4/100 Havelock Street
West Perth WA 6005

PO Box 710
West Perth WA 6872

25 August 2023

Market Announcements Office
ASX Limited
Exchange Centre
20 Bridge Street
SYDNEY NSW 2000

Dear Sir/Madam

AUSTRALIAN FINANCE GROUP LTD ANNOUNCES FY23 RESULTS and 2023 ANNUAL GENERAL MEETING DATE

Please refer to the following information in relation to Australian Finance Group Ltd's (ASX: AFG) results for the year ended 30 June 2023.

Part 1:	Appendix 4E and 2023 Annual Report
Part 2:	FY23 Dividend Payment
Part 3:	FY23 Results – Investor Presentation
Part 4:	FY23 Market Release
Part 5:	FY23 Appendix 4G and Corporate Governance Statement

Annual General Meeting

In accordance with ASX Listing Rule 3.13.1, Australian Finance Group Ltd advises that its Annual General Meeting will be held in Perth, Western Australia on Friday, 24 November 2023.

Investor Briefing

David Bailey, Chief Executive Officer, and Luca Pietropiccolo, Chief Financial Officer, will give a presentation to analysts and investors via a conference call at 10:00am AEST today. To participate in the call, please pre-register using the following link: https://registrations.events/direct/OCP61351

Pre-registered participants will receive a calendar invite including a phone number to join the conference call, and a unique code which is to be quoted when dialing into the call.

Authorised for disclosure by:

Michelle Palethorpe
Company Secretary

CONTACT DETAILS

Alison Clarke, AFG Head of Corporate Communications — Mob 0402 781 367
David Bailey, CEO — Tel (08) 9420 7888

Appendix 4E (ASX Listing Rules 4.3A)

Report for the year ended 30 June 2023

Reporting period is the year ended 30 June 2023 with the previous corresponding period the year ended 30 June 2022.

Results for announcement to the market

	30 June 2023 $'000	30 June 2022 $'000	Increase / (Decrease) $'000	% Change
Revenue from operating activities	1,002,836	928,980	73,856	8.0%
Net profit after tax (NPAT) from continuing operations attributable to equity holders of the Company	37,312	38,777	(1,465)	(3.8%)
Net profit for the period after tax and before amortisation (NPATA)[1]	39,674	39,958	(284)	(0.7%)
Underlying NPATA from continuing operations	48,313	55,755	(7,442)	(13.3%)
Net tangible assets backing per ordinary security (NTA) (cents)	(385.7)	(386.3)	0.6	0.2%
Net tangible asset backing per ordinary security (NTA) including trail book contract asset (cents)[2]	38.6	41.9	(3.3)	(7.9%)

1. NPATA is derived as net profit after tax and before amortisation of acquired intangibles. See reconciliation in Non-IFRS information section for further information.
2. In line with ASIC guidance NTA is shown without the inclusion of the trail book asset (contract asset) but including the associated trail commission payable. However, given the significant value of the trail book and its interrelationship with the trail book liability, a more accurate representation would be to include the trail book asset. Therefore, NTA including the trail book asset has also been calculated and disclosed for both the current period to 30 June 2023 and the prior period to 30 June 2022.

Dividends

On 24 August 2023, the Company declared a fully franked final dividend of 4.1 cents per share with respect to the year ending 30 June 2023.

Record date for determining entitlements to the dividend	5:00 pm (WST) 5 September 2023
Date the final dividend is payable	22 September 2023

The Company paid an interim dividend during the year of 6.6 cents per share:

Record date	Payment date	Type	Cents per share	Total amount	% Change
7 March 2023	23 March 2023	Interim	6.6	$17,837k	100%

Previous Corresponding Dividends

The following dividends were paid:

Record date	Payment date	Type	Cents per share	Total amount	% Change
8 March 2022	24 March 2022	Interim	7.0	$18,891k	100%
6 September 2022	23 September 2022	Final	9.6	$25,945k	100%

Financial results

Statutory net profit after tax for the period attributable to equity holders was $37,312k (2022: $38,777k). Underlying NPATA results from continuing operations excluding significant items which is derived after excluding changes in value of future trailing commissions and the fair value adjustment on the option for BrokerEngine and Fintelligence was $48,313k for the period (2022: $55,755k).

