Credit Corp Group

Credit Corp Group Limited ABN 33 092 697 151

APPENDIX 4D AND CONSOLIDATED INTERIM FINANCIAL STATEMENTS

FOR THE PERIOD ENDED 31 DECEMBER 2019

CONTENTS

These interim financial statements do not include all the notes of the type normally included in the annual financial statements. Accordingly, these statements are to be read in conjunction with the annual financial statements for the year ended 30 June 2019 and any public announcements made by Credit Corp Group Limited during the half-year reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

APPENDIX 4D HALF-YEAR REPORT

for the half-year ended 31 December 2019

1. Details of the reporting period and the previous corresponding period

Current period:	1 July 2019 to 31 December 2019
Prior corresponding period:	1 July 2018 to 31 December 2018

2. Results for announcement to the market

	Key Information	31 Dec 2019 $'000	31 Dec 2018 $'000	Change %
2.1	Revenue	**190,945**	159,164	20%
2.2	Profit from ordinary activities after tax to members	**38,616**	33,574	15%
2.3	Profit for the period attributable to members	**38,616**	33,574	15%

2.4	Dividends per ordinary share	Cents per share	Franked amount per share
	2019 Final dividend	36.0	100%
	2020 Interim dividend (declared, not yet provided at 31 December 2019)	36.0	100%

2.5	Dividends per ordinary share	Record date
	2019 Final dividend	20 Aug 2019
	2020 Interim dividend	3 Mar 2020

2.6 Commentary

Please refer to the H1 of 2020 Media Release and the Interim Financial Statements for the half-year ended 31 December 2019 for further explanations of the figures presented at 2.1 – 2.4 above.

3. Net tangible assets per ordinary share

Security	31 Dec 2019 Cents	31 Dec 2018 Cents
Ordinary shares	**877.4**	633.9

4. Control gained or lost over entities during the period, for those having material effect

On 16 August 2019, the Group acquired Baycorp Holdings Pty Limited and its associated entities (collectively Baycorp). Refer to Note 9 of the Interim Financial Statements for more information.

5. Dividend payments

Key Information	Cents per share	Total $'000	Franked / unfranked	Payment date
Ordinary share capital				
2019 Interim dividend	36.0	17,302	Franked	15 Mar 2019
2019 Final dividend	36.0	19,757	Franked	30 Aug 2019
Total		**37,059**		
2018 Interim dividend	31.0	14,787	Franked	16 Mar 2018
2018 Final dividend	36.0	17,172	Franked	12 Oct 2018
		31,959		

After 31 December 2019 the following dividends were proposed by the directors. The dividends have not been provided for and there are no income tax consequences.

2020 Interim dividend	36.0	**19,767**	Franked	13 Mar 2020

6. Dividend or distribution reinvestment plan details

The Dividend Reinvestment Plan (DRP) of Credit Corp Group Limited (the Group) will not apply to the interim dividend.

7. Investments in associates and joint ventures

No investments in associates and joint ventures are held by the Group.

8. Accounting standards used by foreign entities

Not applicable as the Group is not a foreign entity.

9. Audit dispute or qualification

The interim financial statements for the half-year ended 31 December 2019 have been subject to review and are not subject to dispute or qualification.

DIRECTORS' REPORT

The directors submit the financial statements of Credit Corp Group Limited and controlled entities (the Group) for the half-year ended 31 December 2019. Credit Corp Group Limited (the Company) is the parent entity of the Group.

DIRECTORS

The names of the Company's directors who held office during the reporting period and until the date of this report are:

Mr Donald McLay	Chairman (Non-Executive)	
Mr Eric Dodd	Director (Non-Executive)	
Mr John Nesbitt	Director (Non-Executive)	(Appointed 19 September 2019)
Ms Leslie Martin	Director (Non-Executive)	
Mr Robert Shaw	Director (Non-Executive)	(Retired 4 November 2019)
Mr Richard Thomas	Director (Non-Executive)	
Ms Trudy Vonhoff	Director (Non-Executive)	(Appointed 19 September 2019)

REVIEW OF OPERATIONS

Overview

The directors of the Group are pleased to report a strong result for the first half of the 2020 financial year (FY2020). The Baycorp acquisition drove 12 per cent growth in profits from the core Australian and New Zealand debt buying operation. This was augmented with growth in excess of 20 per cent from the rapidly growing consumer lending and US debt buying businesses to produce an overall 15 per cent growth in NPAT to $38.6 million.

