Pepper Group Pty Limited
(formerly Pepper Group Limited)

ABN 55 094 317 665

Consolidated financial statements for the year ended 31 December 2020

Table of contents

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Directors' report

The directors of Pepper Group Pty Limited (formerly Pepper Group Limited until 24 January 2020, referred to as: Pepper, PGPL or the Company) and its controlled entities (the Group) submit the annual report of the Group at the end of, or during, the year ended 31 December 2020.

Information about the directors

The name and particulars of the directors of the Company during or since the end of the financial year are:

Michael Culhane, Group Chief Executive Officer and Director
Cameron Small, Group Chief Financial Officer and Director, resigned 8 July 2020
Mario Rehayem, ANZ Chief Executive Officer and Director
Therese McGrath, ANZ Chief Financial Officer and Director, appointed 7 July 2020

Indemnification of officers and auditors

During the period, the Company paid an insurance premium in respect of the directors of the Company as named above, the company secretary and all executive officers of the Company against a liability incurred as such a director, secretary or executive officer to the extent permitted by the Corporations Act 2001. The contract of insurance prohibits disclosure of the nature of the liability and the amount of the premium.

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

Likely future developments

Discontinued operations: Rest of World (RoW) businesses held for sale or distribution

The Company along with its immediate and ultimate parent, Red Hot Australia BidCo Pty Limited (BidCo) and Red Hot Australia HoldCo Pty Limited (HoldCo), and its subsidiaries (collectively, the Pepper Group) are committed to undertake a corporate restructure (Restructure) in 2021.

As part of the Restructure, HoldCo shareholders intend in 2021 to create a foreign holding company structure, outside the current Pepper Group, with a new head corporate entity, Pepper Global Topco Limited (TopCo). The shareholders of TopCo will be substantially the same as the current HoldCo shareholders and the existing governance arrangements that apply to HoldCo will be substantially replicated at the TopCo level.

Pepper's business operations in all jurisdictions, other than Australia, New Zealand and the Philippines, will then either be sold to an external third party in a market transaction, or transferred from PGPL to legal entities within the TopCo corporate structure. The Australian, New Zealand and Philippines operations (collectively Pepper ANZ) will remain within the PGPL legal entity and are presented in these consolidated financial statements as continuing operations.

As a result of the Company's commitment to complete the Restructure and the high probability of the Restructure being achieved in 2021 (expected to occur in H1 2021), all other businesses (Rest of World) are presented as discontinued operations: either held for sale in the case of those likely to be realised through market sale transactions, or held for distribution for those that will be transferred via a common control transaction to TopCo.

In accordance with accounting standards, the results and balances relating to continuing and discontinued operations have been presented as follows:

- The net results from discontinued operations have been presented in a single line 'Loss from discontinued operations' in the income statement for both the current and comparative year. All the remaining line items in the income statement relate to continuing operations only;
- The associated assets and liabilities of discontinued operations have been presented as Assets held for sale or distribution in the balance sheet as at 31 December 2020. No changes have been made to comparative information; and
- There is no change in presentation in the statement of changes in equity and statement of cash flows. They both present the aggregated results of continuing and discontinued operations in the current and comparative years.

Refer to Note 1 and 28 for further details.

Principal activities and review of continuing operations

Pepper ANZ

Pepper ANZ is a business unit of PGPL that does not trade, and has not previously traded, under a separate legal entity structure.

As at 31 December 2020, Pepper ANZ is a:

- Residential mortgage and commercial real estate lender;
- Consumer and commercial loan lender; and
- Loan and broker servicer.

Pepper ANZ operates in targeted market segments and asset classes in Australia and New Zealand, many of which are underserved by traditional lenders such as banks.

Pepper ANZ currently offers three broad categories of products:

- Mortgages: financing residential home loans and small balance commercial real estate loans;
- Asset Finance: financing a range of asset types for consumer and commercial customers; and
- Loan Servicing: independent loan servicing for residential and commercial loans and personal loans.

Pepper ANZ's business model provides a diversified base of revenue generated at multiple points across the customer relationship and includes loan origination, lending, servicing and loan administration.

Pepper ANZ's operating model combines credit risk based underwriting expertise with highly developed specialist loan servicing and collection management capabilities which together deliver strong performance in both its lending and servicing businesses across multiple asset classes including residential mortgages, car and other auto loans, equipment finance, small balance commercial mortgages and personal loans.

Impact of COVID-19 - Financial Reporting, Funding and Liquidity

An outbreak of the Coronavirus disease (COVID-19) caused by SARS-CoV-2 occurred during December 2019. COVID-19 subsequently spread around the world and was recognised as a pandemic by the World Health Organization on 11 March 2020.

The outbreak of COVID-19 and the subsequent quarantine measures, travel and trade restrictions imposed in 2020 have caused disruption to operations.

The COVID-19 outbreak has impacted Expected Credit Losses (ECL) in Pepper's lending businesses. In line with other lenders, hardship payment moratoriums and repayment flexibility have been granted to customers undergoing financial stress due to COVID-19. Since the beginning of the pandemic the number of borrowers on such arrangements has reduced such that as at the date of authorising the consolidated financial report only a very small portion of the Group's loan portfolio continue to be on modified payment arrangements.

ECL impacts have been partially offset by a range of financial stimulus and support implemented by governments where Pepper's businesses operate. In Australia, total government stimulus stands in excess of $320bn, covering a broad range of initiatives from individual support (JobSeeker) to company support (SME Loan protection, JobKeeper - employee support for impacted companies).

Principal activities and review of continuing operations (continued)

Impact of COVID-19 - Financial Reporting, Funding and Liquidity (continued)

As a consequence of COVID-19 and in preparing the consolidated financial statements, Management:

- Considered the financial impact on its businesses and areas of the financial statements affected to determine the disclosures required, and evaluated if any additional areas of judgement or estimation uncertainty beyond what has been disclosed existed;
- Updated forward-looking models when measuring ECL to assess any significant increase in credit risk, and for the impairment of financial and non-financial asset classes and disclosures;
- Evaluated information available after the reporting date but before the issuance of the financial report and updated the disclosures in the financial report;
- Reviewed market performance, both Australia and internationally from previous economic downturns, including the financial crisis of 2008;
- Reviewed economic forecasts from a range of sources, including available data from Governments in regions Pepper's businesses operate, including: the Reserve Bank of Australia and forecasting units, for example Bloomberg; and
- Reviewed external market communications to identify other COVID-19 related impacts.

The impacts of COVID-19 have also been considered and incorporated into Pepper's ECL model, via additional macroeconomic overlays.

Pepper's funding position and liquidity requirements have been carefully monitored and managed during the period. Pepper ANZ has been approved by the Australian Office of Financial Management (AOFM) for investment into its warehouse funding arrangements and for the ability to drawdown from the Forbearance Special Purpose Vehicle (fSPV).

During 2020, Pepper priced a number of primary transactions globally and in Australia. Pepper ANZ priced 6 primary transactions: 4 Residential Mortgage Backed Securitisations (RMBS) and 2 Asset Backed Securitisations (ABS) and 3 tranche reissues for total capital markets funding of $5.3bn, with 4 RMBS and 1 ABS being undertaken since June 2020.

Further, the conservative approach to credit risk and strong funding relationships have helped to protect Pepper from the severe impacts of COVID-19. Pepper's Management have taken appropriate actions to reduce cost base and mitigate the impact of COVID-19 to remain liquid throughout the going concern period, being a period of at least twelve months after the date of the interim financial report.

During the financial year ended 31 December 2020, Pepper ANZ utilised the following Federal/State tax concessions:

- Delayed Pay as You Go (PAYG) Company Tax Instalments; and
- Victorian and Queensland Payroll Tax relief.

Pepper continues to monitor closely the development of the COVID-19 outbreak and its impact on market conditions.

Principal activities and review of continuing operations (continued)

Financial performance review of continuing operations

Consolidated Income Statement (extract)

	Year ended 31 December 2020 $'000	Year ended 31 December 2019 $'000
Net interest income	**352,217**	268,608
Lending fee revenue	**51,326**	53,251
Loan loss expenses	**(56,692)**	(41,247)
Lending expenses	**(44,827)**	(44,283)
Other operating income	**16,889**	11,350
Net operating income	**318,913**	247,679
Employee benefits expenses	**(81,716)**	(87,769)
Corporate borrowing costs	**(14,234)**	(8,692)
Other operating expenses and losses	**(81,449)**	(71,177)
Total expenses	**(177,399)**	(167,638)
Profit before tax	**141,514**	80,041
Income tax expense	**(42,092)**	(21,866)
Profit from continuing operations	**99,422**	58,175

Profit from continuing operations increased $41.2m (71%) to $99.4m for the year ended 31 December 2020 compared to the prior comparative period.

The increase primarily reflects an improvement in net interest income of $83.6m (31%) driven by lower interest expense on a stable loan portfolio which increased marginally across all asset classes. Loan loss expenses increased $15.4m (37%) driven by an increase in collective provisions in response to COVID-19, partly offsetting the strong net interest income performance.

Total expenses increased $9.8m (6%) driven by higher corporate borrowing costs of $5.5m. Employee benefits expenses decreased $6.1m but was more than offset by an increase of $10.3m in other operating expenses and losses, driven by higher one off depreciation and amortisation charges of $7.5m.

Changes in affairs

As outlined on page 1 the Group are committed to complete a Restructure whereby all RoW businesses will be sold or distributed to entities not controlled by the Company. As a result of the Company's commitment to complete the Restructure and the high probability of the Restructure being achieved in 2021, all Rest of World businesses are presented as discontinued operations, refer to Note 1 and 28 for additional information.

There were no significant changes in the state of affairs of the Group during the year ended 31 December 2020.

Events since the end of the financial year

The directors of Pepper Group Pty Limited have considered the financial effects of COVID-19 in preparing these financial statements. Management have taken material steps to mitigate the impacts on the Group. The Group continues to monitor closely the development of the COVID-19 outbreak and its impact on market conditions.

On 31 January 2020 Pepper entered into a binding agreement with Link Administration Holdings Limited (Link) to sell its European Servicing business (Pepper European Servicing) subject to various regulatory approvals including from the Competition and Consumer Protection Commission (CCPC) in Ireland which had not been received on 31 January 2021. In January 2021 the CCPC was informed Link (and Pepper) would not proceed with the transaction and the CCPC should consider the proposed transaction to be withdrawn.

Events since the end of the financial year (continued)

Other than the items noted above, there has not been any matter or circumstance occurring subsequent to the end of the financial year that has significantly affected, or may significantly affect, the operations of the Group, the results of those operations, or the state of affairs of the Group in future financial years.

Dividends

No dividends were paid in 2020 (2019: $Nil).

Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 7.

Rounding of amounts

The Company 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, or in certain cases, to the nearest dollar.

This report is made in accordance with a resolution of directors.

Michael Culhane
Director

Therese McGrath
Director

Sydney
16 March 2021

Directors' declaration

The directors of Pepper Group Pty Limited declare that, in the directors' opinion:

(a) the financial statements and notes set out on pages 11 to 70 are in accordance with the *Corporations Act 2001*, including:

(i) compliance with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements, and

(ii) giving a true and fair view of the consolidated entity's financial position as at 31 December 2020 and of its performance for the financial year ended on that date, and

(b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

The attached financial statements are in accordance with the International Financial Reporting Standards as issued by the International Accounting Standards Board.

This declaration is made in accordance with a resolution of directors.

Michael Culhane
Director

Therese McGrath
Director

Sydney
16 March 2021

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The Board of Directors
Pepper Group Pty Limited
Level 27, 177 Pacific Highway
North Sydney, NSW 2060

16 March 2021

Dear Board Members

Auditor's Independence Declaration to Pepper Group Pty Limited (formerly Pepper 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 Pepper Group Pty Limited.

As lead audit partner for the audit of the financial report of Pepper Group Pty Limited for the 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 of the Corporations Act 2001 in relation to the audit; and

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

Yours faithfully

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

Heather Baister
Partner
Chartered Accountants

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

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Pepper Group Pty Limited (formerly Pepper Group Limited) (the Company) and its controlled entities (the Group) which comprises the consolidated balance sheet as at 31 December 2020, consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

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

(i) giving a true and fair view of the Group's financial position as at 31 December 2020 and of its financial performance for the year then ended; and

(ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional 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 confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of the Company, would be in the same terms if given to the directors as at the time of this auditor's report.

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

Other Information

The directors are responsible for the other information. The other information comprises the Directors' report for the year ended 31 December 2020, but does not include the financial report and our auditor's report thereon.

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

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

Responsibilities of the Directors for the Financial Report

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

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

Auditor's Responsibilities for the Audit of the Financial Report

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

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the Group's audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

DELOITTE TOUCHE TOHMATSU

Heather Baister
Partner
Chartered Accountants
Sydney, Australia
16 March 2021

Consolidated income statement

	Notes	Year ended 31 December 2020 $'000	(Restated) Year ended 31 December 2019 [1] $'000
Interest revenue	4	**705,907**	714,354
Interest expense[2]	4	**(353,690)**	(445,746)
Net interest income		**352,217**	268,608
Lending fee revenue	4	**51,326**	53,251
Loan loss expenses	4	**(56,692)**	(41,247)
Lending expenses	4	**(44,827)**	(44,283)
Gain on sale of loan portfolios	4	**9,569**	5,806
Servicing fees and other revenue	4	**7,320**	5,544
Net operating income		**318,913**	247,679
Employee benefits expenses	4	**(81,716)**	(87,769)
Depreciation and amortisation expense	4	**(24,329)**	(16,806)
Technology expenses	4	**(19,895)**	(17,918)
Marketing expenses	4	**(10,418)**	(9,370)
Corporate borrowing costs	4	**(14,234)**	(8,692)
Impairment losses	4	**(5,516)**	(6,963)
Other expenses	4	**(21,291)**	(20,120)
Total expenses		**(177,399)**	(167,638)
Profit before tax		**141,514**	80,041
Income tax expense	6	**(42,092)**	(21,866)
Profit from continuing operations		**99,422**	58,175
Loss from discontinued operations	28	**(129,382)**	(8,325)
(Loss)/profit after tax		**(29,960)**	49,850
(Loss)/Profit for the year attributable to:			
Owners of the Company		**(29,593)**	49,908
Non-controlling interests		**(367)**	(58)
		(29,960)	49,850

[1] The comparatives have been restated for discontinued operations that have arisen during the year (refer to Note 28).
[2] Interest expense excludes corporate borrowing costs.

The above consolidated income statement should be read in conjunction with the accompanying notes.

Consolidated statement of comprehensive income

	Year ended 31 December 2020 $'000	Year ended 31 December 2019 $'000
Profit after tax		
Profit from continued operations	**99,422**	58,175
Loss from discontinued operations	**(129,382)**	(8,325)
	(29,960)	49,850
Other comprehensive income / (expense) that may be recycled to profit or loss		
Currency translation reserve:		
Currency translation reserve	**(27,586)**	(2,676)
Tax	**(4,240)**	1,938
Currency translation reserve	**(31,826)**	(738)
Cash flow hedge reserve:		
Cash flow hedge reserve	**(20,264)**	(29,606)
Tax	**5,154**	6,879
Cash flow hedge reserve	**(15,110)**	(22,727)
Total other comprehensive (expense) / income that may be recycled to profit or loss	**(46,936)**	(23,465)
Other comprehensive income not recycled to profit or loss (net of tax):		
Retirement benefit remeasurements	**(50)**	(251)
Other comprehensive (expense) / income for the period	**(46,986)**	(23,716)
Total comprehensive income for the period	**(76,946)**	26,134
Comprehensive income attributed to:		
Owners of the Company	**(76,579)**	26,192
Non-controlling interests	**(367)**	(58)
	(76,946)	26,134

The above consolidated statement of comprehensive income should be read in conjunction with the accompanying notes.

Consolidated balance sheet

	Notes	As at 31 December 2020 $'000	As at 31 December 2019 $'000
Assets			
Cash and cash equivalents	22	**885,578**	1,807,658
Derivative financial assets	13	**1,090**	48,018
Receivables	7	**5,316**	130,672
Current tax assets		**-**	2,298
Other assets		**4,013**	43,643
Loans and advances	8	**13,310,841**	19,527,124
Deferred tax assets	6	**52,344**	47,286
Other financial assets	9	**19,593**	64,974
Investments in associates	10	**-**	135,095
Property, plant and equipment	11	**13,565**	118,426
Intangible assets	12	**38,878**	76,745
Goodwill	12	**-**	60,321
Assets held for sale or distribution	28	**8,769,193**	-
Total assets		**23,100,411**	22,062,260
Liabilities			
Deposits	14	**-**	3,664,431
Derivative liabilities	13	**86,732**	68,190
Trade and other payables		**15,178**	76,650
Current tax liabilities		**37,753**	3,462
Borrowings	15	**13,797,013**	17,067,638
Other liabilities	16	**21,605**	303,721
Provisions	17	**18,761**	60,308
Deferred tax liabilities	6	**-**	6,946
Liabilities directly associated with assets held for sale or distribution	28	**8,388,447**	-
Total liabilities		**22,365,489**	21,251,346
Total net assets		**734,922**	810,914
Equity			
Issued capital	18	**601,770**	601,770
Other equity	19	**(19,477)**	(19,427)
Other reserves	19	**(45,614)**	1,374
Retained earnings		**197,242**	226,093
Total equity attributable to owners of the Company		**733,921**	809,810
Non-controlling interests		**1,001**	1,104
Total equity		**734,922**	810,914

The above consolidated balance sheet should be read in conjunction with the accompanying notes.