Non – IFRS financial information

The financial measure NPATA and underlying profit after tax provides useful information to investors. This financial information, in addition to financial data prepared in accordance with IFRS, provides a more transparent understanding of the business' performance. NPATA reflects adjustments for the amortisation of intangibles acquired as part of the acquisition of National Finance Alliance Pty Ltd (Fintelligence) and Mortgage Brokers Software Pty Ltd (BrokerEngine). The following table reconciles NPATA to the reported profit after tax for the period in accordance with Australian Accounting Standards:

In thousands of AUD	30 June 2023	30 June 2022
Net profit after tax for the period attributable to equity holders	37,312	38,777
Amortisation of acquired intangible assets	2,362	1,181
NPATA	39,674	39,958

The carrying value of our residential, commercial and AFGHL white label trail books are influenced amongst other things by the runoff and discount rates that are applied to these valuations. Excluding the non-cash entries to recognise the net present value of the future trailing commission contract asset and payable and the fair value adjustment on the option for BrokerEngine and Fintelligence, the NPATA from continuing operations is $48,313k (30 June 2022: $55,755k). The assessment of the trail loan book requires the use of assumptions which are determined by management, using a variety of inputs including external actuarial analysis of historical information, by reference to market observable inputs.

The following table reconciles the underlying earnings to the reported profit after tax for the period in accordance with Australian Accounting Standards:

	30 June 2023		30 June 2022	
In thousands of AUD	**Operating income**	**Profit after tax**	**Operating income**	**Profit after tax**
Net profit after tax for the period attributable to equity holders	1,002,836	37,312	928,980	38,777
Change in the carrying value of trailing commissions contract asset and payable[2]	7,443	6,819	(96,312)	(5,555)
Net change of fair value put/call liability for BrokerEngine and Fintelligence	-	1,820	-	-
Amortisation of intangibles	-	2,362	-	1,181
Significant items[1]	-	-	-	21,352
Underlying NPATA from continuing operations	1,010,279	48,313	832,668	55,755

1. Technology impairment and Volt impairment in 30 June 2022. Refer to note 9(a) and 15 for further details on impairment.
2. Lower trail book income adjustment reflects lower settlement volumes in FY23 as well as impact of higher run-off on the future cash flows.

Other disclosure requirements

Additional ASX Appendix 4E (Listing Rule 4.3A) disclosures can be found in the 2023 Annual Report. This document should be read in conjunction with the 2023 Annual Report and any public announcements made in the period by the Company in accordance with the continuous disclosure requirements of the Corporations Act 2001 and ASX Listing Rules.

This preliminary financial report under ASX Listing Rule 4.3A covers Australian Finance Group Ltd and its controlled entities and is based on the consolidated financial statements and financial report which have been audited by Ernst & Young.

Annual Report

2023

Go far.
Go together.

Contents

Acknowledgment of Country

AFG acknowledges the Traditional Custodians of the lands across Australia, and we pay our respects to Elders past, present and emerging.

FSC
www.fsc.org
MIX
Paper from responsible sources
FSC® C113956

What gets me going in the morning is the knowledge that I have a genuine partnership with my brokers that enables us to grow our businesses together.

Lisa
Partnership Manager — WA

Year in review

Importance of Broker

70%

of residential mortgages written through a broker

$535B

Residential mortgage market

$245B

Commercial finance market

1 in 5

Commercial mortgages written through a broker

I'm passionate about passing on my years of experience and learnings to new brokers to fast-track their success, grow their business and succeed in a competitive market.