Strong core Australian and New Zealand performance was complemented with the Baycorp acquisition to produce record segment collections and profits. The payment arrangement book, which underpins both operational efficiency and effectiveness, grew to a face value (including Baycorp) of $1.4 billion in Australia and New Zealand. Enhanced technology is driving incremental efficiency improvements. For example, the self-service collections portal is now responsible for 8 per cent of Australian and New Zealand collections.

Investment in purchased debt ledgers (PDLs)

The FY2020 contracted PDL pipeline stands at $298 million secured to date. Excluding PDLs acquired as part of the Baycorp acquisition the pipeline is $218 million, which is approaching the $227 million of PDL investment in FY2019. The Australian and New Zealand pipeline of $135 million reflects growth in Credit Corp's market share late in the first half. In anticipation of increased investment opportunities, the Group maintains debt headroom of $170 million under its present banking facilities.

Consumer lending

The consumer lending business reached the milestone of a loan book balance of $230 million, gross of provisions for expected life-of-loan losses. This was due to first-half written loan volumes being up by 14 per cent on the prior corresponding period, including a very strong 8 per cent growth in new customer volume despite the relative maturity of the book. This growth is attributable to the compelling consumer proposition and high brand awareness of the flagship Wallet Wizard cash loan offering.

US operations

In the US, Credit Corp's focus has been on growing productive capacity to match investment and meet the significant market opportunity. During the period, a second operational site was opened in Washington State increasing total capacity to 700 seats. Credit Corp continues to achieve operating metrics comparable to those achieved by the two largest operators in the US market.

Outlook

With a strong PDL investment pipeline in Australia, New Zealand and the US, the PDL investment guidance range has been tightened to a range of $310 to $320 million. The Group provided upgraded guidance with the acquisition of Baycorp in August 2019 and now confirms 15 to 18 per cent growth in NPAT for fiscal 2020. The acquisition and all business segments have performed strongly and remain on track.

NEW ACCOUNTING STANDARDS IMPLEMENTED

AASB 16 *Leases*

The Group has adopted AASB 16 *Leases* during the current period commencing 1 July 2019. The new standard has resulted in changes to the accounting policy which, along with the impact on the financial statements, are disclosed in Notes 7 and 12. The Group has adopted the modified retrospective method of applying AABS 16 *Leases* and as such the prior year amounts exclude the impact of the new standard.

ROUNDING OF AMOUNTS

The Group is of a kind referred to in ASIC Legislative Instrument 2016/191 relating to the 'rounding off' of amounts in the directors' report. Amounts in the directors' report have been rounded off in accordance with the instrument to the nearest thousand dollars, unless otherwise indicated.

AUDITOR'S INDEPENDENCE DECLARATION

The auditor's independence declaration, as required under section 307C of the *Corporations Act 2001*, is set out on page 6.
This report is made in accordance with a resolution of the Board of Directors.

Donald McLay
Chairman

28 January 2020

John Nesbitt
Director

HALL CHADWICK (NSW)

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

SYDNEY
Level 40
2 Park Street
Sydney NSW 2000
Australia
Ph: (612) 9263 2600
Fx: (612) 9263 2800

AUDITOR'S INDEPENDENCE DECLARATION
UNDER SECTION 307C OF THE CORPORATIONS ACT 2001
TO THE DIRECTORS OF CREDIT CORP GROUP LIMITED

In accordance with section 307C of the *Corporations Act 2001*, I am pleased to provide the following declaration of independence to the directors of Credit Corp Group Limited. As the lead audit partner for the review of the financial report of Credit Corp Group Limited for the half-year ended 31 December 2019, I declare that, to the best of my knowledge and belief, there have been no contraventions of:

(i) the auditor independence requirements as set out in the Corporations Act 2001 in relation to the review; and

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

Hall Chadwick

HALL CHADWICK
Level 40, 2 Park Street
Sydney NSW 2000

SKumar

SANDEEP KUMAR
Partner
Date: 28 January 2020

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CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the half-year ended 31 December 2019

