which comprises:

- the Group consolidated and Company statements of financial position as at 31 December 2020;
- the Group consolidated and Company statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows for the year then ended;
- notes to the financial statements, including a summary of significant accounting policies; and
- the directors' declaration.

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

- a) giving a true and fair view of the Company's and the Group's financial position as at 31 December 2020 and of their financial performance for the year ended on that date; and
- b) 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 and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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

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

The directors are responsible for the other information. The other information is the directors' report accompanying the financial report.

Our opinion on the financial report does not cover the other information and accordingly 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.

► INDEPENDENT AUDITOR’S REPORT



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 Company's and Group's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or 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 judgment 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 Company's or 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 Company's or 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 Company or the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

► INDEPENDENT AUDITOR’S REPORT



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.



Ernst & Young



Kieren Cummings  
Partner  
Sydney  
26 February 2021



**Consortia Group Holdings Pty Limited**  
**ACN 119 530 960**