Jia Jia
State Manager — WA

Importance of AFG in providing a fairer financial future

1 in 10

Residential mortgages in Australia written by an AFG broker

500K

Customers helped by an AFG broker

9,000

Products, across

80+

Lenders, used by

3,800

Brokers

Awards

Aggregator of the Year 2022 & 2023
MFAA Excellence Awards

Major Aggregator of the Year
The Adviser Australian Broking Awards

Broker Marketing Platform of the Year 2022 & 2023
The Adviser Australian Broking Awards

Training and Education Program of the Year 2023
The Adviser Australian Broking Awards

Best Aggregator BDM — NSW/ACT 2023
The Adviser Better Business Awards

Business Development Manager Award, Aggregator — NSW/ACT 2022 & 2023, QLD/NT 2023, VIC/TAS 2023
MFAA Excellence Awards

94%

of our survey respondents agree that:

AFG recognises and embraces employees of diverse cultural backgrounds

$62.3M

Contribution to the community through tax, employees and Foyer Foundation

My team works across the business to leverage AFG's rich history of industry experience and insights to help the company make sound commercial decisions.

Louisa
Commercial Analyst

Strength of AFG

Aggregation & Strategic Investments

$206B
Trail book

Thinktank
$6.1M
Profit after tax contribution

fintelligence
$5.6M
Profit after tax contribution

Manufacturing

$4.5B
Loan book

$1B
RMBS transaction, a record number

0
Losses for another year due to Industry leading credit assessment processes

Proven diversification strategy delivering solid financial outcomes

$37M
Reported NPAT attributable to equity holders

24%
Underlying Return on equity

$202M
in cash & liquid investments

Portfolio of Businesses

fintelligence

Thinktank

BrokerEngine

AFG HOME LOANS

From the Chair

Dear Shareholder,

Despite a particularly challenging period for Australia's financial services sector, I am pleased to report AFG demonstrated remarkable resilience in delivering a robust operating performance in the 2023 financial year.

Greg Medcraft
AFG Chair

Actions taken by the Company in recent years to strengthen and diversify the business, combined with a strong balance sheet underpinned by sustained fiscal, compliance and regulatory discipline, have left AFG well placed to meet the challenges confronting the industry.

AFG's proven strategy to build scale and expand into higher margin lending services gained momentum during the past 12 months, providing a platform for further growth and enabling us to fulfil our purpose of creating a fairer financial future.

Driving competition in the mortgage sector

While Australia's unemployment rate remained low during FY23, the impact of higher interest rates and escalating inflation flowed through to household budgets and the cost of living, denting consumer confidence. In this environment - and against a backdrop of record successive increases in the cash rate - the role played by mortgage brokers is more important than ever.

Unsurprisingly, the major banks continue to exert significant influence over the sector, and if anything, have increased their market power and concentration in recent times. The irony is that the dominance of major lenders has been aided in part by regulatory moves to strengthen the nation's financial system, including the RBA's Term Funding Facility (TFF) which provided banks low-cost fixed rate funding for 3 years until mid-2024.

While we acknowledge the TFF was an appropriate policy response for the time to buttress the Australian economy during the COVID-19 pandemic, the flow-on consequences for the financial system in 2023 represent a material advantage for the big players that helps reinforce the lower capital and funding cost structure they conventionally enjoy through their size and scale.

In FY23, the big four banks have not been shy in wielding this power. With the playing field further tilted in their favour, their funding advantages, evidenced by the gaping divide between the interest paid to depositors and that charged to borrowers, together with higher interest rates for existing home loan customers over new, has enabled them to offer discounts and 'cash back' deals to lure new customers.

AFG is proud of the longstanding role we have played in driving competition in Australia's home loan market. Against significant headwinds, we continued that mission in FY23, with the business active in both market and policy fronts.

In the market, our mortgage brokers demonstrated why they are ideally placed to help borrowers navigate the changing market conditions. Brokers provide greater choice, convenience and competition, which leads to improved loan pricing and service across the entire market, ultimately benefitting all Australian borrowers. Homebuyers recognise this and are increasingly relying on mortgage brokers for help.

In parallel, we worked to improve the policy landscape. AFG engaged directly with government to outline a practical reform initiative to level the playing field for non-major lenders and introduce real competition to the market.