	Note	31 Dec 2019 $'000	31 Dec 2018 $'000
Revenue	2	**190,945**	159,164
Finance costs		**(4,923)**	(5,260)
Employee benefits expense		**(71,940)**	(57,817)
Depreciation and amortisation expense		**(4,534)**	(1,153)
Office facility expenses		**(9,312)**	(8,430)
Collection expenses		**(13,474)**	(10,369)
Consumer loan loss provision expense		**(21,761)**	(19,103)
Marketing expenses		**(7,123)**	(6,938)
Other expenses		**(2,723)**	(2,062)
Profit before income tax expense		**55,155**	48,032
Income tax expense	3	**(16,539)**	(14,458)
Profit for the period		**38,616**	33,574
Other comprehensive income for the period, net of income tax		**–**	–
Total comprehensive income for the period		**38,616**	33,574
Earnings per share for profit attributable to owners of the Group			
Basic earnings per share (cents per share)		**70.3**	70.2
Diluted earnings per share (cents per share)		**69.6**	69.8

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at 31 December 2019

	Note	31 Dec 2019 $'000	30 Jun 2019 $'000
Current assets			
Cash and cash equivalents	6	**19,198**	22,709
Trade and other receivables		**6,469**	2,713
Consumer loans receivables		**127,825**	115,945
Purchased debt ledgers		**169,858**	159,738
Other assets		**4,406**	3,270
Total current assets		**327,756**	304,375
Non-current assets			
Consumer loans receivables		**59,275**	56,450
Purchased debt ledgers		**328,076**	254,384
Property, plant and equipment		**7,903**	4,101
Right-of-use assets	7	**29,643**	—
Deferred tax assets		**50,223**	29,361
Intangible assets		**800**	800
Total non-current assets		**475,920**	345,096
Total assets		**803,676**	649,471
Current liabilities			
Trade and other payables		**30,361**	28,559
Lease liabilities	7	**6,632**	—
Provisions		**12,368**	12,014
Total current liabilities		**49,361**	40,573
Non-current liabilities			
Borrowings		**224,988**	142,702
Deferred tax liabilities		**7,770**	—
Lease liabilities	7	**24,807**	—
Provisions		**14,088**	2,594
Total non-current liabilities		**271,653**	145,296
Total liabilities		**321,014**	185,869
Net assets		**482,662**	463,602
Equity			
Issued capital		**193,700**	193,700
Reserves		**14,590**	13,340
Retained earnings		**274,372**	256,562
Equity attributable to owners of the company		**482,662**	463,602
Total equity		**482,662**	463,602

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the half-year ended 31 December 2019

	Note	Issued capital $'000	Reserve $'000	Retained earnings $'000	Total equity $'000
Balance at 1 July 2019		**193,700**	**13,340**	**256,562**	**463,602**
Total comprehensive income for the period					
Profit for the period		**—**	**—**	**38,616**	**38,616**
Adjustment on adoption of AASB 16 *Leases*		**—**	**—**	**(1,049)**	**(1,049)**
Total comprehensive income for the period		**—**	**—**	**37,567**	**37,567**
Transactions with owners in their capacity as owners					
Performance rights issued net of transaction costs and tax		**—**	**1,250**	**—**	**1,250**
Dividends paid or provided for	4	**—**	**—**	**(19,757)**	**(19,757)**
Total transactions with owners in their capacity as owners		**—**	**1,250**	**(19,757)**	**(18,507)**
Balance at 31 December 2019		**193,700**	**14,590**	**274,372**	**482,662**
Balance at 1 July 2018		55,561	10,191	220,751	286,503
Total comprehensive income for the period					
Profit for the period		—	—	33,574	33,574
Transactions with owners in their capacity as owners					
Performance rights issued net of transaction costs and tax		—	2,590	—	2,590
Dividends paid or provided for	4	—	—	(17,172)	(17,172)
Total transactions with owners in their capacity as owners		—	2,590	(17,172)	(14,582)
Balance at 31 December 2018		55,561	12,781	237,153	305,495