Consolidated statement of changes in equity

	Issued capital $'000	Other equity $'000	Other reserves $'000	Retained earnings $'000	Attributable to owners of the Company $'000	Non-controlling interests $'000	Total equity $'000
Balance at 1 January 2019	356,101	(19,176)	24,836	181,698	543,459	982	544,441
Impact of AASB 16 adoption	-	-	-	(4,028)	(4,028)	-	(4,028)
Profit for the period	-	-	-	49,908	49,908	(58)	49,850
Currency translation movements	-	-	(738)	-	(738)	-	(738)
Cash flow hedge movements	-	-	(22,727)	-	(22,727)	-	(22,727)
Retirement benefit remeasurements	-	(251)	-	-	(251)	-	(251)
Total comprehensive income for the period	-	(251)	(23,465)	49,908	26,192	(58)	26,134
Contributions of equity	245,669	-	-	-	245,669	-	245,669
Capital contribution	-	-	-	5,285	5,285	180	5,465
Transfer of settled equity share schemes	-	-	-	(5,896)	(5,896)	-	(5,896)
Other movements	-	-	3	(874)	(871)	-	(871)
Balance at 31 December 2019	**601,770**	**(19,427)**	**1,374**	**226,093**	**809,810**	**1,104**	**810,914**
Profit for the period	**-**	**-**	**-**	**(29,593)**	**(29,593)**	**(367)**	**(29,960)**
Currency translation movements	**-**	**-**	**(31,826)**	**-**	**(31,826)**	**-**	**(31,826)**
Cash flow hedge movements	**-**	**-**	**(15,110)**	**-**	**(15,110)**	**-**	**(15,110)**
Retirement benefit remeasurements	**-**	**(50)**	**-**	**-**	**(50)**	**-**	**(50)**
Total comprehensive income for the period	**-**	**(50)**	**(46,936)**	**(29,593)**	**(76,579)**	**(367)**	**(76,946)**
Contributions of equity	**-**	**-**	**-**	**-**	**-**	**264**	**264**
Dividends paid	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Capital contribution	**-**	**-**	**-**	**1,577**	**1,577**	**-**	**1,577**
Transfer of settled equity share schemes	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Recognition of share based payments	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Other movements	**-**	**-**	**(52)**	**(835)**	**(887)**	**-**	**(887)**
Balance at 31 December 2020	**601,770**	**(19,477)**	**(45,614)**	**197,242**	**733,921**	**1,001**	**734,922**

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

Consolidated statement of cash flows

	Notes	Year ended 31 December 2020 $'000	Year ended 31 December 2019 $'000
Cash flows from operating activities			
Fees and other income receipt from customers		**242,365**	299,793
Payments to suppliers and employees		**(623,178)**	(547,532)
Interest received		**1,395,147**	1,369,219
Interest and other finance costs paid		**(573,545)**	(662,129)
Income taxes received/(paid)		**5,399**	(4,372)
Net cash inflow from operating activities	22	**446,188**	454,979
Cash flows from investing activities			
Payments for property, plant and equipment		**(19,448)**	(60,459)
Payments for intangibles and other assets		**(27,866)**	(45,427)
Cash flows relating to other financial assets		**(55,585)**	40,600
Amount paid to related parties		**(926)**	(17,571)
Payments for arrangement fees		**(19,323)**	(18,051)
Net increase in loans and advances		**(2,406,772)**	(5,746,316)
Net cash outflow from acquisition and disposal of businesses		**-**	(1,100)
Cash flows relating to investments in associates		**8,955**	(25,692)
Receipts from sale of loan portfolios		**633,267**	1,264,463
Net cash outflow from investing activities		**(1,887,698)**	(4,609,553)
Cash flows from financing activities			
Proceeds from issuance of capital		**-**	245,646
Increase in borrowings		**434,896**	3,587,058
Increase in deposits		**1,120,983**	933,091
Net cash inflow from financing activities		**1,555,879**	4,765,795
Effects of exchange rate changes on cash and cash equivalents		**(31,551)**	(3,930)
Net increase in cash and cash equivalents		**82,818**	607,291
Cash and cash equivalents at the beginning of the financial year		**1,807,658**	1,200,367
Cash and cash equivalents at end of year	22	**1,890,476**	1,807,658

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

1 About this report

The information presented in Note 1 is considered relevant to an understanding of the financial statements.

(a) General information

These consolidated financial statements are for the consolidated Group (the Group), consisting of Pepper Group Pty Limited (formerly Pepper Group Limited until 24 January 2020, referred to as: Pepper, PGPL or the Company) and its controlled entities for the year ended 31 December 2020. These financial statements were approved and authorised for issue by the Board of Directors on the 16th March 2021.

(b) Basis of preparation

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and interpretations issued by the Australian Accounting Standards Board and the *Corporations Act 2001*. The Company is a for-profit entity for the purpose of preparing the financial statements.

Discontinued operations: Rest of World business held for sale or distribution

As outlined in the Directors Report, the Company along with its immediate and ultimate parent, Red Hot Australia BidCo Pty Limited (BidCo) and Red Hot Australia HoldCo Pty Limited (HoldCo), and its subsidiaries (collectively, the Pepper Group) are committed to undertake a corporate restructure (Restructure) in 2021.

As part of the Restructure, HoldCo shareholders intend in 2021 to create a foreign holding company structure, outside the current Pepper Group, with a new head corporate entity, Pepper Global Topco Limited (TopCo). The shareholders of TopCo will be substantially the same as the current HoldCo shareholders and the existing governance arrangements that apply to HoldCo will be substantially replicated at the TopCo level.

Pepper's business operations in all jurisdictions, other than Australia, New Zealand and the Philippines, will then either be sold to an external third party in a market transaction, or transferred from PGPL to legal entities within the TopCo corporate structure. The Australian, New Zealand and Philippines operations (collectively Pepper ANZ) will remain within the PGPL legal entity and are presented in these consolidated financial statements as continuing operations.

As a result of the Company's commitment to complete the Restructure and the high probability of the Restructure being achieved in 2021 (expected to occur in H1 2021), RoW businesses are presented as discontinued operations: either held for sale in the case of those likely to be realised through market sale transactions, or held for distribution for those that will be transferred via a common control transaction to TopCo.

Disclosure of income statement and balance sheet notes

In accordance with accounting standards, the results and balances relating to continuing and discontinued operations have been presented as follows:

- The net results from discontinued operations have been presented in a single line 'Loss from discontinued operations' in the income statement for both the current and comparative year. All the remaining line items in the income statement relate to continuing operations only;
- The associated assets and liabilities of discontinued operations have been presented as Assets and Liabilities held for sale or distribution in the balance sheet as at 31 December 2020. No changes have been made to comparative information; and
- There is no change in presentation in the statement of changes in equity and statement of cash flows. They present the aggregated results of continuing and discontinued operations in the current and comparative years.

Refer to Note 28 for further details.

(i) Historical cost convention

These financial statements have been prepared under the historical cost basis, except for the following:

- derivative financial instruments - measured at fair value;
- investment securities - measured at measured at fair value;
- other financial assets - measured at fair value or amortised cost; and
- businesses held for sale or distribution - measured at lower of cost or fair value less costs to sell.

(b) Basis of preparation (continued)

(ii) Compliance with IFRS

The consolidated financial statements of the Group also comply with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

(iii) Rounding of amounts

The amounts contained in this financial report are presented in Australian dollars (the Company's functional currency) and rounded to the nearest thousand dollars unless otherwise stated, under the option available under ASIC Legislative Instrument 2016/191.

(iv) Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and all entities controlled by the Company. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Company reassesses whether or not it controls an investee if facts and circumstances indicate there are changes to one or more of the three elements of control listed above.

When the Company has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Company considers all relevant facts and circumstances in assessing whether or not the Company's voting rights in an investee are sufficient to give it power, including:

- the size of the Company's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Company, other vote holders or other parties;
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate the Company has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated income statement and statement of other comprehensive income from the date the Company gains control until the date when the Company ceases to control the subsidiary.

Each component of comprehensive income is attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

All intragroup assets and liabilities, equity, income, expenses, changes in ownership interests and cash flows relating to transactions between members of the Group are eliminated in full on consolidation. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

(c) Impact of COVID-19 - Financial Reporting, Funding and Liquidity

An outbreak of the Coronavirus disease (COVID-19) caused by SARS-CoV-2 occurred during December 2019. COVID-19 subsequently spread around the world and was recognised as a pandemic by the World Health Organization on 11 March 2020.

The outbreak of COVID-19 and the subsequent quarantine measures, travel and trade restrictions imposed in 2020 have caused disruption to operations.

The COVID-19 outbreak has impacted Expected Credit Losses (ECL) in Pepper 's lending businesses. In line with other lenders, hardship payment moratoriums and repayment flexibility have been granted to customers undergoing financial stress due to COVID-19. Since the beginning of the pandemic the number of borrowers on such arrangements has reduced such that as at the date of authorising the consolidated financial report, only a very small portion of the Group's loan portfolio continue to be on modified payment arrangements.

ECL impacts have been partially offset by a range of financial stimulus and support implemented by governments where Pepper's businesses operate. In Australia, total Government stimulus stands in excess of $320bn, covering a broad range of initiatives from individual support (JobSeeker) to company support (SME Loan protection, JobKeeper - employee support for impacted companies).

As a consequence of COVID-19 and in preparing the consolidated financial statements, Management:

- Considered the financial impact on its businesses and areas of the financial statements affected to determine the disclosures required, and evaluated if any additional areas of judgement or estimation uncertainty beyond what has been disclosed existed;
- Updated forward-looking models when measuring ECL to assess any significant increase in credit risk, and for the impairment of financial and non-financial asset classes and disclosures;
- Evaluated information available after the reporting date but before the issuance of the financial report and updated the disclosures in the financial report;
- Reviewed market performance, both Australia and internationally from previous economic downturns, including the financial crisis of 2008;
- Reviewed economic forecasts from a range of sources, including available data from Governments in regions Pepper's businesses operate, including: the Reserve Bank of Australia and forecasting units, for example Bloomberg; and
- Reviewed external market communications to identify other COVID-19 related impacts.

The impacts of COVID-19 have also been considered and incorporated into Pepper's ECL model, via additional macroeconomic overlays. For more information refer to Note 13.

Pepper's funding position and liquidity requirements have been carefully monitored and managed during the period. Pepper ANZ has been approved by the Australian Office of Financial Management (AOFM) for investment into its warehouse funding arrangements and for the ability to drawdown from the Forbearance Special Purpose Vehicle (fSPV).

During 2020, Pepper priced a number of primary transactions globally and in Australia. Pepper ANZ priced 6 primary transactions: 4 Residential Mortgage Backed Securitisations (RMBS) and 2 Asset Backed Securitisations (ABS) and 3 tranche reissues for total capital markets funding of $5.3bn, with 4 RMBS and 1 ABS being undertaken since June 2020.

Further, the conservative approach to credit risk and strong funding relationships have helped to protect Pepper from the severe impacts of COVID-19. Pepper's Management have taken appropriate actions to reduce cost base and mitigate the impact of COVID-19 to remain liquid throughout the period.

During the financial year ended 31 December 2020, Pepper ANZ utilised the following Federal/State tax concessions:

- Delayed PAYG Company Tax Instalments; and
- Victorian and Queensland Payroll Tax relief.

Pepper continues to monitor the development of the COVID-19 outbreak and its impact on market conditions.

(d) Foreign currency translation

(i) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the functional currency). The consolidated financial statements are presented in Australian dollar ($), which is PGPL's functional and presentation currency.

(ii) Transactions and balances

Foreign currency transactions are translated into the relevant functional currency at the rates of exchange prevailing at the dates of the transactions. Exchange differences on monetary items are recognised in the income statement in the period in which they arise except for exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur (therefore forming part of the net investment in the foreign operation), or exchange differences on transactions entered into in order to hedge certain foreign currency risks.

At the end of each reporting period, balances are translated as follows:

- monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date;
- non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was measured; and
- non-momentary items that are measured in terms of historical cost in the foreign currency are translated using the exchange rate at the date of the transaction.

(iii) Group companies

The results and financial position of foreign operations (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
- income and expenses for each statement of profit or loss and statement of comprehensive income are translated at average exchange rates (unless this is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and
- all resulting exchange differences are recognised in other comprehensive income.

Goodwill and fair value adjustments, on identifiable assets and liabilities acquired. arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the rate prevailing at the end of each reporting period. Exchange differences arising are recognised in other comprehensive income and accumulated in equity.

(e) Non-current assets (or disposal groups) held for sale or distribution

Non-current assets (or disposal groups) are classified as held for sale or distribution if their carrying amount will be recovered principally through a sale transaction rather than through continuing use and a sale is considered highly probable. They are measured at the lower of their carrying amount and fair value less costs to sell, except for assets such as deferred tax assets, assets arising from employee benefits, financial assets and investment property that are carried at fair value and contractual rights under insurance contracts, which are specifically exempt from this requirement.

An impairment loss is recognised for any initial or subsequent write-down of the asset (or disposal group) to fair value less costs to sell. A gain is recognised for any subsequent increases in fair value less costs to sell of an asset (or disposal group), but not in excess of any cumulative impairment loss previously recognised. A gain or loss not previously recognised by the date of the sale of the non-current asset (or disposal group) is recognised at the date of derecognition.

Non-current assets (including those that are part of a disposal group) are not depreciated or amortised while they are classified as held for sale. Interest and other expenses attributable to the liabilities of a disposal group classified as held for sale continue to be recognised.

Non-current assets classified as held for sale and the assets of a disposal group classified as held for sale are presented separately from the other assets in the balance sheet. The liabilities of a disposal group classified as held for sale are presented separately from other liabilities in the balance sheet.

(e) Non-current assets (or disposal groups) held for sale or distribution (continued)

A discontinued operation is a component of the entity that has been disposed of or is classified as held for sale and that represents a separate major line of business or geographical area of operations, is part of a single co-ordinated plan to dispose of such a line of business or area of operations, or is a subsidiary acquired exclusively with a view to resale. The results of discontinued operations are presented separately in the consolidated income statement (refer to Note 28 for additional information).

2 Application of new and revised accounting standards

(a) New and amended standards adopted by the Group

(i) AASB 2018-6 Amendments to AAS - Business Defn: effective for annual reporting

The Pepper Group adopted AASB 2018-6 Amendments to Australian Accounting Standards - Definition of a Business, for the first time in the period beginning 1 January 2020.

This Standard amends AASB 3 Business Combinations to clarify the definition of a business, with the objective of assisting entities to determine whether a transaction should be accounted for as a business combination or as an asset acquisition.

The amendments:

- Clarify that to be considered a business, an acquired set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs;
- Remove the assessment of whether market participants are capable of replacing any missing inputs or processes and continuing to produce outputs;
- Add guidance and illustrative examples to help entities assess whether a substantive process has been acquired;
- Narrow the definitions of a business and of outputs by focusing on goods and services provided to customers and by removing the reference to an ability to reduce costs; and
- Add an optional concentration test that permits a simplified assessment of whether an acquired set of activities and assets is not a business.

The amendments are applied prospectively to all business combinations and asset acquisitions for which the acquisition date is on or after the beginning of the first reporting period beginning on or after 1 January 2020.

There were no business combinations in the year ended 31 December 2020.

(ii) AASB 2018-7 Amendments to AAS- Defn of Material: effective for annual reporting

The Pepper Group adopted AASB 2018-7 Amendments to Australian Accounting Standards - Definition of Material, for the first time in the period beginning 1 January 2020.

These amendments are intended to address concerns that the wording in the definition of 'material' was different in the Conceptual Framework for Financial Reporting, AASB 101 Presentation of Financial Statements and AASB 108 Accounting Policies, Changes in Accounting Estimates and Errors.

The amendments address these concerns by:

- Replacing the term 'could influence' with 'could reasonably be expected to influence';
- Including the concept of 'obscuring information' alongside the concepts of 'omitting' and 'misstating' information in the definition of material;
- Clarifying that the users to which the definition refers are the primary users of general purpose financial statements referred to in the Conceptual Framework; and
- Aligning the definition of material across International Financial Reporting Standards and other publications.

The application of the amendment has not had an impact on the financial statements.

(iii) AASB 2019-3 Amendments to AAS- IRBR: effective for annual reporting periods

The Pepper Group adopted AASB 2019-3 Amendments to Australian Accounting Standards - Interest Rate Benchmark Reform for the first time in the period beginning 1 January 2020.

The amendments affect entities that apply the hedge accounting requirements of AASB 9 Financial Instruments to hedging relationships directly affected by the interest rate benchmark reform.

The amendments mandatorily apply to all hedging relationships that are directly affected by the interest rate benchmark reform and modify specific hedge accounting requirements, so that entities would apply those hedge accounting requirements assuming that the interest rate benchmark is not altered as a result of the interest rate benchmark reform.