We have proposed policymakers consider a public Residential Mortgage-Backed Securities (RMBS) scheme. Based on the track record of established international programs, a public RMBS scheme would:

- Lower the systemic risk for lenders, government and taxpayers through matched funding of government-supported mortgage bonds with zero-risk rating;
- Drive more competition and choice in the lending market; and
- Lead to lower mortgage rates for consumers.

We continue to advocate for this policy through the parliamentary committee processes and encourage AFG shareholders to contact policymakers about the proposal.

Business performance and dividends

Despite the volatility in the external environment, we were pleased to report growth in revenue, with the strength of our experienced broker network crucial to our success.

Within our core aggregation business, broker recruitment remains robust on the back of a strong value proposition and a reputation as the industry leader in support for brokers.

During the year, AFG made significant progress in our efforts to strengthen the business for the future.
We were particularly pleased with the outperformance of our strategic investments in Fintelligence and BrokerEngine. Both acquisitions performed well, further promoting the diversity of our earnings streams. Similarly, our five-year partnership with ThinkTank continued to perform strongly, significantly increasing its contribution to our profit.

As the Australian economy enters a period of population growth, housing constraints and the need for investment in the sector requires the focus of government and the private sector. AFG's investments in diversification and technology enables AFG's core distribution channel to be at the forefront of the opportunities that will come as the country tackles the housing shortfall.

To allow the company to further invest in the growth of the business, AFG has taken the decision to temporarily reduce our dividend payout ratio to 60 percent for FY23.

During this period of strategic reinvestment in the business the board has determined a fully franked final ordinary dividend of 4.1 cents per share, representing 60 percent of underlying NPATA. The total ordinary dividend for the 2023 financial year is 10.7 cents per share, compared to 16.2 cents per share last year. The full year payout represents a yield of 6.0 percent (share price as at 30 June 2023).

AFG has net unrestricted cash, trail book and investments of $202.1 million.

Board

During the year, Tony Gill, our chair for the past 15 years, retired from the board. Tony's contribution to the evolution of AFG is immeasurable. Tony guided the business through an extraordinary period of expansion since 2008, driving the diversification strategy and cementing AFG as an industry leader. Notably, he led the business through its successful listing on the Australian Securities Exchange in 2015.

On behalf of the board, I thank Tony for his strong and visionary leadership, which has helped shape the culture and values of the business and set it up for success over the long term. We wish him well.

I also want to acknowledge the counsel and support from my fellow board members since assuming the role of chair in April 2023.

I want to assure shareholders that they should expect a continuation of the sound governance processes that have served the business so well. With my professional background, I have a deep understanding of the value of good governance and strong compliance being embedded across the business.

It's a privilege to work with the Board and management team and I'm excited about the prospects for AFG over the longer term.

Sustainability

Guided by the United Nations Sustainable Development Goals, AFG remains committed to driving value for all stakeholders through operating our business in a sustainable and socially responsible manner.

While we are the first to acknowledge there is more work to be done, our journey toward sustainability is making good progress.

Our sustainability reporting, now in its third year as a standalone section, is increasingly detailed.

I would also draw your attention to our partnership with the Foyer Foundation, a national organisation focused on youth homelessness and unemployment. Now in our third year as Principal Partner, we are excited about the progress being made supporting young people at risk of homelessness into employment and educational pathways on the back of access to stable accommodation.

Looking ahead

We want to assure shareholders that everyone at AFG, from the Board down, is leaving no stone unturned in continuing to strengthen and grow the business.For AFG and the sector more widely, the macroeconomic environment will undoubtedly remain challenging in the year ahead. Despite the ongoing uncertainty, the Board remainsconfident the structure of the business, and an experienced executive team, led by David, will hold AFG in good stead to meet the challenges facing the industry.

We enter FY24 confident about our strong balance sheet and diversified income streams, supported by a growth strategy to build on these strengths.

On behalf of the board, I extend my thanks to AFG employees, our network of brokers and our lender partners for the dedication and commitment displayed throughout the year. And to shareholders, thank you for your continued support.