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

CONSOLIDATED STATEMENT OF CASH FLOWS

for the half-year ended 31 December 2019

	Note	31 Dec 2019 $'000	31 Dec 2018 $'000
Cash flows from operating activities			
Receipts from customers and debtors		**301,892**	252,030
Payments to suppliers and employees		**(115,028)**	(83,484)
Interest received on bank deposits		**59**	89
Interest paid		**(4,580)**	(5,260)
Income tax paid		**(27,378)**	(12,060)
Cash flows from operating activities before changes in operating assets		**154,965**	151,315
Changes in operating assets arising from cash flow movements			
Net funding of consumer loans		**(39,306)**	(36,049)
Acquisition of purchased debt ledgers		**(119,562)**	(106,700)
Changes in operating assets arising from cash flow movements		**(158,868)**	(142,749)
Net cash provided by / (used in) operating activities		**(3,903)**	8,566
Cash flows from investing activities			
Acquisition of plant and equipment		**(1,126)**	(1,386)
Payment for acquisition of subsidiary, net of cash acquired		**(60,022)**	—
Net cash used in investing activities		**(61,148)**	(1,386)
Cash flows from financing activities			
Proceeds from borrowings		**127,982**	64,484
Principal portion of lease payments		**(3,265)**	—
Repayment of borrowings		**(43,420)**	(59,441)
Dividends paid	4	**(19,757)**	(17,172)
Net cash provided by / (used in) financing activities		**61,540**	(12,129)
Net (decrease) / increase in cash and cash equivalents		**(3,511)**	(4,949)
Cash and cash equivalents at 1 July		**22,709**	16,016
Cash and cash equivalents at 31 December	6	**19,198**	11,067

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

These interim financial statements include the consolidated financial statements and notes of Credit Corp Group Limited and its subsidiaries (the Group) for the six months ended 31 December 2019.

Credit Corp Group Limited (the Company) is incorporated in Australia. The address of its registered office and principal place of business is Level 15, 201 Kent Street, Sydney NSW 2000.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A) Basis of preparation

a) Statement of compliance

These general purpose interim financial statements for the half-year reporting period ended 31 December 2019 have been prepared in accordance with requirements of the *Corporations Act 200*1 and Australian Accounting Standard AASB 134 *Interim Financial Reporting*. Compliance with AASB 134 *Interim Financial Reporting* ensures compliance with International Financial Reporting Standard IAS 34 *Interim Financial Reporting*. The Group is a for-profit entity for financial reporting purposes under Australian Accounting Standards.

This interim financial report is intended to provide users with an update on the latest annual financial statements of the Group. As such, it does not contain information that represents relatively insignificant changes occurring during the half-year within the Group. It is therefore recommended that this financial report be read in conjunction with the annual financial statements of the Group for the year ended 30 June 2019, together with any public announcements made by the Group during the half-year reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001.*

These interim financial statements were authorised for issue on 28 January 2020.

b) Rounding of amounts

The Group is of a kind referred to in ASIC Legislative Instrument 2016/191 relating to the 'rounding off' of amounts in the financial report. Amounts in the financial report have been rounded off in accordance with the instrument to the nearest thousand dollars, unless otherwise indicated.

c) Use of estimates and judgements

In the application of the Group's accounting policies, the directors of the Group are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the Group. Actual results may differ from these estimates.

The significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 30 June 2019.

B) Significant accounting policies

The accounting policies applied in these interim financial statements are consistent with those followed in the preparation of the Group's consolidated financial statements in respect of the year ended 30 June 2019 except for those as described below.

The Group has considered the implications of new or amended Accounting Standards which have become applicable for the current financial reporting period as set out below:

AASB 16 *Leases*

In the current reporting period, the Group adopted AASB 16 *Leases*, effective for the reporting period commencing on 1 July 2019. This new standard has resulted in changes in accounting policy which, along with the impact on the financial statements are disclosed in Notes 7 and 12. The Group adopted the modified retrospective method of applying AASB 16 *Leases*. As such, the prior year amounts exclude the impact of the new standard.

NOTE 2: REVENUE

	31 Dec 2019 $'000	31 Dec 2018 $'000
Interest revenue from purchased debt ledgers	**127,955**	109,453
Interest and fee revenue from consumer lending	**50,108**	44,340
Other interest received	**59**	89
Other income	**12,823**	5,282
Total	**190,945**	159,164

Other income mainly consists of revenue from contracts from the contingency business in Australia and New Zealand. The contingency business provides contingent collection services to clients. Revenue is recognised at a point in time when the service has been performed and the Group has a right to invoice.

NOTE 3: INCOME TAX EXPENSE

The Group calculates the income tax expense for the period using the tax rate that would be applicable to expected total annual earnings.