(a) New and amended standards adopted by the Group (continued)

(iv) Other

There have been no other new or amended accounting standards during the reporting period ended 31 December 2020 that have had or may have a significant impact on the financial results of the Pepper Group.

(b) New standards and interpretations not yet adopted

(i) AASB 2020-4 and AASB 2020-7: effective for annual reporting periods beginning

AASB 2020-4 Amendments to Australian Accounting Standards - COVID-19 Related Rent Concessions and AASB 2020-7 Amendments to Australian Accounting Standards - COVID-19 Related Rental Concessions Tier 2 Disclosures amends AASB 2016 Leases to:

- Provide lessees with a practical expedient that relieves a lessee from assessing whether a COVID-19 related rent concession is a lease modification;
- Require lessees that apply the practical expedient to account for COVID-19-related rent concessions as if they were not lease modifications;
- Require lessees that apply the practical expedient to disclose whether the practical expedient has been applied to all eligible contracts, or, if not, information about the nature of the contracts to which the practical expedient has been applied;
- Require lessees to apply the practical expedient retrospectively, recognising the cumulative effect of applying the amendment as an adjustment to the opening retained earnings (or other component of equity, as appropriate) at the beginning of the annual reporting period in which the lessee first applies the amendment; and
- Add an optional concentration test that permits a simplified assessment of whether an acquired set of activities and assets is not a business.

Only those new standards relevant to the Pepper Group have been adopted.

There have been no other new or amended accounting standards during the reporting period ended 31 December 2020 that have had or may have a significant impact on the financial results of the Pepper Group.

(c) New and revised standards in issue but not yet effective

At the date of authorisation of these financial statements, the Pepper Group has not applied the following new and revised AASB standards that have been issued but are not yet effective:

- AASB 2020-1 Amendments to Australian Accounting Standards - Classification of Liabilities as Current or Non-current and AASB 2020-6 Amendments to Australian Accounting Standards - Classification of Liabilities as Current or Non-current - Deferral of Effective Date;
- AASB 2020-2 Amendment to Australian Accounting Standards - Removal of Special Purpose Financial Statements for Certain For-Profit Private Sector Entities;
- AASB 2020-3 Amendments to Australian Accounting Standards - Annual Improvements 2018-2020 and Other Amendments; and
- AASB 2020-8 Amendments to Australian Accounting Standards - Interest Rate Benchmark Reform - Phase 2.

The directors do not expect that the adoption of the Standards listed above will have a material impact on the financial statements of the Pepper Group in future periods.

There have been no other new or amended accounting standards during the reporting period ended 31 December 2020 that have had or may have a significant impact on the financial results of the Group.

3 Critical estimates, judgements and errors

The preparation of financial statements requires the use of judgment, estimates and assumptions. Should different assumptions or estimates be applied, the resulting values may change, impacting the net assets and income of the Group. These estimates and assumptions are reviewed on an ongoing basis. The nature of significant estimates and judgements made are noted below.

(a) Significant increase in credit risk and calculation of loss allowance

The Pepper Group assesses at each balance date whether there is any objective evidence of impairment. In determining whether objective evidence exists and whether an impairment loss should be recorded in the income statement, the Pepper Group makes judgements as to whether there is any observable data indicating that there is a measurable decrease in the estimated future cash flows from a loan before the decrease can be identified within an individual loan. Such evidence may include payment defaults, increased historic loss rates and trends in the relevant industry or market.

Significant increase in credit risk (SICR): Management periodically assesses exposures to determine whether there has been a SICR, which may be evidenced by either qualitative or quantitative factors. SICR thresholds require judgement and are used to determine whether an exposure's credit risk has increased significantly since origination.

AASB 9 does not define what constitutes a SICR. In assessing whether the credit risk of an asset has significantly increased, the Pepper Group takes into account qualitative and quantitative reasonable and supportable forward-looking information.

The Group recognises a loss allowance for expected credit losses (ECL) on financial assets that are measured at amortised cost and fair value through other comprehensive income (FVOCI), lease receivables, loan commitments, certain letters of credit and financial guarantee contracts.

The Group measures loss allowances at an amount equal to lifetime ECLs, except for the following, which are measured at 12-month ECLs:

- debt securities that are determined to have low credit risk at the reporting date; and
- other debt securities and bank balances for which credit risk has not increased significantly since initial recognition.

In determining whether credit risk has increased significantly for a financial asset, the Group considers reasonable information that is relevant and available at a reasonable cost.

The Group measures expected credit losses by using a lifetime expected loss allowance for all trade receivables and contract assets.

To measure the expected credit losses, trade receivables and contract assets have been grouped based on shared credit risk characteristics and the days past due.

ECL is measured as an allowance equal to 12-month ECL for Stage 1 assets, or lifetime ECL assets for Stage 2 or Stage 3 assets. An asset moves to Stage 2 when its credit risk has increased significantly since initial recognition.

Models and assumptions used: The Pepper Group uses various models and assumptions in measuring fair value of financial assets as well as in estimating ECL. Judgement is applied in identifying the most appropriate model for each type of asset, as well as for determining the assumptions used in these models, including assumptions that relate to key drivers of credit risk.

The Group has applied probabilities to the forecast scenarios identified in its measurement of ECL.

(a) Significant increase in credit risk and calculation of loss allowance (continued)

The Group's ECL is determined with reference to the following stages:

Stage 1: Performing loans (credit risk has not increased significantly since initial recognition): Predominantly loans less than 30 days past due - requires a loss provision equal to the expected loss over the next 12 months.

Stage 2: Significant increase in credit risk has occurred: All the Group's loans and advances not in Stage 3 and 30+ days in arrears are within Stage 2 - require a loss provision equal to the expected loss over the expected lifetime of the asset.

Stage 3: Impaired: As a minimum, all the Group's loans and advances 90+ days in arrears are within Stage 3. Loans in Stage 3 require a lifetime expected credit loss provision incorporating a 100% probability of default.

The following are key estimations that are expected to have the most significant effect on the amounts recognised in financial statements:

Probability of default (PD): constitutes a key input in measuring ECL. PD is an estimate of the likelihood of default over a given time horizon. The Pepper Group's PDs are estimates considering the contractual maturities of exposures and estimated prepayment rates. The estimation is based on current conditions, adjusted to consider estimates of future conditions that will impact PD.

Loss Given Default (LGD): an estimate of the loss arising on default. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, considering cash flows from collateral.

Establishing the number and relative weightings of forward-looking scenarios for each type of customer or segment and determining the forward-looking information relevant to each scenario. When measuring ECL the Pepper Group uses reasonable and supportable forward-looking information, which is based on assumptions for the future movement of different economic drivers and how these drivers will affect each other.

Management is responsible for the forward-looking information, including the development of scenarios and the range of weights considered for those scenarios. The inclusion of forward-looking assumptions in the models to calculate the ECL impacts the PD, the determination of whether there has been a SICR, as well as the LGD.

(b) COVID-19 impact

Key statement of financial position items and related disclosures impacted by COVID-19 were:

Loans and advances: A portion of the Pepper Group's lending customers were offered COVID-19 related repayment deferrals. As COVID-19 repayment deferrals were offered to a broad range of customers, Management has determined that a COVID-19 repayment deferral does not in itself mean that those loans impacted have been subject to a SICR for the purpose of ECL calculation and expected loan loss provision. Customers who were granted a repayment deferral were not treated as having suffered a SICR and therefore were not automatically transferred from Stage 1 to Stage 2, under AASB 9 Financial Instruments. The additional COVID-19 provision was calculated by reference to a range of economic scenarios considering the impact of forward-looking macroeconomic factors on the probability of customer default and loss given default. The Pepper Group is yet to see a significant increase in defaults, including from post repayment deferral customers. The impact of further quarantine measures, travel and trade restrictions, including regional lockdowns will be closely monitored for potential impact on the Pepper Group's loan portfolios.

Software and Investments: The Pepper Group conducted impairment testing on software and investments at the reporting date to assess whether the impact of COVID-19 and other business impacts has led to an asset impairment.

Derivative assets and liabilities: Pepper Group reviewed the appropriateness of credit valuation adjustment to its valuations. The impact of changes of inputs to the valuations is also considered in terms of the classification of exposures in the fair value hierarchy and transfers within the fair value hierarchy. During the period, the Pepper Group have seen an impact of the COVID-19 pandemic on lower loan originations and interest revenue compared to projections and higher than expected credit loss provisions. In particular, the loan loss expense was driven by an additional provision for the potential long-term impact of COVID-19.

(c) Carrying value of businesses held for sale or distribution (including goodwill and other intangible assets)

Assets held for sale or distribution must be held on the balance sheet at the lower of carrying value and fair value less costs to sell. If carrying value exceeds fair value, the assets held for sale or distribution (including any goodwill or intangible assets) must be impaired.

Determining whether the assets held for sale or distribution (including goodwill or other intangible assets) are impaired requires an estimation of the fair value of the businesses held for sale. The Group applies either an income or a market value approach to determine the fair value of each business held for sale. The income approach requires management to estimate both the future cash flows expected to arise from the business and a suitable discount rate to calculate present value (fair value). The market value approach uses external transaction specific information to assess the fair value of a business held for sale.

4 Revenue and expenses

As outlined in Note 1 (b) - 'Disclosure of income statement and balance sheet notes', the revenue and expenses note solely represents balances from continuing operations. For discontinued operations refer to Note 28.

(a) Revenue from continuing operations recognition policy

Interest income and interest expense

Loans and advances are measured on an amortised cost basis on the balance sheet. Revenue is recognised over the life of the loan, taking into account all income and expenditure directly attributable to the loan. The rate at which revenue is recognised is referred to as the Effective Interest Rate (EIR) and is equivalent to the rate that effectively discounts estimated future cash flows throughout the estimated life to the net carrying value of the loan. The revenue stream includes interest revenue, mortgage risk fees received at loan settlement, loan premium revenue and early termination interest adjustments payable upon early redemption of a loan. Acquisition costs such as upfront broker commissions paid are also spread across the expected life of the loan in interest income. When a financial asset is classified in Stage 3 for impairment, subsequent interest income is recognised in the income statement by applying the effective interest rate to the net carrying amount of the financial asset.

COVID-19 repayment deferrals have not been determined as representing a SICR. As such, interest income has continued to accrue on such loans under the EIR throughout the repayment period.

Interest expense is also measured on an EIR basis and includes costs directly associated with the bringing to account the funding facilities used to fund the Pepper ANZ Group's lending assets and funding received from AOFM (refer to Note 8). These costs are amortised to the income statement over the average expected life of the debt securities using the effective interest method. On a consolidated basis, these costs are included as part of the amortised cost of the debt securities.

Lending fee income

Lending fee income include fees other than those that are an integral part of EIR and include loan fees paid by the customer such as application fees, discharge fees, settlement fees and post-settlement fees. The performance obligation for these fees is met at a point in time (settlement, discharge etc) when the fee is charged to the customer.

Gain on sale of loan portfolios

Gain on loan sales recognised upon de-recognition of loan portfolios by the Group. Gain on sale of loan portfolios relates to the gain recognised when a portfolio of financial assets is sold to a third party and meets the criteria for derecognition (see Note 13(i)).

(a) Revenue from continuing operations recognition policy (continued)

Servicing fees and other income

Servicing fees are negotiated per contract. They include a base and variable component. The servicing rates charged vary depending on the complexity of the portfolio, size of mandate and other relevant factors.

Servicing fee revenue is recognised over time as the servicing activities are performed and Pepper ANZ earns the right to consideration, as identified in the contractual pricing arrangements Pepper ANZ has with its customers in the amount it has a right to invoice.

	Year ended 31 December 2020 $'000	Year ended 31 December 2019 $'000
Interest revenue:		
Interest from customers	**700,961**	705,337
Bank interest	**4,946**	9,017
	705,907	714,354
Interest expense	**(353,690)**	(445,746)
Total net interest income	**352,217**	268,608
Lending fee income:		
Post settlement fees	**30,634**	27,443
Settlement fees	**20,692**	25,808
	51,326	53,251
Loan loss expenses	**(56,692)**	(41,247)
Lending fee expenses:		
Trail commission expenses	**(21,765)**	(21,138)
Other lending expenses	**(23,062)**	(23,145)
	(44,827)	(44,283)
Gain on sale of loan portfolios	**9,569**	5,806
Servicing fees and other revenue:		
Other revenue	**3,594**	2,189
Third party servicing revenue	**3,726**	3,355
	7,320	5,544

(b) Expense from continuing operations recognition policy

Employee benefits expense

Employee benefits expenses are recorded for benefits to employees primarily in respect of wages and salaries, superannuation, bonuses, share based payments, annual leave and long service leave and are recognised in respect of employees' services up to the end of the reporting period. See Note 17 for further information on recognition and measurement of employee benefits.

Depreciation of property, plant and equipment

Depreciation of property, plant and equipment primarily includes depreciation of leasehold improvements, computer equipment and right of use lease assets.

Borrowing costs

Borrowing costs include interest paid on corporate debt facilities. Refer to Note 15 for further disclosures.

Loan loss expenses

Loan loss expenses include certain specific and collective provision movements for loan impairment and other direct loan write-offs recorded during the year. Refer to Note 25 for further details. Impairment losses incurred on assets other than Pepper ANZ's loan portfolio are included in impairment loss below.

Marketing expenses

Marketing expenses are expensed when incurred.

Technology expenses

Technology expenses are expensed when incurred.

	Year ended 31 December 2020 $'000	Year ended 31 December 2019 $'000
Employee benefits expenses	**81,716**	87,769
Depreciation and amortisation expenses	**24,329**	16,806
Corporate borrowing costs	**14,234**	8,692
Impairment loss	**5,516**	6,963
Marketing expenses	**10,418**	9,370
Technology expenses	**19,895**	17,918
Other expenses from operations:		
Professional expenses	**11,061**	7,527
Other expenses	**10,230**	12,593
	21,291	20,120

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5 Segment information

Balances presented in the segment information note solely represent continuing operations (for balance sheet and income statement).

(a) Description of segments and principal activities

Operating segments are presented on a basis that is consistent with information provided internally to the Board and Executive Committee of Pepper ANZ (the chief operating decision makers (CODM)).

The accounting policies of the reportable segments are the same as accounting policies described throughout this financial report. All assets and liabilities are allocated to reportable segments.

The CODM examine performance from a portfolio perspective and have identified the following operating and reportable segments:

- The Mortgages segment includes both residential mortgages and commercial real estate loan and includes the revenues and direct expenses associated with the origination of mortgages in Australia and New Zealand and with the origination of small balance commercial real estate in Australia. Mortgage lending comprises residential prime and non-conforming mortgage lending;
- The Asset Finance segment includes the revenues and direct expenses associated with the origination and ongoing ownership of loans secured over a range of assets, including new and used cars, caravans and small commercial equipment in Australia; and
- The Loan Servicing and Other segment includes the revenues and direct expenses associated with the servicing of limited-recourse funding vehicles and loan portfolios for third parties conducted in Australia. It also includes personal loans originated until November 2019, after which Pepper ANZ moved to a white label arrangement for personal loans (whereby no further personal loans were originated by Pepper ANZ).

In addition to those segments identified above the CODM have identified the Corporate Segment for inclusion in this disclosure. Although not meeting the strict definition of an operating segment by virtue of the fact it does not earn revenues, the CODM believe the Corporate Segment is essential to understanding how the business is run.

(b) Segment results for continuing operations (Pepper ANZ)

2020	Mortgages $'000	Asset Finance $'000	Loan Servicing and Other $'000	Corporate $'000	Total $'000
Revenue					
Interest revenue	539,142	166,752	13	-	705,907
Interest expense	(268,560)	(85,141)	11	-	(353,690)
Net interest revenue	**270,582**	**81,611**	**24**	-	**352,217**
Other operating income	(10,107)	28,903	4,592	-	23,388
Total revenue	**260,475**	**110,514**	**4,616**	-	**375,605**
Loan loss expenses	(21,209)	(34,974)	(509)	-	(56,692)
Total segment operating income	**239,266**	**75,540**	**4,107**	-	**318,913**
Depreciation and amortisation	-	-	-	(24,329)	(24,329)
Corporate borrowing expenses	-	-	-	(14,234)	(14,234)
Employee and other operating expenses	-	-	-	(138,836)	(138,836)
Profit before tax	**239,266**	**75,540**	**4,107**	**(177,399)**	**141,514**
Income tax expense	-	-	-	(42,092)	(42,092)
Profit after tax	**239,266**	**75,540**	**4,107**	**(219,491)**	**99,422**
Balance sheet					
Total segment assets	11,172,566	2,661,879	1,438	495,335	14,331,218
Total segment liabilities	11,172,566	2,661,879	708	141,889	13,977,042

2019	Mortgages $'000	Asset Finance $'000	Loan Servicing and Other $'000	Corporate $'000	Total $'000
Revenue					
Interest revenue	558,255	143,309	12,790	-	714,354
Interest expense	(358,666)	(84,147)	(2,933)	-	(445,746)
Net interest revenue	**199,589**	**59,162**	**9,857**	-	**268,608**
Other operating income	(11,928)	31,011	2,421	(1,186)	20,318
Total revenue	**187,661**	**90,173**	**12,278**	**(1,186)**	**288,926**
Loan loss expenses	(11,236)	(30,802)	791	-	(41,247)
Total segment operating income	**176,425**	**59,371**	**13,069**	**(1,186)**	**247,679**
Depreciation and amortisation	-	-	-	(16,806)	(16,806)
Corporate borrowing expenses	-	-	-	(8,692)	(8,692)
Employee and other operating expenses	-	-	-	(142,140)	(142,140)
Profit before tax	**176,425**	**59,371**	**13,069**	**(168,824)**	**80,041**
Income tax expense	-	-	-	(21,866)	(21,866)
Profit after tax	**176,425**	**59,371**	**13,069**	**(190,690)**	**58,175**
Balance sheet					
Total segment assets	11,358,207	2,432,936	3,748	412,394	14,207,285
Total segment liabilities	11,358,207	2,432,936	3,748	92,128	13,887,019

6 Taxation

Income tax expense comprises current and deferred tax. Income tax is recognised in the income statement, except when it relates to items that are recognised in other comprehensive income or directly in equity, in which case it follows the item to which it relates. Tax effects arising from the initial recognition of a business combination are included in the accounting for that business combination.