From the CEO

AFG demonstrated the fundamental strength of its core distribution business in the 2023 financial year, navigating a convergence of events that created significant headwinds for the industry, to record a strong financial result.

David Bailey
CEO

In the face of the ongoing market volatility, our strategy to diversify income streams has allowed the business to weather the turbulent residential market conditions driven by policy intervention and the structural funding disadvantage for non-major lenders. It has resulted in reduced competition and fewer alternatives for homebuyers.

While the 12 months to 30 June 2023 were tougher than expected at the start of the financial year, AFG reported Underlying NPATA of $48.3 million, down from $55.8 million previously.

The strength of our balance sheet and strong cash generation helped deliver a TSR of 29 percent for the 3-year period to 30 June 2023, which was 1.8 times that of the S&P ASX Small Industrials, while also returning $43.7 million in dividends to shareholders in FY23.

The next 18 to 24 months of reinvestment in diversification and technology are setting up AFG's expanding network of 3800-plus brokers for sustained success and in turn help to underpin future growth for AFG.

Our performance in FY23 reflects the commitment to high levels of service consistently offered by our brokers, our people and the strong leadership of the AFG management team. Our teamwork and culture set us apart from the market and is valued by our brokers and customers.

Enhancing competition and choice

The scale of AFG's broker network remains one of our strengths. This is best illustrated by the fact that one in every 10 mortgages in Australia is secured through an AFG mortgage broker, but given the external landscape, margins came under increasing pressure across the sector, with AFG not immune from the impact.

Despite these challenges AFG reported continued strong demand for our mortgage broking and lending services in 2023, helping deliver an underlying gross profit of $122.8 million.

Having expanded our ranks of asset finance brokers through the acquisition of our majority stake in Fintelligence, AFG reported $2.6 billion in asset finance settlements in FY23, nearly double that of last year. The combined residential and commercial loan book increased by seven percent to $206.5 billion, with a residential loan book of $194.5 billion and a commercial loan book of $12 billion.

After three consecutive quarters of falls in volume, we reported an uplift in the final quarter as three of the four banks started to phase out cash back offers, providing AFG some momentum as FY24 unfolds.

One of AFG's strengths continues to be the quality of our loan book.

AFG Securities reported a resilient performance in a challenging year. At the end of the year, the AFG Securities loan book stood at $4.5 billion, with a net interest margin of 136 bps and while lower than this time last year remains in line with the average we've achieved since listing.

While AFG Securities felt the impact of the uneven playing field we remained disciplined and opted to avoid writing sub-economic home loans. The prudence of that decision has been supported by the winding back of that short-term focus by the major players in recent months.

The benefit of our unique combination of the strength of our lending products and our-broker network was on display again this year with AFG Securities once again the leading non-bank lender on the AFG panel.

While arrears increased, no losses were recorded in FY23, reflecting the industry-leading position held by AFG Securities. Out of an abundance of caution, we increased provisioning in recognition that some borrowers are doing it tougher.

Investing in the business

Mortgage brokers continue to be attracted to AFG's value proposition. Our focus on helping brokers support customers through a full service offering and providing them with a platform for diversification differentiates AFG.

We are particularly pleased with our investments in BrokerEngine, Fintelligence and Thinktank, which have performed strongly since their acquisition and contributed about 32 percent of our FY23 earnings.

Our Thinktank investment is now in its fifth year and continues to go from strength to strength. Driven by over 17 years of industry experience and its innovation in product, delivered settlement growth of 3 percent, with the loan book at $5.3 billion.

Since acquiring 75 percent of Fintelligence in December 2021, asset finance broker numbers have more than doubled, and monthly settlements increased from $68 million to $312 million for the combined group at the end of FY23. We have an option to acquire the balance of the business.

We have established a spot and refer program for AFG brokers who prefer to focus on their residential lending businesses and many of AFG's residential brokers have established dedicated asset finance businesses now operating under the Fintelligence umbrella, providing important diversification opportunities.

Similarly, the BrokerEngine business has performed strongly in its first 18 months as part of the AFG business. Subscribers on the platform have grown from 1,000 to 2,300, with users welcoming the greater functionality built into the platform since acquisition. Along with our strengthened digital platforms, these acquisitions reinforce our commitment to expand the services available to our broker network and their customers.