The major components of income tax expense in the interim income statement at the end of the period are:

	31 Dec 2019 $'000	31 Dec 2018 $'000
Income tax expense		
Current income tax expense	**(17,346)**	(13,983)
Deferred income tax expense	**751**	(475)
Over-provision in respect of prior years	**56**	—
Total	**(16,539)**	(14,458)

NOTE 4: DIVIDENDS PAID AND PROPOSED

	Cents per share	Total amount $'000	Franked/ unfranked	Date of payment
Half-year ended 31 December 2019				
Final 2019 ordinary	**36.0**	**19,757**	**Franked**	**30 Aug 2019**
Half-year ended 31 December 2018				
Final 2018 ordinary	36.0	17,172	Franked	12 Oct 2018

Franked dividends declared or paid during the period were franked at the tax rate of 30 per cent.

After 31 December 2019 the following dividends were proposed by the directors. The dividends have not been provided for and there are no income tax consequences.

	Cents per share	Total amount $'000	Franked/ unfranked	Date of payment
Interim 2020 ordinary	36.0	19,767	Franked	13 Mar 2020

NOTE 5: OPERATING SEGMENTS

A) Financial reporting by segments

An operating segment is a component of an entity that engages in business activities from which it may earn revenue and / or incur expenses. The Group has identified its operating segments based on the internal reports that are reviewed and used by the chief operating decision maker, the Chief Executive Officer (CEO), to make strategic decisions. The Group has three main operating segments: debt ledger purchasing (Australia and New Zealand), debt ledger purchasing (United States) and consumer lending. The CEO of the Group regularly reviews the operating segments' results to assess performance and allocate resources.

The reportable segments are as follows:

a) Debt ledger purchasing – Australia and New Zealand

This business purchases consumer debts at a discount to their face value from credit providers in Australia and New Zealand, with the objective of recovering amounts in excess of the purchase price over the collection life cycle of the receivables to produce a return. This segment also includes the contingent collection services business in Australia and New Zealand.

b) Debt ledger purchasing – United States

This business purchases consumer debts at a discount to their face value from credit providers in the United States, with the objective of recovering amounts in excess of the purchase price over the collection life cycle of the receivables to produce a return.

c) Consumer lending

This business offers various market-leading sustainable lending products to credit-impaired consumers.

Following is the information provided to the CEO:

	Debt ledger purchasing: Australia and New Zealand $'000	Debt ledger purchasing: United States $'000	Consumer lending $'000	Total for continuing operations $'000
Half-year ended 31 December 2019				
Segment revenue				
External revenue	**112,784**	**27,988**	**50,173**	**190,945**
Segment result				
Segment profit	**46,231**	**4,714**	**13,667**	**64,612**
Finance costs				**(4,923)**
Depreciation and amortisation				**(4,534)**
Profit before income tax expense				**55,155**
Income tax expense				**(16,539)**
Profit after income tax expense				**38,616**
Half-year ended 31 December 2018				
Segment revenue				
External revenue	97,350	17,420	44,394	159,164
Segment result				
Segment profit	39,211	3,782	11,452	54,445
Finance costs				(5,260)
Depreciation and amortisation				(1,153)
Profit before income tax expense				48,032
Income tax expense				(14,458)
Profit after income tax expense				**33,574**

B) Geographic segments

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

NOTE 6: CASH AND CASH EQUIVALENTS

	31 Dec 2019 $'000	31 Jun 2019 $'000
Cash and cash equivalents	**19,198**	22,709

NOTE 7: RIGHT-OF-USE ASSETS AND LEASE LIABILITIES

The right-of-use assets and lease liabilities have arisen upon adoption of AASB 16 *Leases* from 1 July 2019.

Refer to note 12 for further information.

A) Right-of-use assets

	31 Dec 2019 $'000
Initial right-of-use assets recognised on adoption of AASB 16 *Leases*	10,884
Additions through business combinations	2,511
Additions	18,913
Depreciation charge	(2,721)
Exchange rate impact	56
Closing right-of-use assets as at 31 December 2019	**29,643**
Cost	32,830
Accumulated depreciation	(3,187)
Closing right-of-use assets as at 31 December 2019	**29,643**

B) Lease liabilities

	31 Dec 2019 $'000	1 Jul 2019 $'000
Current lease liabilities	**6,632**	5,108
Non-current lease liabilities	**24,807**	7,274
Total lease liabilities	**31,439**	12,382

C) Accounting policy

a) 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 losses and adjusted for any re-measurement 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. The recognised right-of-use assets are depreciated on a straight-line basis over the lease term.

b) 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 incentive receivable and variable lease payments that depend on an index or a rate. 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 expense in the period in 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 as the interest 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.

c) Short-term leases and leases of low-value assets

The Group applies the low-value assets recognition exemption to leases of office equipment that are considered of low value ($20,000 or less). Lease payments on short-term leases and leases of low-value assets are recognised as expenses on a straight-line basis over the lease term.