Refer to Note 1(b) - 'disclosure of income statement and balance sheet notes': 2019 and 2020 revenue and expenses solely represents balances from continuing operations whilst the assets and liabilities of discontinued operations have been presented as held for sale or distribution in the balance sheet as at 31 December 2020 (2019 balance represent the Pepper Group), refer to Note 28.

(i) Australian tax consolidated group

The Company and its wholly-owned Australian entities have formed a consolidated group for Australian income tax purposes. All entities within the tax consolidated group have entered into a tax sharing and funding agreement. The agreement is intended to limit joint and several liabilities for the applicable taxes.

(ii) Current tax

Current tax payable is based on taxable profit for the year and is calculated at the income tax rates applicable to group entities that have been enacted or substantively enacted in each jurisdiction at balance date. Current tax payable in continuing operations reflect the Group's liabilities to the Australian Tax Authority. Liabilities in other jurisdictions are reported within discontinued operations, refer to Note 28.

(iii) Deferred tax

Deferred tax is accounted for using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases. Deferred tax assets and liabilities are not recognised in respect of the following temporary differences:

- those arising from the initial recognition of goodwill;
- those arising from the initial recognition of other assets and liabilities (other than in a business combination) that affects neither the taxable income nor the accounting profit; and
- those related to investments in subsidiaries to the extent that it is probable that they will not reverse in the foreseeable future.

Deferred tax assets are recognised where it is probable that future taxable profits will be available against which the asset can be utilised.

Deferred tax is determined using the tax rates that are expected to apply in the period in which the liability will be settled or the asset realised, based on income tax rates (and tax laws) that have been enacted or substantively enacted at balance date.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and the Group intends to settle them on a net basis.

	Year ended 31 December 2020 $'000	Year ended 31 December 2019 $'000
(a) Income tax recognised in profit or loss		
Current tax for continuing operations		
Current tax expense in respect to the current year	**55,457**	20,274
Adjustments recognised in the current year in relation to the current tax of prior years	**4,820**	(1,203)
Total current tax expense	**60,277**	19,071
Deferred tax for continuing operations		
Deferred tax (benefit)/expense recognised in the current year	**(12,757)**	3,386
Adjustments recognised in the current year in relation to the deferred tax of prior years	**(5,428)**	(591)
Total deferred tax (benefit) / expense	**(18,185)**	2,795

	Year ended 31 December 2020 $'000	Year ended 31 December 2019 $'000
(a) Income tax recognised in profit or loss		
Total income tax expense recognised in the current year relating to continuing operations	**42,092**	21,866
Total income tax expense recognised in the current year relating to discontinued operations	**(15,067)**	(6,690)
Total income tax expense recognised in the current year	**27,025**	15,176

	Year ended 31 December 2020 $'000	Year ended 31 December 2019 $'000
(b) The income tax expense for the year can be reconciled to the accounting profit as follows:		
Profit from continuing operations before income tax expense	**141,514**	80,041
Tax at the Australian tax rate of 30.0% (2019: 30.0%)	**42,454**	24,012
Effect of different tax rates of subsidiaries operating in other jurisdictions	**(85)**	-
Effect of income that is exempt from taxation	**(37)**	-
Effect of expenses that are not deductible in determining taxable profit	**172**	462
Previously unrecognised tax losses used to reduce deferred tax expense	**(456)**	(2,608)
Other	**60**	-
	42,108	21,866
Adjustments recognised in current year in relation to income tax of prior years	**(16)**	-
Income tax expense	**42,092**	21,866

The tax rate used for the reconciliation above is the corporate tax rate of 30% payable by Australian corporate entities on the taxable profits under Australian tax law.

The 2020 balances below represent continuing operations.

	Year ended 31 December 2020 $'000	Year ended 31 December 2019 $'000
(c) Deferred tax balances		
Continuing operations	**52,344**	37,621
Discontinued operations	**17,600**	2,719
Closing balance at the end of year	**69,944**	40,340
Opening balance	**37,621**	33,548
Impact from AASB 16 adoption	**-**	1,127
Opening balance	**37,621**	34,675
Recognised in the income statement	**12,757**	(841)
Recognised in other comprehensive income	**3,778**	8,956
Others	**(1,812)**	(2,450)
Closing balance	**52,344**	40,340

	Year ended 31 December 2020 $'000	Year ended 31 December 2019 $'000
Breakdown of closing balance as follows:		
Employee expenses	**4,714**	7,840
Provisions	**849**	4,996
Deferred expenses	**(2,621)**	(15,264)
Loan loss provision and doubtful debts	**32,470**	18,792
Deferred revenue	**-**	2,826
Other financial assets	**450**	1,687
Intangible assets	**-**	838
Derivative instruments	**13,757**	12,745
Recognition of tax assets relating to tax losses	**914**	5,244
Other	**1,811**	636
	52,344	40,340
Deferred tax balances are presented in the balance sheet as follows:		
Deferred tax assets	**52,344**	47,286
Deferred tax liabilities	**-**	(6,946)
	52,344	40,340

(iv) Unrecognised temporary differences

There are unused tax losses in the Group, for which no deferred tax asset has been recognised as the measurement of any recognisable deferred tax asset is still highly uncertain and not reliably measurable.

7 Receivables

Refer to Note 1(b) - 'disclosure of income statement and balance sheet notes': 2019 and 2020 revenue and expenses solely represents balances from continuing operations whilst the assets and liabilities of discontinued operations have been presented as held for sale or distribution in the balance sheet as at 31 December 2020 (2019 balance represent the Pepper Group), refer to Note 28.

(i) Trade receivables

Trade receivables are amounts comprised primarily of servicing receivables earned in the ordinary course of business across the Group.

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less an allowance for impairment. AASB 9 requires an ECL model to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition of the trade receivables. AASB 9 provides a simplified approach for measuring the loss allowance at an amount equal to lifetime ECL for trade receivables.

(ii) Other debtors

This balance comprises various other sundry balances such as interbank receivables, commissions receivable, GST/VAT receivables and deferred consideration receivable. Although substantial, management do not consider these items to be core to the Group's business.

(iii) Loans to related parties

This balance predominantly represents loan assets held by Pepper Group Pty Limited and its subsidiaries with Bidco, Holdco and Executives and other employees associated with share based payments schemes that were reclassified to assets held for sale or distribution (refer to Note 28).

No significant ECL is recognised in the balances below due to the non-existence of material aged items. Refer to Note 13 for further Group accounting policy on receivables.

The receivables in discontinued operations as at 31 December 2020 are $123.6m not included in the 2020 balances below.

	As at 31 December 2020 $'000	As at 31 December 2019 $'000
Trade receivables	**2,127**	33,858
GST and other receivables	**3,189**	65,954
Loans to related parties	**-**	30,860
Total receivables	**5,316**	130,672

8 Loans and advances

Loans and advances are measured at amortised cost using the effective interest rate method as they meet both the following conditions:

- are held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that meet the solely principal and interest (SPPI) requirements.

Deferred transaction costs

Transaction costs include broker fees and commissions capitalised on the balance sheet as part of loans and advances. These costs are amortised to the income statement in line with the reduction in the underlying mortgage portfolio as part of the effective interest rate on the mortgage receivables.

Impairment

The Group recognises a loss allowance for expected credit losses on all loans and advances in accordance with AASB 9. Refer to Note 13 for the Group's accounting policy.

Refer to Note 1(b) - 'disclosure of income statement and balance sheet notes': The assets of discontinued operations have been presented as held for sale or distribution in the balance sheet as at 31 December 2020 (2019 balance represent the Pepper Group), refer to Note 28.

	As at 31 December 2020 $'000	As at 31 December 2019 $'000
Loans and advances by legal structure		
Loans and advances residing in securitised term trusts	**9,941,107**	10,223,993
Loans and advances residing in funding warehouses	**3,369,734**	5,798,960
Loans and advances residing in corporate entities	**-**	3,504,171
Total loans and advances	**13,310,841**	19,527,124
Continuing operations		
Loans and advances at amortised cost	**13,310,841**	13,157,021
Loan loss provision (included in above)	**(108,580)**	(85,985)
Discontinued operations		
Loans and advances at amortised cost	**7,207,453**	6,370,103
Loan loss provision (included in above)	**(290,514)**	(229,135)

	As at 31 December 2020 $'000	As at 31 December 2019 $'000
Opening balance of impairment provision	**85,985**	251,387
Provided for during the year	**56,688**	214,098
Loan assets written-off, sold or reversed, previously provided for	**(34,093)**	(144,757)
Effect of currency translation differences	**-**	(5,608)
Total impairment provisions *(included in the balances above)*	**108,580**	315,120

9 Other financial assets

Equity investments at Fair Value through Profit or Loss (FVTPL)

This balance consists of shares held by the Company in various private companies in Australia, these are covered by the Company's AASB 9 accounting policies outlined in Note 13.

Debt Investments at FVTPL or amortised cost

This balance is primarily comprised of a number of debt portfolio investments held by the Company at FVTPL or amortised cost. Investments held at amortised cost have been assessed for credit risk as required under AASB 9. The ECL has been assessed as immaterial and no significant provision has been recognised.

Corporate bonds at FVTPL

Corporate bonds mainly comprise short term securities held at various terms by the South Korean mutual savings bank as part of its liquidity management program. These may and will, fluctuate in size depending on the needs of the bank at any given point in time.

Refer to Note 1(b) - 'disclosure of income statement and balance sheet notes': The assets of discontinued operations have been presented as held for sale or distribution in the balance sheet as at 31 December 2020 (2019 balance represent the Pepper Group), refer to Note 28.

The other financial assets in discontinued operations as at 31 December 2020 are $90.9m and not included in the 2020 balances below.

	As at 31 December 2020 $'000	As at 31 December 2019 $'000
Equity investments at FVTPL	**15,298**	10,125
Debt investments at FVTPL or amortised cost	**4,295**	24,186
Corporate bonds at FVTPL	-	30,576
Government bonds at FVTPL	-	87
Total other investments	**19,593**	64,974

10 Investment in associates

(i) General

Associates are those entities over which Pepper has significant influence but not control or joint control. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

Refer to Note 1(b) - 'disclosure of income statement and balance sheet notes': The assets of discontinued operations have been presented as held for sale or distribution in the balance sheet as at 31 December 2020 (2019 balance represent the Pepper Group), refer to Note 28.

(ii) Equity method

Under the equity method of accounting, the investments are initially recognised at cost and adjusted thereafter to recognise Pepper's share of the post-acquisition profits or losses of the investee in the income statement and Pepper's share of movements in other comprehensive income of the investee in other comprehensive income. Dividends received or receivable from associates and joint ventures are recognised as a reduction in the carrying amount of the investment.

The carrying amount of equity-accounted investments are reviewed for impairment indicators at each reporting period and are tested for impairment when indicators of impairment exist.

(iii) Details of associate investments

Details of Pepper's material investments in associates are outlined below:

	As at 31 December 2020 $'000	As at 31 December 2019 $'000
Investments in associates		
Prime Credit Holdings Limited	-	112,785
Other investments in associates	-	22,310
	-	135,095
Group's share of profits		
Prime Credit Holdings Limited	-	8,550
Other investments in associates	-	130
	-	8,680

The Group received a sum of $6.7m (2019: $3.4m) in dividends during the year from associates.

The Group's only significant investment is in Prime Credit Holdings Limited (PCHL), a consumer finance business in Hong Kong and China. This investment has been classified as an investment in an associate due to the Group's significant involvement in the financial and operating policy decisions, including Board representation of PCHL.

PCHL is incorporated in Hong Kong and the Group holds a 12% (2019: 12%) ownership interest and voting power.

Other associates primarily represent secured commercial real estate lending to customers in South Korea. The lending has been provided using Special Purpose Vehicles (SPVs) as the mechanism for lending on a syndicated basis. The Group is required to report the loans as investments in associates where it has significant influence.

During the year the Group recorded a $26.3m impairment of its investment in PCHL that was subsequently reclassified (together with all other investments in associates) to 'assets held for sale or distribution' (refer to Note 28).

11 Property, plant and equipment

(i) Property, plant and equipment

Property, plant and equipment is measured at cost less accumulated depreciation and impairment losses.

Assets are depreciated on a straight-line basis over their estimated useful lives. Leasehold improvements are amortised over the shorter of the remaining period of the individual leases or the estimated useful life of the improvement. Useful lives are reassessed each period. Where parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate assets. The expected useful lives are as follows:

- Office furniture and computer equipment - 1 to 5 years; and
- Buildings, leasehold improvements and right of use assets - the lease term.

Refer to Note 1(b) - 'disclosure of income statement and balance sheet notes': The assets of discontinued operations have been presented as held for sale or distribution in the balance sheet as at 31 December 2020 (2019 balance represent the Pepper Group), refer to Note 28. Total property, plant and equipment held in discontinued operations at 31 December 2020 was $90m.

	31 December 2020			31 December 2019		
	Cost	**Accumulated depreciation**	**Total**	Cost	Accumulated depreciation	Total
Land and buildings	**-**	**-**	**-**	47,695	(97)	47,598
Leasehold improvements	**13,300**	**(8,660)**	**4,640**	28,418	(15,891)	12,527
Office furniture	**75**	**(73)**	**2**	7,408	(3,985)	3,423
Computer equipment	**9,742**	**(9,437)**	**305**	22,709	(16,635)	6,074
Right of Use - property	**18,861**	**(10,243)**	**8,618**	65,559	(17,881)	47,678
Right of Use - other	**-**	**-**	**-**	1,822	(696)	1,126
	41,978	**(28,413)**	**13,565**	173,611	(55,186)	118,426

12 Intangible assets & Goodwill

Refer to Note 1(b) - 'disclosure of income statement and balance sheet notes': The assets of discontinued operations have been presented as held for sale or distribution in the balance sheet as at 31 December 2020 (2019 balance represent the Pepper Group), refer to Note 28.

(i) Nature of intangible assets

- Goodwill: recognised as the consideration over and above the identifiable net assets on acquisition of the Oakwood business and the Optimum Credit business in the UK and the Avent IKE business in Greece;
- Mortgage servicing rights: the servicing rights relate to contracts acquired in the Oakwood business in the UK;
- South Korean mutual banking registration: the registration gives the South Korea savings bank the right to operate as a mutual savings bank in South Korea for an indefinite period of time; and
- Licence fees and other information and technology costs recognised within the Group. Some licence fee and software additions were presented net of amortisation if fully amortised in the same year of purchase.

	Licence fees and software $'000	Mortgage servicing rights $'000	South Korean mutual savings bank registration $'000	Intangible assets (excluding Goodwill) $'000	Goodwill $'000	Total $'000
Net book value at 31 December 2018	38,141	2,384	27,201	67,726	60,824	128,550
Additions	22,286	-	-	22,286	-	22,286
Amortisation expense	(11,815)	(509)	-	(12,324)	-	(12,324)
Translation differences	(133)	86	(896)	(943)	(503)	(1,446)
Net book value at 31 December 2019	48,479	1,961	26,305	76,745	60,321	137,066
Made up of:						
Gross carrying amount	81,986	5,226	26,305	113,517	60,321	173,838
Accumulated amortisation	(33,507)	(3,265)	-	(36,772)	-	(36,772)
Net book value at 31 December 2019	48,479	1,961	26,305	76,745	60,321	137,066
Reclassification to discontinued operation	**(3,269)**	**(1,961)**	**-**	**(5,230)**	**(60,321)**	**(65,551)**
Additions	**11,195**	**-**	**-**	**11,195**	**-**	**11,195**
Disposal	**(1,106)**	**-**	**-**	**(1,106)**	**-**	**(1,106)**
Amortisation expense	**(16,558)**	**-**	**-**	**(16,558)**	**-**	**(16,558)**
Translation differences	**137**	**-**	**(433)**	**(296)**	**-**	**(296)**
Impairment loss	**-**	**-**	**(25,872)**	**(25,872)**	**-**	**(25,872)**
Net book value at 31 December 2020	**38,878**	**-**	**-**	**38,878**	**-**	**38,878**
Made up of:						
Gross carrying amount	**73,028**	**-**	**-**	**73,028**	**-**	**73,028**
Accumulated amortisation	**(34,150)**	**-**	**-**	**(34,150)**	**-**	**(34,150)**
Net book value at 31 December 2020	**38,878**	**-**	**-**	**38,878**	**-**	**38,878**

(ii) Amortisation methods and useful lives

The Group amortises intangible assets using the straight-line method over the following periods:

- Software costs and licence fee - over the expected life of the software - usually up to 3 years;
- Mortgage servicing rights - over the average expected life of the rights - usually up to 10 years;
- South Korean mutual banking registration - indefinite life; and
- Goodwill - indefinite life.