AFG is continuing to invest in the business to expand capability and improve efficiency to drive growth and we can report on significant progress made in embedding our technology platform upgrades across the business. While a complex and challenging area for the business, this investment is already increasing the options for our community of brokers.

We successfully completed a project initiated during the year to deliver a new platform for AFG Securities, enabling it to scale efficiently and helping to better position AFG Securities for competition and the introduction of new products.

During the year, AFG welcomed experienced senior executives to the leadership team, with Luca Pietropiccolo appointed as Chief Financial Officer and Sam McCready joining as Chief Customer Experience and Digital Transformation Officer. After 25 years with AFG spanning finance, risk management, company secretariat, legal and human resources functions, Lisa Bevan assumed the role of Chief Operating Officer. These appointments represent further investment in our strategy and our commitment to growing the business and better servicing brokers and customers.

Industry environment

Mortgage brokers consolidated their standing as the dominant residential channel, with seven out of 10 home loans in this country secured through the mortgage broking channel.

In the elevated interest rate landscape of the past year, mortgage brokers become increasingly important.

With cost-of-living pressures biting, consumers are demanding more for less. Our continuing investment in our strategic investments and new technology supports our brokers to deliver that assistance to their customers.

This dynamic underlines why the strength of our knowledgeable broker network and access to market-leading products and services is fundamental to our success.

With broker share of the $245 billion+ commercial market hovering around 20 percent, there is huge potential for growth through white label and manufacturing products. Our investments in Fintelligence and Thinktank provide assured access to this market and the opportunity to replicate our success in the residential channel to other asset classes.

For the second successive year, AFG has been recognised as Australia's leading aggregation business by the Mortgage & Finance Associationof Australia. I'm delighted with the acknowledgement for AFG as the award reflects the views of our industry peers. Securing the 2023 MFAA Aggregator of the Year award once again demonstrates that we continued toexpand our value proposition to brokers and their customers and what we are offering is clearly resonating.

Looking ahead

With inflation remaining a key challenge for the economy, the market remains cautious that further interest rate increases could be in store but there is growing confidence the current interest rate cycle remains at or near the peak.

With cyclical headwinds likely to ease, low unemployment and migration levels rebounding after the restrictions in place during the pandemic, we have confidence in the resilience of the housing market and a transition to a more stable outlook in FY24.

I remain confident AFG will continue to deliver on its strategy and perform strongly on the back of a strong balance sheet supported by reliable cashflow.

We are determined to deliver growth for our shareholders and prudent capital management.

Working to support AFG's customers and network of brokers, our people remain focused on our four strategic pillars:

- consolidating and growing our distribution network;
- leveraging our distribution to deliver higher margin services;
- harnessing technology to make AFG more agile, competitive and profitable; and
- sustaining growth and shareholder value.

The strength of our broker network and more than 80 lenders on our panel, provides the scale to continue to lead in the provision of market-leading services to our customers. We are continuing to invest in the business to expand capability, improve services and underpin future growth.

I want to thank everyone at AFG for their dedication to our brokers and customers. Their commitment to strengthening the business continues to serve the interests of shareholders.

Working with brokers to better understand their businesses and processes is the secret to designing better user experiences across our digital platforms.

Olivia
UX Designer

Sustainability at AFG

I am pleased to deliver our third report on the company's Environmental, Social and Governance practices.

Greg Medcraft
Chair

AFG Carbon Footprint

1,484.1

Gross tonnes of carbon dioxide equivalent (t CO_2-e)

594.8

Net tonnes of carbon dioxide equivalent (t CO_2-e)

*net footprint calculated after taking into account 399.3t (Co_2-e) allowances for the use of carbon neutral products and services and AFG's purchase of 490 (t Co_2-e) of offsets from Greenfleet Australia to cover business travel.

Principal Partner

foyerfoundation

The Foyer Foundation vision is all young Australians experiencing disadvantage have a pathway to education, training and employment that is founded on access to stable and secure housing.