NOTE 7: RIGHT-OF-USE ASSETS AND LEASE LIABILITIES continued

d) Significant judgement in determining the lease term of contracts with renewal options

The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to exercise, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

The Group has the option, under some of its leases, to lease the assets for additional terms. The Group applies judgement in evaluating whether it is reasonably certain to exercise the option to renew. That is, it considers all relevant factors that create an economic incentive for it to exercise the renewal. After the commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise (or not exercise) the option to renew.

NOTE 8: ISSUANCES, REPURCHASES AND REPAYMENTS OF EQUITY SECURITIES

	31 Dec 2019 ’000	31 Dec 2018 ’000
Balance at 1 July	**54,918**	47,709
Issue of shares		
LTI plan	–	361
Issued shares for the period	–	361
Balance at 31 December	**54,918**	48,070

The 2019 portion of the performance rights issued in line with the Group’s LTI Plan 2016-2018 converted to 360,852 deferred vesting shares in November 2018.

NOTE 9: BUSINESS COMBINATIONS

On 16 August 2019 the Group acquired Baycorp Holdings Pty Limited and its associated entities (collectively Baycorp) for a total consideration of approximately $65 million.

As at 31 December 2019 accounting for the acquisition is provisional in nature due to the deferred tax balances and restructuring provisions being subject to finalisation.

The assets and liabilities acquired at fair value consist of the following:

	$’000
Purchased debt ledgers	74,755
Cash at bank	3,757
Deferred tax asset	14,985
Fixed assets	3,033
Right-of-use assets	2,511
Trade and other payables	(7,334)
Provisions	(3,089)
Deferred tax liability	(4,487)
Finance lease liability	(2,824)
Restructuring provision	(15,812)
Provisional identifiable net assets acquired	**65,495**

Revenue and profit contribution from the date of acquisition to period ended 31 December 2019:

	$’000
Revenue	**18,512**
Profit before tax	**4,156**

Accounting policy

The acquisition method of accounting is used to account for all business combinations. Cost is measured as the fair value of the assets given, equity instruments issued or liabilities incurred or assumed at the date of exchange.

Acquisition costs paid by the Group are expensed.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The excess of the cost of acquisition over the fair value of the Group’s share of identifiable net assets acquired is recorded as goodwill.

NOTE 10: CONTINGENT LIABILITIES

The Group had contingent liabilities in respect of:

	31 Dec 2019 $'000	30 Jun 2019 $'000
Licensure bonds	**1,994**	1,949

Licensure bonds are bonds issued in the normal course of business to the State Board of Collection Agencies in the United States to guarantee collected funds are remitted to clients under contracts.

NOTE 11: EVENTS SUBSEQUENT TO REPORTING DATE

No matters or circumstances have arisen since 31 December 2019 which significantly affected or may significantly affect in future periods:

- The operations of the Group;
- The results of those operations; or
- The state of affairs of the Group.

NOTE 12: CHANGES IN ACCOUNTING POLICIES

A) Accounting standards and interpretations applied from 1 July 2019

The accounting policies adopted in the preparation of the interim consolidated financial report are consistent with those followed in the preparation of the Group's annual report for the year ended 30 June 2019, except for the adoption of new standards effective as of 1 July 2019.

The Group has adopted AASB 16 *Leases* using the modified retrospective method from 1 July 2019, and has not restated comparatives for the June 2019 reporting period, as permitted under the specific transitional provisions in the standard. The reclassifications and the adjustments arising from the new leasing rules are therefore recognised in the opening balance sheet on 1 July 2019.

B) Adjustments recognised on adoption of AASB 16 *Leases*

On adoption of AASB 16 *Leases*, the Group recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of AASB 117 *Leases*. These liabilities were measured at the present value of the remaining lease payments, discounted using the Group's incremental borrowing rate as of 1 July 2019. The weighted average lessee's incremental borrowing rate applied to the lease liabilities on 1 July 2019 was 3.7% for AUD denominated leases and 4.2% for USD denominated leases.