(iii) Goodwill

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

Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold. For the purpose of impairment testing, goodwill is allocated to each of the Group's cash-generating units (or groups of cash generating units) that is expected to benefit from the synergies of the combination.

(iv) Mortgage servicing rights & South Korean banking registration

Both of these intangible assets have been acquired through business combinations and were initially recognised at their fair value on the acquisition date (which is regarded as their cost).

Subsequent to initial recognition, the servicing rights, which have a finite life, are carried at cost less accumulated amortisation and accumulated impairment losses. Amortisation is recognised on a straight-line basis over the estimated useful life. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

The South Korean mutual savings bank registration (KMBR) is considered to have an indefinite useful life as it is expected to contribute future economic benefits to the Group indefinitely through the right to operate as a savings bank established under the Mutual Savings Bank Act of the Republic of Korea. The KMBR, being an indefinite life intangible, is carried at cost less accumulated impairment losses. The carrying amount of the KMBR was allocated to the South Korean cash-generating unit for impairment testing purposes and collectively compared to the value in use of the South Korean cash generating unit. During the year the Group recorded a $25.4 impairment of its KMBR before the South Korean business was subsequently reclassified (together with all other RoW businesses) to 'assets held for sale or distribution' (refer to Note 28).

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition are measured as the difference between the net disposal proceeds and the carrying mount of the assets and are taken to profit or loss at the date of derecognition.

Management had performed impairment testing on software at the reporting date to assess whether the impact of COVID-19 and other business conditions led to an asset impairment. In addition, during the reporting period Pepper ANZ amended the application of its capitalisation policy to reflect the shorter useful life of various types of software and a lowering of the dollar threshold to which capitalisation can occur. These changes reflect the changing technology and business needs and ongoing reinvestment in purchased and internally developed software to ensure the asset remains fit for purpose. As a result of these changes, Pepper ANZ recognised $5.2m of accelerated amortisation charges as well as impairment charges in the depreciation and amortisation line of the combined statement of profit or loss.

13 Financial assets and financial liabilities

(i) Accounting policy

Financial assets and financial liabilities are recognised in the Group's balance sheet when the Group becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

Financial assets

All recognised financial assets are measured subsequently in their entirety at either amortised cost or fair value, depending on the classification of the financial assets.

The three classification categories for financial assets are: amortised cost, fair value through other comprehensive income (FVOCI) and fair value through profit or loss (FVTPL).

Amortised cost

A financial asset is measured at amortised cost if both the following conditions are met:
(i) The financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows: and

(ii) The contractual terms of the financial asset give rise on specified dates to cash flows that meet the solely represent the payment of principal and interest (SPPI) requirements.

Financial value through other comprehensive income (FVOCI)

A financial asset is measured at FVOCI if the following conditions are met:
(i) The financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling assets: and

(ii) The contractual terms of the financial asset give rise on specified dates to cash flow that meet the SPPI requirements.

Changes in the fair value of financial assets that are classified as FVOCI are recognised in OCI, except for the recognition of expected credit losses, interest revenue and foreign exchange gains and losses which are recognised in the income statement.

When debt financial assets at FVOCI are derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from OCI to the income statement. At 31 December 2020 there were no assets held at FVOCI.

Fair value through profit or loss (FVTPL)

By default, all other financial assets are measured subsequently at fair value through profit or loss (FVTPL).

Changes in the fair value of financial assets that are classified as FVTPL are recognised in the income statement.

(i) Accounting policy (continued)

Impairment

As referred to in Note 1(c), the Group recognises a loss allowance for ECL on financial assets that are measured at amortised cost and FVOCI, lease receivables, loan commitments, certain letters of credit and financial guarantee contracts.

The Group measures loss allowances at an amount equal to lifetime ECLs, except for the following, which are measured at 12-month ECLs:

- Debt securities that are determined to have low credit risk at the reporting date; and
- Other debt securities and bank balances for which credit risk has not increased significantly since initial recognition.

In determining whether credit risk has increased significantly for a financial asset, the Group considers reasonable information that is relevant and available at a reasonable cost.

The Group measures expected credit losses which using a lifetime expected loss allowance for all trade receivables and contract assets.

To measure the expected credit losses, trade receivables and contract assets have been grouped based on shared credit risk characteristics and the days past due.

Impairment losses on trade receivables and contract assets are presented as net impairment losses within operating profit. Subsequent recoveries of amounts previously written off are credited against the same line item. Impairment loss on lending portfolios are presented as loan loss expenses.

The ECL values are derived from internally developed statistical models and are adjusted to reflect probability-weighted forward-looking information. The Group's loan portfolios are segmented (at a minimum) by: product, region, and credit quality (arrears), to calculate ECL provisions.

The key inputs used for measuring ECL are:

- Probability of default (PD);
- Loss given default (LGD); and
- Exposure at default (EAD).

PD is an estimate of the likelihood of default over a given time horizon. The Group's PDs are estimated considering the contractual maturities of exposures and estimated prepayment rates. The estimation is based on current conditions, adjusted to consider estimates of future conditions that will impact PD.

LGD is an estimate of the loss arising on default. The LGD models for secured assets consider forecasts of future collateral valuation considering sale discounts, time to realisation of collateral, cost of realisation of collateral and cure rates. LGD models for unsecured assets consider time of recovery, and recovery rates. The calculation is on a discounted cash flow basis, where the cash flows are discounted by the interest rate of the loan.

EAD is an estimate of the exposure at a future default date, considering expected changes in the exposure after the reporting date, including repayments of principal and interest. The Group's modelling approach for EAD reflects expected changes in the balance outstanding over the lifetime of the loan exposure that are permitted by the current contractual terms, including: amortisation profiles, early repayment or overpayment, changes in utilisation of undrawn commitments and credit mitigation actions taken before default. The Group uses EAD models that reflect the characteristics of the portfolios.

(i) Accounting policy (continued)

The Group uses forward-looking information that is available without undue cost or effort in its assessment of significant increase of credit risk as well as in its measurement of ECL. The Group uses external and internal information to generate a 'base case' scenario of future forecast of relevant economic variables along with a representative range of other possible forecast scenarios. The external information used includes economic data and forecasts published by governmental bodies and monetary authorities.

The Group has identified and documented key drivers of credit risk and credit losses for each loan portfolio and, using a statistical analysis of historical data, has estimated relationships between macro-economic variables and credit risk and credit losses. The principal macro-economic indicators included in the economic scenarios used at 31 December 2020 for the purposes of preparing ECL provisions include: unemployment rates and interest rates.

The Group has applied probabilities to the forecast scenarios identified in its measurement of ECL.

The Group's ECL is determined with reference to the following stages:

Stage 1: Performing loans (credit risk has not increased significantly since initial recognition): Predominantly loans less than 30 days past due - requires a loss provision equal to the expected loss over the next 12 months.

Stage 2: Significant increase in credit risk has occurred: All the Group's loans and advances not in Stage 3 and 30+ days in arrears are within Stage 2 - require a loss provision equal to the expected loss over the expected lifetime of the asset.

Stage 3: Impaired: As a minimum, all the Group's loans and advances 90+ days in arrears are within Stage 3. Loans in Stage 3 require a lifetime expected credit loss provision incorporating a 100% probability of default.

Financial liabilities and equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Financial liabilities are classified as FVTPL when the financial liability is:

- Contingent consideration of an acquirer in a business combination;
- Held for trading; or
- Designated as FVTPL.

Financial liabilities at FVTPL are measured at fair value, with any gains or losses arising on changes in fair value recognised in profit or loss to the extent that they are not part of a designated hedging relationship (see Hedge accounting policy).

Financial liabilities that are not:

- Contingent consideration of an acquirer in a business combination;
- Held for trading; or
- Designated as at FVTPL, are measured subsequently at amortised cost using the effective interest method.

Derecognition

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a borrowing for the proceeds received.

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

(i) Accounting policy (continued)

On derecognition of a financial asset other than in its entirety the Group allocates the previous carrying amount of the financial asset between the part it continues to recognise under continuing involvement, and the part it no longer recognises on the basis of the relative fair values of those parts on the date of the transfer. The difference between the carrying amount allocated to the part that is no longer recognised and the sum of the consideration received for the part no longer recognised and any cumulative gain or loss allocated to it that had been recognised in other comprehensive income is recognised in the income statement. A cumulative gain or loss that had been recognised in other comprehensive income is allocated between the part that continues to be recognised and the part that is no longer recognised on the basis of the relative fair values of those parts.

Derecognition of financial instruments

The Group derecognises financial instruments when, and only when, the Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial instrument derecognised and the consideration paid and payable is recognised in profit or loss.

The Group accounts for substantial modification of terms of an existing instrument or part of it as an extinguishment of the original financial instrument and the recognition of a new instrument. It is assumed that the terms are substantially different if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective rate is at least 10 per cent different from the discounted present value of the remaining cash flows of the original financial instrument. If the modification is not substantial, the difference between:

- the carrying amount of the instrument before the modification; and
- the present value of the cash flows after modification should be recognised in profit or loss as the modification gain or loss within other gains and losses.

Refer to Note 1(b) - 'disclosure of income statement and balance sheet notes': The assets and liabilities of discontinued operations have been presented as held for sale or distribution in the balance sheet as at 31 December 2020 (2019 balance represent the Pepper Group), refer to Note 28.

Measurement categories of financial instruments

	Basis of measurement	**As at 31 December 2020 $'000**	As at 31 December 2019 $'000
Financial assets			
Cash and cash equivalents	Amortised cost	**885,578**	1,807,658
Derivative financial assets	Fair value through profit or loss	**1,090**	48,018
Receivables	Amortised cost	**5,316**	130,672
Other financial assets	Fair value through profit or loss or amortised cost	**19,593**	34,311
Corporate and government bonds	Fair value through profit or loss	**-**	30,663
Loans and advances	Amortised cost	**13,310,841**	19,527,124
Total financial assets		**14,222,418**	21,578,446
Financial liabilities			
Deposits	Amortised cost	**-**	3,664,431
Trade and other payables	Amortised cost	**15,178**	76,650
Derivative financial liabilities	Fair value through profit or loss	**86,732**	68,190
Borrowings	Amortised cost	**13,797,013**	17,067,638
Total financial liabilities		**13,898,923**	20,876,909

Fair value measurements and valuation processes

The different levels have been defined as follows:

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

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

Refer to Note 1(b) - 'disclosure of income statement and balance sheet notes': The assets of discontinued operations have been presented as held for sale or distribution in the balance sheet as at 31 December 2020 (2019 balance represent the Pepper Group), refer to Note 28.

Financial instruments	**Fair value hierarchy**	**Valuation technique(s) and key input(s)**	**As at 31 December 2020 $'000**	As at 31 December 2019 $'000
Equity investments	Level 2	Recent arm's length market transactions	**15,298**	10,212
Other financial assets	Level 2	Recent arm's length market transactions	**2,317**	24,099
Corporate and government bonds	Level 2	Recent arm's length market transactions	**-**	30,663
Derivative financial instruments	Level 2	Discounted cash flow, forward interest rates, contract interest rates, appropriate discount rates	**(85,642)**	(20,173)

In the year to 31 December 2020 there have been no change in the fair value hierarchy or the valuation techniques applied to any of the balances above.

Fair value of assets and liabilities not measured at fair value

The Group has considered all financial assets and liabilities not carried at fair value to determine whether the carrying value is an accurate reflection of fair value. For financial assets and liabilities whose carrying value does not accurately reflect the fair value, the Group performed a discounted cash flow valuation to determine fair value at the balance date.

The table below shows a comparison of the carrying amounts, as reported on the balance sheet and the fair values of those financial assets and liabilities that are measured at amortised cost where the carrying value recorded in the balance sheet does not approximate to fair value.

	As at 31 December 2020		As at 31 December 2019	
	Carrying value $'000	**Fair value $'000**	Carrying value $'000	Fair value $'000
Loans and advances	**13,310,841**	**13,346,306**	19,527,124	19,713,926

14 Deposits

Deposits are the primary source of funding for the South Korean Savings Bank. Subsequent to initial recognition, deposits are measured at amortised cost using the effective interest rate method.

All deposits have been reallocated to 'liabilities directly associated with assets classified as held for sale or distribution.

Refer to Note 1(b) - 'disclosure of income statement and balance sheet notes': The liabilities of discontinued operations have been presented as held for sale or distribution in the balance sheet as at 31 December 2020 (2019 balance represent the Pepper Group), refer to Note 28.

	As at 31 December 2020 $'000	As at 31 December 2019 $'000
Deposits from customers		
At call	-	141,381
Term deposits	-	3,523,050
Total deposits	-	3,664,431

15 Borrowings

All borrowings are initially recognised at fair value of the consideration received less directly attributable transaction costs. After initial recognition, interest bearing borrowings are measured at amortised cost using the effective interest rate method. For further detail on the amortised cost basis of accounting see Note 4 revenue and expenses.

	As at 31 December 2020 $'000	As at 31 December 2019 $'000
Securitised term funding facilities	**10,418,416**	10,800,138
Warehouse facilities - secured and other	**3,187,946**	5,642,623
Corporate debt facilities	**190,651**	526,911
Preference shares	-	97,966
Total borrowings	**13,797,013**	17,067,638

Pepper ANZ's (continuing operations) borrowings represent balances at 31 December 2020 whilst the Group's borrowings represent balances at 31 December 2019. For the Group's borrowings that have been reclassified to discontinued operations please refer to Note 28.

Pepper ANZ's (2020) and the Group's (2019) borrowings consist of:

Securitised term funding facilities: loans initially funded via a warehouse facility are pooled together and refinanced by being sold to a new funding vehicle (term securitisation) that issues non-recourse asset-backed securities to investors. Term securitisation facilities are secured on the assets of each individual term securitisation entity;

Warehouse facilities - secured: third-party funders provide non-recourse financing to special purpose vehicles (warehouses) established by Pepper to originate or acquire loans. Warehouse facilities are secured by the loans and other cash collateral residing in the warehouses. Pepper ANZ's undrawn borrowing facilities were $4,773m at 31 December 2020 (2019: $3,256m);

Corporate debt facilities: utilised for working capital and business operations which include a revolving credit facility issued in Australia $191m (2019: $160m). A $366m related party loan from Bidco (2019: $367m) was reclassified to businesses held for sale or distribution (refer to Note 28). Corporate debt facilities are secured on certain assets and shares held within the Group's global businesses; and

Preference shares: shares issued by Pepper Savings Bank (PSB) in South Korea. The preference shares are classified equity (regulatory capital) in PSB but are classified as borrowings for Group, to support capital requirements in PSB. All prior year preference share balances have been reallocated to 'assets held for sale or distribution' (refer to Note 28).

A total of $2,881m securitised term funding facilities and warehouse facilities - secured (collectively limited recourse funding liabilities) were reclassified to businesses held for sale or distribution during the year (refer to Note 28).

Australian Office of Financial Management ("AOFM") Forebearance Program

The AOFM, as part of the Federal Government's response to the impact of COVID-19 on the ability of borrowers to continue to make their monthly loan payments, has created the AOFM forbearance SPV ("fSPV"), which is a single SPV funded by the AOFM through the $15bn Structured Finance Support Fund ("SFSF"). The fSPV is designed to allow participant originators (which includes non-bank originators and smaller ADI's) to access temporary liquidity support for COVID-19 hardship related missed interest payments on loans and other receivables, reimbursing this liquidity support from future trust residual income. The fSPV caters for multiple asset classes at the discretion of the AOFM and which currently includes residential and commercial real estate mortgage loans and asset finance receivables. It is operated by a third-party trustee, security trustee, manager, standby manager and collateral verification agent.

In 2020, Pepper ANZ accessed the fSPV through eligible drawings made by the majority of funding trusts for which Pepper ANZ is the residual income unit holder. The aggregate of such drawings was $28.8m and this amount, together with interest accrued, is required to be repaid by the relevant trust over a 5 year period (in the case of mortgage loans) or 3 year period (for asset finance receivables) commencing in April 2021.

During 2020, the AOFM through its SFSF program, made available to smaller lenders (non-banks and small ADI's) a fSPV which enables Participating Originators to draw 90% of missed interest payments on account of loans in COVID-19 hardship. Pepper ANZ actively work with the AOFM and was approved by the AOFM for participation in the Programme with an aggregate facility amount of $50.0m. Pepper ANZ considers the Programme an example of strong Government support to the non-bank sector, which provides a flexible and efficient source of fairly priced cash flow to replace the majority of deferred interest payments.