	$'000
Operating lease commitments as at 30 June 2019	12,958
Discounted using the incremental borrowing rate	(842)
Other adjustments	291
Payments in optional extension periods not recognised as at 30 June 2019	(25)
Lease liabilities recognised as at 1 July 2019	**12,382**

The associated right-of-use assets were measured at the amount equal to the lease liabilities, adjusted by the amount of any prepaid or accrued lease payment and onerous lease provisions relating to these leases recognised in the balance sheet as at 1 July 2019.

In accordance with AASB 16(53)(j) the recognised right-of-use assets relate to the following types of assets:

	$'000
Leased property	10,794
Leased IT equipment	90
Lease liabilities recognised as at 1 July 2019	**10,884**

NOTE 12: CHANGES IN ACCOUNTING POLICIES continued

a) Impact on earnings per share

Earnings per share for the six months to 31 December 2019 was not impacted as a result of the adoption of AASB 16 *Leases*.

b) Practical expedients applied

In applying AASB 16 *Leases* for the first time, the Group has used the following practical expedients permitted by the standard:

- The use of a single discount rate to a portfolio of leases with reasonably similar characteristics;
- The accounting for operating leases with a remaining lease term of fewer than 12 months as at 1 July 2019 as short-term leases;
- The accounting for operating leases with a cost value of $20,000 or less as low-value leases;
- The exclusion of initial direct costs for the measurement of the right-of-use asset at the date of initial application; and
- The use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

C) The Group's leasing activities and how these are accounted for

The Group leases various offices, showrooms, car parks and equipment. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants, but leased assets may not be used as security for borrowing purposes.

Prior to 1 July 2019, leases of property, plant and equipment were classified as either finance or operating leases. Payments made under operating leases (net of any incentives received from the lessor) were charged to the income statement, on a straight-line basis over the period of the lease.

From 1 July 2019, the Group applied a single recognition and measurement approach for all leases of which it is the lessee, except for leases of low-value assets and with terms of less than one year. The Group recognised lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets. Leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group. Each lease payment is allocated between the liabilities and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- Fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- Variable lease payments that are based on an index or a rate;
- Amounts expected to be payable by the lessee under residual value guarantees;
- The exercise price of a purchase option if the lessee is reasonably certain to exercise that option; and
- Payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be determined, the lessee's incremental borrowing rate is used, being the rate that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.

Right-of-use assets are measured at cost comprising the following:

- The amount of the initial measurement of lease liabilities;
- Any lease payments made at or before the commencement date less any lease incentives received; and
- Restoration costs.

Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or fewer. Low-value assets mainly comprise IT and office equipment.

NOTE 13: FAIR VALUE MEASUREMENTS

The fair value of the PDLs is materially the same as the carrying value measured under amortised cost using the credit-adjusted effective interest rate. The risk-adjusted discount rate used in applying fair value would be similar to the credit-adjusted effective interest rate used in amortised cost measurement.

The carrying amounts of cash and cash equivalents, trade and other receivables, consumer loans and trade and other payables approximate their fair values.

DIRECTORS' DECLARATION

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

A) The financial statements and notes, as set out on pages 7 to 17 are in accordance with the *Corporations Act 2001,* including:
   a) Giving a true and fair view of the Group's financial position as at 31 December 2019 and of its performance for the half-year ended on that date; and
   b) Complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting.*

B) In the directors' opinion, there are reasonable grounds to believe that the Group will be able to pay its debts as and when they become due and payable.

C) The directors have been given the declaration required by section 295 of the *Corporations Act 2001* from the Chief Executive Officer and Chief Financial Officer for the half-year ended 31 December 2019.

Donald McLay
Chairman

John Nesbitt
Director

28 January 2020

HALL CHADWICK (NSW)

SYDNEY
Level 40
2 Park Street
Sydney NSW 2000
Australia
Ph: (612) 9263 2600
Fx: (612) 9263 2800

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

INDEPENDENT AUDITOR'S REVIEW REPORT TO THE MEMBERS OF CREDIT CORP GROUP LIMTIED

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Credit Corp Group Limited, which comprises the consolidated statement of financial position as at 31 December 2019, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity, and consolidated statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information and the directors' declaration.

Directors' Responsibility for the Half-Year Financial Report

The directors of Credit Corp Group Limited are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards (including Australian Accounting Interpretations) and the Corporations Act 2001 and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410: Review of a Financial Report Performed by the Independent Auditor of the Entity, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the Corporations Act 2001 including: giving a true and fair view of Credit Corp Group Limited's financial position as at 31 December 2019 and its performance for the half-year ended on that date, and complying with Accounting Standard AASB 134: Interim Financial Reporting and the Corporations Regulations 2001. As the auditor of Credit Corp Group Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

Independence

In conducting our review, we have complied with the independence requirements of the Corporations Act 2001. We confirm that the independence declaration required by the Corporations Act 2001, has been given to the directors of the company.

HALL CHADWICK (NSW)

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

INDEPENDENT AUDITOR'S REVIEW REPORT TO THE MEMBERS OF CREDIT CORP GROUP LIMITED

Conclusion

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

(i) giving a true and fair view of Credit Corp Group Limited's financial position as at 31 December 2019 and of its performance for the half-year ended on that date; and

(ii) complying with AASB 134: Interim Financial Reporting and the Corporations Regulations 2001.

Hall Chadwick

HALL CHADWICK
Level 40, 2 Park Street
Sydney NSW 2000

S Kumar

SANDEEP KUMAR
Partner
Dated: 28 January 2020

HISTORICAL ANALYSIS OF PERFORMANCE

	31 Dec 2019 $'000	31 Dec 2018 $'000
Income and expenditure		
Purchased debt ledger collections	**236,415**	200,832
Less: Purchased debt ledger amortisation	**(108,460)**	(91,379)
Interest revenue from purchased debt ledgers	**127,955**	109,453
Interest and fee income from consumer lending	**50,108**	44,340
Other revenue	**12,882**	5,371
Total revenue	**190,945**	159,164
Net profit after tax	**38,616**	33,574
Financial position		
Current assets	**327,756**	285,179
Non-current assets, excluding intangible assets	**475,120**	311,600
Intangible assets	**800**	800
Total assets	**803,676**	597,579
Current liabilities	**49,361**	51,329
Non-current liabilities	**271,653**	240,755
Total liabilities	**321,014**	292,084
Net assets	**482,662**	305,495
Borrowings	**224,988**	237,752
Shares on issue ('000)	**54,918**	48,070
Cash flows		
From operating activities	**(3,903)**	8,566
From investing activities	**(61,148)**	(1,386)
From financing activities	**61,540**	(12,129)
Net (decrease) / increase in cash	**(3,511)**	(4,949)
Key statistics		
Earnings per share		
Basic (cents)	**70.3**	70.2
Diluted (cents)	**69.6**	69.8
Dividends per share (cents)	**36.0**	36.0
NPAT / revenue	**20%**	21%
NTA backing per share (cents)	**877.4**	633.9

CORPORATE DIRECTORY

CREDIT CORP GROUP LIMITED

ABN 33 092 697 151

The shares of Credit Corp Group Limited are listed on the Australian Securities Exchange under the trade symbol CCP, with Sydney being the home exchange.

Directors

Mr Donald McLay
Mr Eric Dodd
Mr John Nesbitt
Ms Leslie Martin
Mr Richard Thomas
Ms Trudy Vonhoff

Company secretaries

Mr Thomas Beregi
Mr Michael Eadie

Head office and registered office

Level 15, 201 Kent Street
Sydney NSW 2000
Australia

GPO Box 4475
Sydney NSW 2001
Australia

Telephone	+61 2 8651 5000
Fax	1300 483 012
Email	investorinfo@creditcorp.com.au
Website	www.creditcorp.com.au

Share registry

Boardroom Pty Limited
Level 12, 225 George Street
Sydney NSW 2000
Australia

Telephone	+61 2 9290 9600
Fax	+61 2 9279 0664
Email	enquiries@boardroomlimited.com.au
Website	www.boardroomlimited.com.au

Auditor

Hall Chadwick Chartered Accountants
Level 40, 2 Park Street
Sydney NSW 2000
Australia

Telephone	+61 2 9263 2600
Fax	+61 2 9263 2800
Website	www.hallchadwick.com.au

Credit Corp Group

creditcorp.com.au