Interest is charged at a fixed rate of 5% on the drawn down portion of the facility. The difference between a market rate for an instrument with similar terms and conditions at inception and the 5% is recognised as government grant, presented as part of the liability and has a value of $2.3m at 31 December 2020. The net interest charge is presented within interest expense.

As at 31 December 2020, Pepper ANZ:

- applied and gained access to the fSPV for thirty one (31) of its trusts and these trusts became Participating Trusts; and
- had obtained $28.8m from the fSPV in relation to Eligible Missed Payments.

16 Other liabilities

(i) Settlement balances

Settlement balances arising from the timing of funds collected to be passed onto customers. These balances are predominantly held within the Group's servicing and the South Korean banking businesses.

(ii) Deferred consideration and other

This balance is made up of deferred consideration payable to sellers of businesses acquired by the Group and a large number of individually immaterial amounts. Among the drivers of this balance are accruals built up within Pepper's servicing businesses which will be subsequently passed on to customers.

(iii) Leasing activities

The Group's leases primarily relate to the lease of buildings with lease terms generally between 2 and 10 years. Most lease contracts over 2 years contain clauses for annual market rental reviews or increases linked to annual inflation rates. The Group does not have an option to purchase the leased properties at the expiry of the lease periods.

Refer to Note 1(b) - 'disclosure of income statement and balance sheet notes': The liabilities of discontinued operations have been presented as held for sale or distribution in the balance sheet as at 31 December 2020 (2019 balance represent the Pepper Group), refer to Note 28. Other liabilities in discontinued operations were $169m at 31 December 2020.

	As at 31 December 2020 $'000	As at 31 December 2019 $'000
Settlement balances	**-**	154,289
Deferred consideration and other liabilities	**1,535**	86,738
Lease related provisions and liabilities	**17,970**	60,934
Trail commissions payable to third parties	**2,100**	1,760
Total other liabilities	**21,605**	303,721

17 Provisions

(i) Accounting policy

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

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

(ii) Employee benefits

Employee benefit liabilities are recognised for benefits accruing to employees predominantly in respect of wages and salaries, bonuses, annual leave and long service leave and are recognised in respect of employees' services up to the end of the reporting period. The measurement of such employee benefit liabilities is as follows:

- Short-term employee benefits (those expected to be settled within 12 months after the end of the reporting period) are measured at their nominal values using the remuneration rate expected to apply at the time of settlement; and
- Long term employee benefits are measured as the present value of the estimated future cash outflows to be made by the Group in respect of services provided by employees up to the reporting date.

Refer to Note 1(b) - 'disclosure of income statement and balance sheet notes': The liabilities of discontinued operations have been presented as held for sale or distribution in the balance sheet as at 31 December 2020 (2019 balance represent the Pepper Group), refer to Note 28. Employee benefits provisions in discontinued operations were $37m at 31 December 2020.

	Year ended 31 December 2020 $'000	Year ended 31 December 2019 $'000
Provision for employee benefits		
Continuing operations	**18,761**	23,310
Discontinued operations	**28,227**	36,998
Closing balance at the end of year	**46,988**	60,308
Carrying amount at start of year	**23,310**	55,671
Increase in provision	**40,454**	58,952
Provision utilised	**(44,900)**	(54,399)
Exchange differences	**(103)**	84
Carrying amount at the end of year	**18,761**	60,308
Less than 12 months	**16,036**	55,038
Greater than 12 months	**2,725**	5,270
	18,761	60,308

18 Issued capital

	Number of shares '000	$'000
As at 31 December 2018	**198,092**	356,101
Ordinary shares issued	**53,837**	245,669
As at 31 December 2019	**251,929**	601,770
Ordinary shares issued	**-**	-
As at 31 December 2020	**251,929**	**601,770**

19 Other equity and other reserves

Equity/Reserve	Nature
Common control reserve	The common control reserve arose as a result of a transaction between entities with common control.
Currency translation reserve	The currency translation reserve represents the cumulative gains and losses on the retranslation of the Group's net investment in foreign operations.
Cash flow hedge reserve	The cash flow hedge reserve represents the cumulative effective portion of gains or losses arising on changes in fair value of hedging instruments entered into for cash flow hedges. The cumulative gain or loss arising on changes in fair value of the hedging instruments that are recognised and accumulated in the cash flow hedge reserve will be reclassified to the income statement only when the hedged transaction affects the profit or loss.

	As at 31 December 2020 $'000	As at 31 December 2019 $'000
Other equity	**(824)**	(774)
Common control reserve	**(18,653)**	(18,653)
Total other equity	**(19,477)**	(19,427)
Currency translation reserve	**(1,930)**	29,897
Cash flow hedges reserve	**(43,684)**	(28,574)
Other reserves	**-**	51
Total other reserves	**(45,614)**	1,374

20 Structured entities

A structured entity is an entity that has been designed so that voting or similar rights are not the dominant factor in deciding who controls the entity and the relevant activities are directed by means of contractual arrangements. Pepper ANZ considers all limited recourse entities in which it has interests to be structured entities.

Refer to Note 1(b) - 'disclosure of income statement and balance sheet notes': The assets and liabilities of discontinued operations have been presented as held for sale or distribution in the balance sheet as at 31 December 2020 (2019 balance represent the Pepper Group), refer to Note 28. The 2020 balances below (and associated notes) solely represents transactions and balances relating to continuing operations.

(i) Consolidated structured entities

Pepper ANZ primarily utilises warehouse facilities and the securitisation markets to fund the origination of new loans (refer to Note 8).

Once loans are transferred into funding vehicles, they are funded by third-party senior and mezzanine debt, and equity, or other "first loss" capital, contributed by Pepper ANZ as part of a warehouse facility arrangement. The majority of warehouse facility funding is represented by the senior debt facilities, which are typically provided by highly-rated, regulated financial institutions and are available to Pepper ANZ a revolving basis subject to eligibility criteria and other terms specific to each warehouse facility.

Periodically, warehouse facilities are refinanced through term securitisations involving the issuance of asset-backed securities which are long term match funding transactions placed by Pepper ANZ through the debt capital markets to a range of financial investors.

In both warehouse facility and term securitisation structures, the third-party providers of the senior notes have first ranking priority over cash flows generated by the loans held by the funding vehicle and their contractual interest and principal repayments rank at the top (or near the top) of payment waterfalls (after certain expenses). Mezzanine funding providers' priority ranks below that of the senior funding providers. Pepper ANZ, as the provider of "first loss" capital and residual unitholder, receives its distributions only when the senior and mezzanine funders have received their contractual payments, and as the residual income unitholder, benefits from any additional incremental profits generated in the funding vehicle.

Pepper ANZ's limited-recourse financing structures transfer some of the risk of credit losses on mortgage portfolios to the capital providers to the funding vehicles. Pepper ANZ's exposure to losses is therefore limited to its rights to current and future residual income from its funding vehicles, along with the value of the equity notes that Pepper ANZ contributes as "first loss" capital to the funding vehicles.

Should a material increase in losses on Pepper ANZ's mortgages occur, the level of income available for distribution from the funding vehicles will decline, resulting in a reduction in equity note coupons and residual income paid to Pepper ANZ by the funding vehicles.

As losses increase beyond certain thresholds, the funding vehicles would cease distributing residual income and making distributions on Pepper ANZ's equity notes, and cash will instead be applied to repay the senior and mezzanine funding components of the funding vehicles; however, Pepper ANZ will have no legal obligation to contribute additional capital to offset the realised losses. In such a scenario, Pepper ANZ is able to increase the interest rate that it charges to its mortgage customers in order to offset the reduction in income due to credit losses.

Pepper ANZ is deemed to control these funding structures for accounting purposes due to the combination of Pepper ANZ's investment in each funding vehicle (exposure to variable interest) and Pepper ANZ's role as servicer (power to influence those variable returns). As a result, Pepper ANZ consolidates the assets and liabilities, income and expenses of most of these entities.

(ii) Non-consolidated structured entities

Pepper ANZ's interests in non-consolidated structured entities can be categorised as follows:

- Investments in non-Pepper ANZ special purpose vehicles (SPVs). Each of the SPVs Pepper ANZ has an investment in, is designed to invest in and manage consumer, commercial or residential loan portfolios. The SPVs finance themselves by issuing note securities which entitle the holder to a specified stream of cash flows from the loan portfolios; and
- Receivables earned in the course of servicing non-Pepper ANZ SPVs.

(ii) Non-consolidated structured entities (continued)

There are balances held with non-consolidated structured entities by the RoW businesses held for sale or distribution (discontinued operations) for the same reasons defined above for Pepper ANZ. These are reported within the investments and receivables in Note 28.

The nature and extent of Pepper ANZ's interests, as well as Pepper ANZ's maximum exposure to loss, can be summarised as follows:

	Commercial $'000	Residential $'000	Consumer $'000	Total $'000
As at 31 December 2020				
Balance Sheet				
Assets				
Investments in non-consolidated SPVs	-	2,317	-	2,317
Receivables from non-consolidated SPVs	-	417	-	417
Total assets	-	2,734	-	2,734
Maximum exposure to loss	-	2,734	-	2,734

	Commercial $'000	Residential $'000	Consumer $'000	Total $'000
As at 31 December 2019				
Balance Sheet				
Assets				
Investments in non-consolidated SPVs	1,642	2,144	-	3,786
Receivables from non-consolidated SPVs	-	486	448	934
Total assets	**1,642**	**2,630**	**448**	**4,720**
Maximum exposure to loss	1,642	2,630	448	4,720

Pepper ANZ's maximum exposure to loss is limited to the carrying value of any investments in or receivables from the structured entities, as listed above. There are no additional off balance sheet arrangements with non-consolidated structured entities which would expose Pepper to potential loss.

21 Related parties

In accordance with AASB 124, the following disclosures represent transactions and balances between Pepper's discontinued and continuing operations and their related parties.

(a) Key management personnel compensation

	Year ended 31 December 2020 $'000	Year ended 31 December 2019 $'000
Key management personnel remuneration		
Short-term employee benefits	**4,922**	5,768
Post-employment benefits	**110**	45
Termination benefits	**509**	-
Share-based payments	**606**	2,053
	6,147	7,866

(b) Transactions with other related parties

Balances and transactions between the Company and its subsidiaries, which are related parties of the Company, have been eliminated on consolidation and are not disclosed in this note. Details of transactions between the Group and other related parties are disclosed below.

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

	Year ended 31 December 2020 $'000	Year ended 31 December 2019 $'000
Transactions with related parties (excluding employees)		
Dividend received from associates	**6,711**	3,423
Interest received from related parties	**418**	232
Fees and other revenue received from other related parties	**4,770**	1,095
Total revenue received	**11,899**	4,750
Interest paid to Red Hot Australia Bidco Pty Ltd and other related parties	**(25,697)**	(27,971)
Other costs paid to related parties	**(3,973)**	(91)
Total costs paid	**(29,670)**	(28,062)
Balances held with related parties (excluding employees)		
Receivables (due to)/ from Red Hot Australia Holdco Pty Ltd	**19,028**	19,244
Receivables due from Red Hot Australia Bidco Pty Ltd	**11,616**	11,616
Loan payable to Red Hot Australia Bidco Pty Ltd	**(366,524)**	(366,693)
Total net receivables due from related parties	**(335,880)**	(335,833)

(c) Parent entity and equity transactions

The ultimate parent entity of the Group is Red Hot Australia Holdco Pty Limited (Holdco), an entity incorporated in Australia. Holdco owns 100% of the shares in Red Hot Australia Bidco Pty Limited (Bidco) and Bidco owns 96.4% of the shares Pepper Group Pty Limited (and its controlled subsidiaries).

As outlined in Note 23 the Group's employees are participants in share schemes in which Holdco is required to settle awards in the form of Holdco ordinary shares or cash. In accordance with AASB 2, as Holdco is required to settle the awards, the $1.5m of employee benefits received by the Group are presented in the statement of changes in equity as capital contributions from Holdco (2019: $5.3m).

The Group also received capital injections from Bidco in 2019 in exchange for ordinary shares, as outlined in Note 18

22 Notes on the statement of cash flows

Cash and cash equivalents comprise cash on hand and demand deposits. Cash equivalents are short-term, highly liquid investments that are readily convertible to a known amount of cash, which are subject to an insignificant risk of changes in value and have a maturity of three months or less at the date of acquisition.

The Group's cash and cash equivalents include: balances held in corporate entities on behalf of servicing clients and balances held in limited recourse entities (collectively: cash and cash equivalents held on trust - restricted cash); balances held in Pepper Savings Bank in South Korea (subject to local regulations); and other balances held in Pepper's corporate entities.

	As at 31 December 2020 $'000	As at 31 December 2019 $'000
(a) Reconciliation of cash and cash equivalents		
Held on trust (restricted cash)	**1,167,560**	1,132,408
Pepper Savings Bank (South Korea)	**583,433**	569,869
Other corporate entities	**139,483**	105,381
	1,890,476	1,807,658

	As at 31 December 2020 $'000
Cash and cash equivalents in discontinued operations	**1,004,898**
Cash and cash equivalents in continuing operations	**885,578**
	1,890,476

	Year ended 31 December 2020 $'000	Year ended 31 December 2019 $'000
(b) Reconciliation of profit for the year to net cash flows from operating activities		
(Loss) / profit for the period	**(29,960)**	49,850
Non-cash items:		
Depreciation and amortisation expenses	**43,488**	35,327
Loan loss expenses	**317,846**	214,050
Share of profits of associates	**(5,546)**	(8,680)
Share-based payment expense	**1,577**	5,285
Tax expense	**27,025**	15,176
Impairment expenses	**62,252**	10,593
Cash movements in:		
Receivables	**28,659**	(15,019)
Other assets	**6,524**	1,007
Loans and advances	**75,896**	35,107
Trade payables	**(4,682)**	58,880
Borrowings	**9,925**	40,607
Settlement balances	**(96,783)**	24,277
Provisions	**(7,710)**	2,968
Other movements	**17,677**	(14,449)
Total operating cash movements	**446,188**	454,979

A reconciliation of financing cashflows to balance sheet items in continuing and discontinued operations is provided below:

	Issued Capital (Note 18) $'000	Borrowings (Note 15) $'000	Deposits (Note 14) $'000	Total $'000
As at 31 December 2019	**601,770**	**17,067,638**	**3,664,431**	**21,333,839**
Financing cash flows	-	434,896	1,120,983	**1,555,879**
Foreign exchange and other movements	-	(303,224)	(148,554)	**(451,778)**
As at 31 December 2020	**601,770**	**17,199,310**	**4,636,860**	**22,437,940**
Held in discontinued operations	-	3,402,297	4,636,860	**8,039,157**
Held in continuing operations	601,770	13,797,013	-	**14,398,783**
	601,770	**17,199,310**	**4,636,860**	**22,437,940**

23 Share-based payments

General

The Group provides benefits to employees of the Group through share-based incentives. Employees are paid for their services or incentivised for their performance in part through shares or rights over shares.

Equity-settled share-based payments

These transactions involve the Group receiving services and compensating the relevant parties via the provision of equity instruments of the Group or its parent entities.

Measurement

As part of the process of accounting for share based payments the Group is required to measure the fair value of the options granted because it is not possible to reliably measure the fair value of the employee services rendered. The LTI Scheme was valued using the Black Scholes option valuation model, interest free loans using a discounted cash flow model and the 2018 LTI Scheme was valued using a probability-weighted expected returns model. Where relevant, the expected life used in the model has been adjusted based on management's best estimate for the effects of non-transferability, exercise restrictions (including the probability of meeting market conditions attached to the option) and behavioural considerations.

Recognition

The fair value determined at the grant date is expensed on a straight-line basis over the vesting period, based on the Group's estimate of equity instruments that will eventually vest, with a corresponding increase in equity. At the end of each reporting period, the Group revises its estimate of the number of equity instruments expected to vest. The impact of the revision of the original estimates, if any, is recognised in the income statement such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to equity (capital contribution).

Description of schemes

Scheme	**Description**
Long-term incentive (LTI) Scheme	The Company established a LTI Scheme to assist in the motivation, retention and reward of senior management and to align the interests of Executives and Senior Management with the interests of shareholders. The LTI Scheme permits the grant of awards comprising of: - Performance Rights; or - Either Options or Loan Shares. On 4 December 2017, all existing Pepper Group Pty Limited Loan Shares and Performance Rights held by an existing LTI Scheme participant were either: converted, exercised, amended, cancelled or exchanged for Holdco Loan Shares or Performance Rights. Holdco Performance Rights are an entitlement to receive a Holdco Share for no consideration upon satisfaction of applicable vesting conditions. Holdco Loan Shares are an entitlement to acquire a Share upon satisfaction of applicable vesting conditions and payment of an applicable exercise price. Participants were provided with a loan for the sole purpose of subscribing for Holdco Shares to be held on trust for participants subject to satisfaction of applicable vesting conditions and subject to repayment of the loan and with recourse limited to the Holdco Shares.

Terms & Conditions for material schemes

Scheme	Terms & Conditions
LTI Scheme	The Key Management Personnel and other Senior Management are eligible to participate in the LTI scheme. For the year ended 31 December 2018 the awards were delivered using a combination of Performance Rights and Loan Shares. The LTI awards were divided into three equal tranches. The relevant performance periods for 2015 and 2016 are as follows: - Tranche 1: 1 January 2016 to 31 December 2016 - Tranche 2: 1 January 2017 to 31 December 2017 - Tranche 3: 1 January 2018 to 31 December 2018 The relevant performance periods for 2017 are as follows: - Tranche 1: 1 January 2017 to 31 December 2017 - Tranche 2: 1 January 2018 to 31 December 2018 - Tranche 3: 1 January 2019 to 31 December 2019 On 4 December 2017 all performance conditions were waived as part of the acquisition of the Company by Bidco.

Scheme	Terms & Conditions
2018 LTI Scheme	The 2018 LTI Scheme provides an incentive to select management employees of Pepper Group companies and is structured to reward participants who contribute to the growth in value of the Pepper businesses they are involved with. The 2018 LTI Scheme involves various classes of shares (tracker shares) being issued by Holdco. Each class of tracker shares entitles the holders to a share in the gain in value of a specific Pepper business unit (BU). The calculation considers: - an initial BU starting value using a valuation as at 31 December 2017, - the impact of capital flows into and from the BU since 31 December 2017, - an allocation of group costs (including interest expense and tax reserves) since 31 December 2017; and - the value achieved on realisation of the BU. Participants will either be BU Participants or Group Participants. BU Participants will only hold tracker shares of a class relating to their BU whereas Group Participants will hold tracker shares of multiple classes relating to some or all the BU's. A small number of BU Participants will also hold tracker shares of multiple classes reflecting their involvement in Group activities as well as BU. The LTI Scheme start date was 1 January 2018 for BU's in existence on 1 January 2018. The vesting period for participants is 3 years from the date the tracker shares are issued. The service conditions will be met for a tranche if a participant is engaged by a Group company as at the relevant anniversary of the start of their vesting period.

Scheme	Terms & Conditions
Employee loans	The Group and Holdco have provided interest free limited-recourse loans to Pepper Group Pty Limited's executives and senior employees enabling them to exercise previously issued options, to fund LTI related taxation payments, and to acquire Holdco tracker shares. All loans are secured against Holdco shares and in accordance with AASB 2 the Group are treat these as share options and loans to related parties whilst Holdco treats the loans as Treasury Shares.

Movements in share-based payment arrangements during the year

The only share-based payment arrangement in existence within the Group as at 31 December 2020 was the 2018 LTI Scheme as all outstanding LTI Scheme awards fully vested. A total of 53,050,000 2018 LTI awards were granted by Holdco in 2019 (2020: nil). Holdco has the obligation to cash settle awards on realisation of a BU while the Group receives benefit from LTIP participants services.

The following reconciles the Group's share options and long-term incentive (LTI) schemes outstanding at the beginning and end of the year:

Movements in share-based payment arrangement during the year

	LTI schemes - loan shares		**LTI schemes - rights**	
	Number of units	**Exercise price ($)**	**Number of units**	**Exercise price ($)**
At 31 December 2018	2,534,967	-	2,994,395	-
Exercised during the year	(2,534,967)	2.62	(2,994,395)	-
At 31 December 2019	-	-	-	-
At 31 December 2020	**-**	**-**	**-**	**-**

24 Remuneration of auditors

In accordance with AASB 1054, the remuneration of auditors disclosures represent balances relating to both continuing and discontinued operations in 2020 and 2019.

During the year the following fees were paid or payable for services provided by the auditor of the parent entity, its related practices and non-related audit firms:

	Year ended 31 December 2020 $'000	Year ended 31 December 2019 $'000
Audit and review of financial statements - Deloitte Touche Tohmatsu	**3,163**	3,740
Audit and review of financial statements - Other firms	**568**	584
Advisory services	**1,152**	605
Total auditor remuneration	**4,883**	4,929

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

25 Financial risk management

This note explains Pepper ANZ's exposure to financial risks and how these risks could affect Pepper ANZ's future financial performance. Financial risk management disclosures focus on the continuing operations whilst financial data in comparative periods include data for both continuing and discontinued operations (unless stated otherwise).

Refer to Note 1(b) - 'disclosure of income statement and balance sheet notes'. The assets and liabilities of discontinued operations have been presented as held for sale or distribution in the balance sheet as at 31 December 2020 (2019 balance represent the Pepper Group), refer to Note 28.

The financial risk management disclosures and notes provided below focus solely on the continuing business operations (Pepper ANZ). The assets and liabilities of disposal groups (held at a maximum of book value less costs to sell) are outlined in Note 28.

Risk	**Exposure arising from**	**Measurement**	**Management**
Market risk - foreign exchange	Future commercial transactions, recognised foreign currency financial assets and liabilities.	Cash flow forecasting, sensitivity analysis.	Forward foreign exchange contracts and cross currency interest rate swaps.
Market risk - interest rate	Mismatch in interest rates between assets and liabilities.	Sensitivity analysis.	Cross currency interest rate swaps, interest rate swaps.
Credit risk	Cash and cash equivalents, trade receivables, derivative financial instruments, loans and advances.	Credit risk analysis, credit ratings.	Diversification, strong collections/portfolio management.
Liquidity risk	Borrowings, deposits, derivative financial liabilities and other liabilities.	Rolling cash flow forecasts.	Availability of committed credit lines and borrowing facilities, securitisation, structuring terms of obligations.

(a) Derivatives and hedge accounting

Pepper ANZ enters into a variety of derivative financial instruments to manage its exposure to interest rate and foreign exchange rate risks (detailed in tables below), including, cross currency interest rate swaps, interest rate swaps, foreign exchange forward contracts and foreign exchange options.

Derivatives are recognised initially at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair value at each reporting date. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

Derivatives are used for hedging financial risks as part of Pepper ANZ's approach to risk management. They are not used for speculative purposes.

Pepper ANZ designates certain derivatives as hedging instruments in respect of foreign currency risk and interest rate risk in fair value hedges or cash flow hedges. Hedges of foreign exchange risk on firm commitments are accounted for as cash flow hedges.

At the inception of the hedge relationship, Pepper ANZ documents the relationship between the hedging instrument and the hedged item, along with its risk management objectives and its strategy for undertaking various hedge transactions. Furthermore, at the inception of the hedge and on an ongoing basis, Pepper ANZ documents whether the hedging instrument is effective in offsetting changes in fair values or cash flows of the hedged item attributable to the hedged risk, which is when the hedging relationships meet all of the following hedge effectiveness requirements:

- there is an economic relationship between the hedged item and the hedging instrument;
- the effect of credit risk does not dominate the value changes that result from that economic relationship; and
- the hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that Pepper ANZ actually hedges and the quantity of the hedging instrument that Pepper ANZ actually uses to hedge that quantity of hedged item.

(a) Derivatives and hedge accounting (continued)

Fair value hedges

Fair value hedges are accounted for as follows: the fair value gain or loss associated with the derivative is recognised in profit or loss, the fair value gain or loss associated with the hedged item is recognised in profit or loss.

Cash flow hedges

Cash flow hedges are accounted for as follows: the fair value gain or loss associated with the effective portion of the derivative is recognised initially in other comprehensive income (cash flow hedge reserve - CFHR) and then recycled to the income statement in the same periods the hedged item affects the income statement. Any ineffective portion of the gain or loss on the hedging instrument is recognised in the income statement immediately.

Interest rate risk management

Pepper ANZ is exposed to interest rate risk because entities in Pepper ANZ borrowed and lent funds at both fixed and floating interest rates. The risk is managed by Pepper ANZ by the use of interest rate swap contracts.

Interest rate swap contracts

Under interest rate swap contracts, Pepper ANZ agrees to exchange the difference between fixed and floating rate interest amounts calculated on agreed notional principal amounts. Such contracts enable Pepper ANZ to mitigate the cash flow exposures on interest rates and the fair value risk of changing interest rates.

Pepper ANZ designates the interest rate swaps in cash flow hedges and fair value hedges.

Interest rate swap contracts - cash flow hedges

As the critical terms of the interest rate swap contracts and their corresponding hedged items are the same, Pepper ANZ performs a qualitative assessment of effectiveness and it is expected that the value of the interest rate swap contracts and the value of the corresponding hedged items will systematically change in opposite direction in response to movements in the underlying interest rates.

Interest rate swap contracts - fair value hedges

Pepper ANZ also entered into interest rate swap contracts to mitigate the fair value risk of changing interest rates.

Pepper ANZ has applied the hedge ratio of 1:1 to all hedge relationships.

Foreign currency risk management

Pepper ANZ is exposed to exchange rate fluctuations relating to non-Australian dollar borrowings.

Pepper ANZ uses cross currency interest rate swap contracts to hedge fair value interest rate risk and foreign exchange risk.

Pepper ANZ designates the cross currency interest rate swap contracts in:

- fair value hedges of changing interest rates on foreign currency fixed rate borrowings; and
- cash flow hedges of foreign currency exposure on foreign currency borrowings.

(a) Derivatives and hedge accounting (continued)

Foreign currency risk management (continued)

The foreign currency basis spread of a cross currency interest rate swap is excluded from the designation of that financial instrument as the hedging instrument. Changes in fair value of the foreign currency basis spread of a financial instrument is accumulated in the cost of hedging reserve, and is amortised to profit or loss on a rational basis over the term of the hedging relationship.

As the critical terms of the cross currency interest rate swap contracts and their corresponding hedged items match, Pepper ANZ performs a qualitative assessment of effectiveness. The main source of hedge ineffectiveness in these hedge relationships is the effect of the counterparty and Pepper ANZ's own credit risk on the fair value of the cross currency interest rate swap contracts, which is not reflected in the fair value of the hedged item attributable to the change in interest rates. No other sources of ineffectiveness emerged from these hedging relationships.

Quantitative information

The following table details the notional principal amounts and remaining terms of the cross currency interest rate swap contracts and interest rate swap contracts outstanding as at the end of the financial year. For the detail of derivative contract types, please refer above.

Continuing operations

	< 1 year	1 - 2 years	2 - 5 years	Over 5 years
Interest rate risk - Interest rate swap contracts				
Average contracted fixed rate	1.44%	1.19%	0.96%	0.27%
Average notional amount $'000	783,557	821,031	1,055,345	56,447
Foreign currency risk - Cross currency interest rate swap contracts				
Average contracted rate (AUD/USD)	0.7265	0.7207	0.7103	-
Average notional amount $'000	321,496	177,713	91,878	-
Average contracted rate (AUD/EUR)	0.6276	0.6276	0.6276	-
Average notional amount $'000	100,538	43,891	200,799	-

(a) Derivatives and hedge accounting (continued)

Quantitative information (continued)

The following tables detail various information regarding interest rate swap contracts and cross currency interest rate swaps outstanding at the end of the reporting period and their related hedged items.

Continuing operations

Derivative financial assets / (liabilities):

	Current notional amount $'000	Carrying amount of hedging instrument Assets $'000	Carrying amount of hedging instrument Liabilities $'000	Change in value of hedging instrument $'000	Change in value of hedged item $'000	CFHR opening balance before tax Dr/(Cr) $'000	Movement in CFHR Dr/(Cr) $'000	Transfer from CFHR to P&L Dr/(Cr) $'000
Cash flow hedges								
Interest rate swaps	2,650,377	-	(36,583)	(9,140)	9,140	28,144	33,973	(25,527)
Cross currency interest rate swap	936,315	79	(50,149)	(67,588)	67,588	4,212	74,657	(70,493)
Fair value hedges								
Interest rate swaps	66,003	1,011	-	(191)	191	-	-	-
Total	**3,652,695**	**1,090**	**(86,732)**	**(76,919)**	**76,919**	**32,356**	**108,630**	**(96,020)**

The cumulative deferred gain or loss on the hedging instrument is recognised in profit or loss only when the hedged transaction impacts the profit or loss, which is mainly due to the (gain) / loss from the hedged item spot rate revaluation and the foreign currency basis spread ("FCBS") amortised to profit or loss on a rational basis over the term of the hedging relationship. For the continuing operations, the 2020 opening balance of the cash flow hedge reserve ("CFHR") contained $10.1m FCBS (2019: $7.1m) that subsequently increased by $0.1m (2019: $8.5m) during the year due to changes in fair value, partially offset by $4.8m (2019: $5.4m) transferred to profit and loss.

(b) Credit risk

Credit risk arises from the financial assets outlined below, as well as credit exposures to customers, including outstanding receivables.

To manage credit risk, Pepper ANZ has established strong risk management teams who bring together a wealth of knowledge and experience in loan origination, servicing and arrears management capabilities across Pepper ANZ.

The continuing operating business' primary credit risk exposures relate to its lending activities in its mortgage and asset finance. The continuing operating business' primary lending activities are concentrated in the Australian, New Zealand markets. The underlying credit risk in the lending activities is commensurate with a geographically diverse residential mortgage and asset finance portfolio, with no large concentration of single customers.

(b) Credit risk (continued)

Maximum exposure to credit risk

The carrying amount of Pepper ANZ's financial assets and undrawn customer facilities represents the maximum credit exposure. Pepper ANZ's exposure to credit risk at the reporting date was:

	As at 31 December 2020 $'000	As at 31 December 2019 $'000
Gross loans and advances		
Loans and advances - gross	**13,333,516**	13,158,873
Deferred transaction costs	**154,162**	155,732
Mortgage risk fee	**(68,257)**	(71,599)
Provision for loan impairment	**(108,580)**	(85,985)
Total loans and advances	**13,310,841**	13,157,021
Continuing operations		
Loans and advances at amortised cost	**13,310,841**	13,157,021
Loan loss provision (included in above)	**(108,580)**	(85,985)
Discontinued operations		
Loans and advances at amortised cost	**7,207,452**	6,370,103
Loan loss provision (included in above)	**(290,514)**	(229,135)

	As at 31 December 2020[1] Total $'000	As at 31 December 2020[2] Total $'000	As at 31 December 2019[3] Total $'000
Cash and cash equivalents	**885,578**	**1,004,898**	1,807,658
Derivative financial instruments	**1,090**	**13,618**	48,018
Receivables	**5,316**	**123,664**	130,672
Other financial assets	**4,295**	**90,917**	24,186
Corporate and government bonds	**-**	**-**	30,663
Loans and advances at amortised cost excluding loss provisions	**13,419,421**	**7,497,966**	19,842,244
	14,315,700	**8,731,063**	21,883,441

1 Balances form part of continuing operations
2 Balances form part of discontinued operations
3 Balances include both continuing and discontinued operations

As at 31 December 2020, over 91% of the Company's cash and cash equivalents for continuing operations are held with banks or financial institutions with a credit rating of AA- or better (2019: over 97%).

In addition to the balances in the table above, the Company had $982m of undrawn customer facilities as at 31 December 2020 (2019: $978m).

(b) Credit risk (continued)

Movement in gross carrying amount

The following tables show movements in gross carrying amounts of loans and advances subject to impairment requirements.

	Stage 1 (12-month ECL)	Stage 2 (Lifetime ECL)	Stage 3 (Lifetime ECL)	Total
Loans and advances ($'000)				
Gross carrying amount at start of 2020	12,921,106	148,310	173,590	13,243,006
Transfer to Stage 1	132,681	(97,398)	(35,283)	-
Transfer to Stage 2	(206,908)	211,792	(4,884)	-
Transfer to Stage 3	(90,996)	(25,289)	116,285	-
Financial assets derecognised	(3,118,618)	(41,896)	(75,694)	(3,236,208)
New financial assets originated	3,992,053	36,132	6,069	4,034,254
Adjustments for repayments and interest	(629,971)	(202)	8,542	(621,631)
Gross carrying amount as at 31 December 2020	**12,999,347**	**231,449**	**188,625**	**13,419,421**
Loan loss allowances ($'000)				
Loan loss allowances at start of 2020	50,581	2,606	32,798	85,985
Transfer to Stage 1	4,571	(1,519)	(3,052)	-
Transfer to Stage 2	(728)	1,253	(525)	-
Transfer to Stage 3	(312)	(348)	660	-
Financial assets derecognised	(5,880)	(711)	(11,168)	(17,759)
New financial assets originated	22,254	995	1,245	24,494
COVID-19 overlay	-	-	-	23,000
Adjustments	(21,706)	17	14,549	(7,140)
Loan loss allowances as at 31 December 2020	**48,780**	**2,293**	**34,507**	**108,580**

Loans and advances ($'000)				
Gross carrying amount at start of 2019	10,517,706	161,124	133,125	10,811,955
Transfer to Stage 1	102,558	(79,555)	(23,003)	-
Transfer to Stage 2	(111,031)	117,192	(6,161)	-
Transfer to Stage 3	(69,091)	(20,877)	89,968	-
Financial assets derecognised	(1,807,582)	(45,354)	(42,395)	(1,895,331)
New financial assets originated	4,161,590	18,759	4,800	4,185,149
Adjustments for repayments and interest	126,956	(2,979)	17,256	141,233
Gross carrying amount as at 31 December 2019	**12,921,106**	**148,310**	**173,590**	**13,243,006**
Loan loss allowances ($'000)				
Loan loss allowances at start of 2019	48,881	3,430	22,478	74,789
Transfer to Stage 1	3,018	(1,626)	(1,392)	-
Transfer to Stage 2	(445)	835	(390)	-
Transfer to Stage 3	(109)	(221)	330	-
Financial assets derecognised	(9,771)	(1,076)	(33,114)	(43,961)
New financial assets originated	19,590	763	517	20,870
Adjustments	(10,583)	501	44,369	34,287
Loan loss allowances as at 31 December 2019	**50,581**	**2,606**	**32,798**	**85,985**

The value of the collateral held as security for loans in Stage 2 and Stage 3 collective provision at 31 December 2020 is $590.8m, compared to $435.2m at 31 December 2019.

(b) Credit risk (continued)

The value of the collateral held as security for loans in Stage 3 specific provision at 31 December 2020 is $7.8m, compared to $12.2m at 31 December 2019.

The loans are secured by a first registered mortgage over the property. This will provide the Pepper ANZ Group with first priority over the proceeds of any sale of the property to repay the outstanding balance of the loans. Generally collateralised assets are not revalued unless repossessed.

Provision balances above incorporate ECL provisions on undrawn customer commitments, and redraw balances (customer overpayment) and are not considered material to Pepper ANZ. The loan loss provision increase is commensurate with the absolute increase in the number of loans originated.

The majority of Pepper ANZ's exposure to loans and advances is limited, as they are legally owned by the special purpose entities (trusts) with no recourse to Pepper ANZ. Losses on mortgage loans are therefore limited to Pepper ANZ's investments in notes in these trusts and the cash collateral retained in the trust. The trusts' structures are designed such that losses are covered by excess spread generated from the assets within the trusts before the investment in notes is impacted.

The impact of the COVID-19 pandemic on loan loss provisions has been wide-ranging and yet remains to difficult to forecast.

The Company estimates expected future credit losses using an ECL model, in line with AASB 9 requirements.

The ECL model includes macroeconomic forecasts such as the annual percentage change in GDP, unemployment rates, cash rates and house price changes. The Company applies four alternative macro-economic scenarios (base case, upside, downside and severe downside) to reflect unbiased, probability-weighted ranges of possible future outcomes in estimating ECL.

(c) Significant increase in credit risk (SICR)

Pepper ANZ uses the following four alternative macro-economic scenarios to reflect an unbiased probability-weighted range of possible future outcomes in estimating ECL for significant portfolios.

Base scenarios	The scenario considers Central Bank forecasts on a region by region basis as well as Pepper ANZ's base case assumptions used in business planning and forecasting.
Downside scenarios	This scenario is set relative to the Base scenario based on macro-economic conditions that represent plausible but less likely to the Base scenario.
Upside scenario	This scenario is included to account for the potential impact of less likely, more favourable macroeconomic conditions. Relative to the Base scenario, the upside scenario features a more rapid recovery in economic output and return to normal labour market conditions over the short-term with further improvement over the medium-term. In addition to this, the scenario features a stronger exchange rate, consistent growth in house prices, business investment, disposal income and the share market as well as modest increases in interest rates over the medium term.
Severe downside scenario	This scenario is included to account for a potentially severe impact of less likely, extremely adverse macro-economic conditions. Relative to the Base and Downside scenarios, this scenario features a sharper contraction with a slow recovery in economic output, heightened and prolonged weakness in the labour market, and more serve declines in house prices and the share market. In addition to this, the scenario features a more severe and prolonged contraction in business investment and a weaker exchange rate, while interest rates remain accommodative.

Sensitivity of provisions for impairment to changes in forward looking assumptions.

As described above, Pepper ANZ applies four alternative macro-economic scenarios (Base, Upside, Downside and Severe downside scenarios) to reflect unbiased probability-weighted range of possible future outcomes in estimating ECL.

(d) Liquidity and capital risk

Liquidity risk is the risk that Pepper ANZ will not be able to meet its financial obligations as they fall due.

Pepper ANZ's funding platform currently comprises a mix of warehouse facilities, term securitisations, secured debt facilities and balance sheet cash.

(d) Liquidity and capital risk (continued)

The majority of Pepper ANZ's liabilities represent bonds issued by special purpose trusts through warehouse facilities and term securitisation transactions. Under such arrangements, bondholder recourse is limited to the assets of the relevant special purpose vehicle to which the liability relates and the repayment profile of the bonds is matched to the repayments collected from the loan assets. Given the limited recourse nature of these borrowings, $13.5bn at 31 December 2020 (2019: $16.4bn), they have not all been included in the table below (which is prepared on an undiscounted basis).

Pepper ANZ seeks to have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to Pepper ANZ's reputation. Pepper ANZ has cultivated valuable long term relationships with a range of domestic and global investment banks and professional mezzanine debt and fixed income investors. Refer to Note 15 for more information on Pepper ANZ's borrowings.

Pepper ANZ is able to create additional liquidity by selling specific pools of loans to release and recycle capital.

The balances below solely represent Pepper ANZ.

At 31 December 2020	Carrying amount $'000	3 mnths or less $'000	3 to 12 mnths $'000	1 to 5 years $'000	Over 5 years $'000	Total contractual cash flows $'000
Financial liabilities						
Payables	**15,178**	**15,178**	**-**	**-**	**-**	**15,178**
Borrowings	**1,300,817**	**7,771**	**605,813**	**725,880**	**-**	**1,339,464**
Derivative liabilities	**86,732**	**5,582**	**16,660**	**63,275**	**2,041**	**87,558**
Total	**1,402,727**	**28,531**	**622,473**	**789,155**	**2,041**	**1,442,200**
At 31 December 2019						
Financial liabilities						
Payables	8,218	8,218	-	-	-	8,218
Borrowings	2,251,559	15,021	1,393,695	936,677	-	2,345,393
Derivative liabilities	52,399	2,244	16,412	31,958	2,304	52,918
Total	2,312,176	25,483	1,410,107	968,635	2,304	2,406,529

(e) Market risk

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

(i) Cash flow and fair value interest rate risk

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

Interest rate exposure is created due to mismatches in interest rates between assets and liabilities (i.e. borrowing at floating interest rates and lending with fixed interest rates). Interest rate risk may be managed by entering into interest rate swaps subject to Pepper ANZ's hedging and derivatives policies.

Pepper ANZ's main interest rate risk arises from long-term borrowings with variable rates, which expose the group to cash flow interest rate risk. Generally, Pepper ANZ enters into long-term borrowings at floating rates and swaps them into fixed rates that are lower than those available if Pepper ANZ borrowed at fixed rates directly.

Sensitivity

As outlined above, the majority of Pepper ANZ's liabilities are issued through warehouse facilities and term securitisations in special purpose entities. Under such arrangements, the repayment profile of the bonds is matched to the repayments collected from the loan assets.

(e) Market risk (continued)

(i) Cash flow and fair value interest rate risk (continued)

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

Continuing operations

10 bps +/-	**Year ended 31 December 2020 $'000**	Year ended 31 December 2019 $'000
Loans and advances in special purpose entities	**13,416**	12,044
Borrowing costs in special purpose entities	**14,343**	12,966

Any impact on funding costs in the special purpose entities as a result of changes to interest rates would be offset by a corresponding +/- impact on interest revenue proportionate to assets held.

(ii) Foreign exchange risk

Pepper ANZ's financial reports are prepared in Australian dollars. Pepper ANZ's revenues, expenses, cash flows, assets and liabilities in regions outside Australia are denominated in local currencies which include the New Zealand Dollar and Philippines Peso. Pepper ANZ manages its foreign exchange risk by matching the currency of loan receivables and funding and by monitoring the cash flow requirements of the business on an ongoing basis.

Pepper ANZ does not currently hedge its offshore earnings or the capital invested in the overseas operations, thereby accepting the foreign currency translation risk on invested capital and offshore earnings.

26 Parent entity financial information

(a) Summary financial information

The individual financial statements for the parent entity show the following aggregate amounts. The ECL on the guarantee has been assessed as not material and no ECL has been recognised.

	Year ended 31 December 2020 $'000	Year ended 31 December 2019 $'000
Income statement		
Net operating income	**390,676**	298,134
Employee benefits expenses	**(76,395)**	(98,462)
Depreciation and amortisation expenses	**(15,667)**	(16,238)
Marketing expenses	**(10,271)**	(9,489)
Technology expenses	**(19,657)**	(18,100)
Corporate interest expenses	**(45,388)**	(43,213)
Impairment loss	**(9,972)**	(7,257)
Other expenses from operations	**(21,043)**	(24,972)
Total expenses	**(198,393)**	(217,731)
Profit/(Loss) before tax	**192,283**	80,403
Income tax expense	**(41,631)**	(7,891)
Profit/(Loss) after tax	**150,652**	72,512
Balance sheet		
Assets		
Cash and cash equivalents	**78,342**	39,799
Receivables	**978,204**	839,932
Other assets	**3,177**	37,980
Derivative financial assets	**13,618**	-
Deferred tax assets	**37,150**	43,710
Investments	**421,695**	392,721
Property, plant and equipment	**9,755**	14,678
Intangible assets	**38,262**	31,841
Total assets	**1,580,203**	1,400,661
Liabilities		
Trade and other payables	**10,689**	6,383
Current tax liabilities	**42,714**	2,722
Derivative liabilities	**7,184**	15,395
Borrowings	**522,060**	526,532
Other liabilities	**25,779**	29,771
Provisions	**18,971**	18,508
Total liabilities	**627,397**	599,311
Total net assets	**952,806**	801,350
Issued capital	**601,770**	601,770
Other reserves	**237**	(3,574)
Retained earnings	**350,799**	203,154
Total equity	**952,806**	801,350

(b) Contingent liabilities of the parent entity

The Company has provided guarantees over funding facilities provided by several external parties to the Group. As at balance date the balance drawn on the guaranteed facilities was $700.7m (2019: $568.5m).

27 Events occurring after the reporting period

The directors of Pepper Group Pty Limited have considered the financial effects of COVID-19 in preparing these financial statements. Management have taken material steps to mitigate the impacts on the Group. The Group continues to monitor closely the development of the COVID-19 outbreak and its impact on market conditions.

On 31 January 2020 Pepper entered into a binding agreement with Link Administration Holdings Limited (Link) to sell its European Servicing business (Pepper European Servicing) subject to various regulatory approvals including from the Competition and Consumer Protection Commission (CCPC). In January 2021 the CCPC was informed Link (and Pepper) would not proceed with the transaction and the CCPC should consider the proposed transaction to be withdrawn.

Other than the items noted above, there has not been any matter or circumstance occurring subsequent to the end of the financial year that has significantly affected, or may significantly affect, the operations of the Group, the results of those operations, or the state of affairs of the Group in future financial years.

28 Discontinued operations

(a) Financial performance and cash flow information

As outlined in Note 1(i), as part of the intended Restructure, Pepper's business operations in all jurisdictions, other than Australia, New Zealand and the Philippines, are expected to either be sold to an external third party in a market transaction, or transferred from PGPL to legal entities within the TopCo corporate structure.

All Rest of World business results represent discontinued operations and are presented in more detail in the tables below.

At 31 December 2020, the Group's investment in Prime Credit and Pepper European servicing met the definition as being held for sale whilst all the remaining Rest of World businesses are deemed to be held for distribution as explained above. ummary income statement information for the Group's most significant RoW business units have been individually presented in the table below. Note, total revenue is reported net of interest expense.

2020	Prime Credit $'000	Europe Servicing $'000	South Korea $'000	UK Lending $'000	Spain Lending $'000	Group Corporate $'000	Total $'000
Total revenue	-	148,366	341,087	51,326	73,520	1,027	**615,326**
Total expenses	-	(127,151)	(358,606)	(81,903)	(101,628)	(69,761)	**(739,049)**
Equity profits from associates	(22,343)	-	1,617	-	-	-	**(20,726)**
(Loss) / Profit before tax	**(22,343)**	**21,215**	**(15,902)**	**(30,577)**	**(28,108)**	**(68,734)**	**(144,449)**
Taxation	-	(3,735)	(6,476)	6,568	3,991	14,719	**15,067**
(Loss) / Profit after tax	**(22,343)**	**17,480**	**(22,378)**	**(24,009)**	**(24,117)**	**(54,015)**	**(129,382)**

2019	Prime Credit $'000	Europe Servicing $'000	South Korea $'000	UK Lending $'000	Spain Lending $'000	Corporate & Other $'000	Total $'000
Total revenue	-	159,499	274,561	49,968	61,279	2,592	**547,899**
Total expenses	-	(134,256)	(244,154)	(64,628)	(53,986)	(74,570)	**(571,594)**
Equity profits from associates	8,550	-	130	-	-	-	**8,680**
(Loss) / Profit before tax	**8,550**	**25,243**	**30,537**	**(14,660)**	**7,293**	**(71,978)**	**(15,015)**
Taxation	-	(4,589)	(7,561)	1,194	669	16,977	**6,690**
(Loss) / Profit after tax	**8,550**	**20,654**	**22,976**	**(13,466)**	**7,962**	**(55,001)**	**(8,325)**

(b) Assets and liabilities of disposal group classified as held for sale or distribution

2020	Prime Credit $'000	Europe Servicing $'000	South Korea $'000	UK Lending $'000	Spain Lending $'000	Corporate & Other $'000	Total $'000
Assets							
Financial assets*	-	159,925	5,028,115	2,571,749	618,229	63,042	**8,441,060**
Investments in associates	75,781	-	19,663	-	-	-	**95,444**
Current and deferred tax assets	-	3,198	-	13,192	8,448	2,848	**27,686**
Intangible assets	-	40,967	6,437	38,215	663	888	**87,170**
Other assets categories	-	18,510	81,627	11,988	2,189	3,519	**117,833**
Total assets	**75,781**	**222,600**	**5,135,842**	**2,635,144**	**629,529**	**70,297**	**8,769,193**
Liabilities							
Financial liabilities	-	-	4,793,035	2,366,858	544,367	372,545	**8,076,805**
Current and deferred tax liabilities	-	4,651	11,954	916	872	-	**18,393**
Other liabilities categories	-	138,129	54,046	29,803	50,116	21,155	**293,249**
Total liabilities	**-**	**142,780**	**4,859,035**	**2,397,577**	**595,355**	**393,700**	**8,388,447**

2019	Prime Credit $'000	Europe Servicing $'000	South Korea $'000	UK Lending $'000	Spain Lending $'000	Group Corporate $'000	Total $'000
Assets							
Financial assets*	-	215,716	4,007,325	2,645,553	645,746	67,347	**7,581,687**
Investments in associates	112,785	-	22,310	-	-	-	**135,095**
Current and deferred tax assets	-	2,362	-	225	8,181	141	**10,909**
Intangible assets	-	35,735	32,578	40,886	994	545	**110,738**
Other assets categories	-	24,583	72,491	11,368	3,494	4,936	**116,872**
Total assets	**112,785**	**278,396**	**4,134,704**	**2,698,032**	**658,415**	**72,969**	**7,955,301**
Liabilities							
Financial liabilities	-	28	3,762,369	2,396,864	584,864	375,461	**7,119,586**
Current and deferred tax liabilities	-	873	6,374	-	-	13	**7,260**
Other liabilities categories	-	201,192	55,658	57,898	24,173	18,819	**357,740**
Total liabilities	**-**	**202,093**	**3,824,401**	**2,454,762**	**609,037**	**394,293**	**7,484,586**

* Financial assets includes: cash and cash equivalents, loans and advances, derivate financial assets, receivables and other financial assets.

The Group's cash flow statement include the following movements from discontinued operations:

	Year ended 31 December 2020 $'000	Year ended 31 December 2019 $'000
Cash flows from operating activities	**276,004**	313,947
Cash flows from investing activities	**(1,615,144)**	(2,174,938)
Cash flows from financing activities	**1,292,907**	2,240,050

During the year Pepper European Servicing entered into a servicing contract under which it is committed to provide $28m for the completion of services to its customers (2019: $nil).

29 Earnings per share

(a) Methodology

Basic earnings per share is calculated by dividing the profit or loss attributable to ordinary shareholders of the Group by the weighted average number of ordinary shares outstanding during the period.

Diluted earnings per share is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares, which include the share options granted to employees.

	Year ended 31 December 2020	Year ended 31 December 2019
Weighted average number of shares	**251,929,460**	227,627,046

(b) Basic earnings per share

	Year ended 31 December 2020 Cents	Year ended 31 December 2019 Cents
For profit from continuing operations attributable to the ordinary equity holders of the Company	**39.5**	25.6
For loss from discontinued operations attributable to the ordinary equity holders of the Company	**(51.4)**	(3.7)
Total basic earnings per share attributable to the ordinary equity holders of the Company	**(11.9)**	21.9

(c) Diluted earnings per share

	Year ended 31 December 2020 Cents	Year ended 31 December 2019 Cents
For profit from continuing operations attributable to the ordinary equity holders of the Company	**39.5**	25.6
For loss from discontinued operations attributable to the ordinary equity holders of the Company	**(51.4)**	(3.7)
Total diluted earnings per share attributable to the ordinary equity holders of the Company	**(11.9)**	21.9