United Nations Sustainable Development Goals

Sustainabilty Approach

AFG's approach to sustainability aligns with our purpose of creating a fairer financial future.

For 29 years the Group has been on a mission to create competition and financial choice for Australians by protecting, backing and championing the broker industry on behalf of our brokers.

Our role in the industry has been recognised through AFG's winning of the "Aggregator of the Year" title for the second consecutive year at the 2023 Mortgage and Finance Association of Australia (MFAA) Excellence Awards, announced in July 2023. These prestigious awards recognise the "best of the best" in our industry in areas including customer service, professionalism, ethics, growth and innovation.

Our success as an organisation is underpinned by the quality of our business strategy, strength of our management team, knowledge, experience and talent of our employees, and our desire to comply with the highest standards of corporate conduct, ethics and governance.

To that end, AFG is committed to operating in a sustainable manner and we continue to strengthen our environment, social and governance (ESG) foundations, by embedding the right policies and practices across the organisation.

By doing so, AFG is striving to achieve a fairer and more prosperous outcome for all stakeholders, including employees, customers, shareholders and the community.

Our approach is guided by the United Nations Sustainable Development Goals. AFG has identified eight key goals where we believe our company can make the biggest difference.

Governance

AFG considers good governance to be crucial in delivering upon our strategic goals, which includes creating long-term value for all stakeholders, and becoming a more sustainable company.

Our practices are consistent with the ASX Corporate Governance Council's Principles and Recommendations (4th Edition) and we have a strong framework in place to ensure all regulatory obligations and legal requirements are met. This includes a full suite of policies and processes which helps underpin our culture and approach to how we do business.

These policies can be found on the AFG Investor Centre: **www.afgonline.com.au/investors/**

Included is the AFG Code of Conduct which outlines the standards of behaviours and actions expected from our employees and is reinforced by a set of values, namely Teamwork, Integrity, Innovation, Growth and Customer.

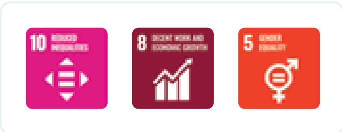
All employees are expected to read and be familiar with the Code of Conduct and adhere to its values and standards. Mandatory refresher training on our Code of Conduct and other relevant Group policies or procedures, including compliance risk, technology security and our whistleblower process, is conducted annually and includes an assessment.

AFG's sustainability approach is overseen by the Board. The Risk and Compliance Committee evaluates its adequacy and effectiveness, and management of environmental and social sustainability risks across the organisation.

Reporting to the board is the AFG Management Sustainability Committee which was established in 2021 to help strengthen the organisation's sustainable policies and practices. The committee updates the board on sustainability at least once per quarter, via the Chief Executive Officer.

To complement the Management Sustainability Committee's efforts is a Staff Sustainability Committee, known as the "Green Team". Comprising members from all State offices, the Green Team takes a grassroots approach to embedding sustainability across the organisation.

Our Diversity, Equity and Inclusion committee is also integral to our sustainability approach, while our Modern Slavery Working Group is responsible for monitoring and reporting on human rights practices within our supply chain.



Human rights

AFG is committed to protecting the human rights set out in the International Bill of Human Rights.

We abide by the human rights related laws of the Australian Government. This includes the freedom of association, or rights to join industrial associations, as outlined in the Fair Work Act 2009.

AFG will produce its third Modern Slavery statement this year, and during early 2023 developed a Supplier Code of Conduct, aimed at encouraging our suppliers to address human rights and modern slavery risks.

Elsewhere we focus on Diversity, Equity and Inclusion, with measurable objectives in place and a dedicated committee to drive initiatives within our workplace.

Protecting customer privacy and preventing cyber security risks

AFG takes its responsibility to protect customer data and privacy seriously.

We apply security and privacy controls to our handling of personal information, as guided by our Privacy Policy.

As part of our education and awareness campaign, all employees are required to undertake mandatory training in cyber security at onboarding, and on an ongoing basis.

AFG is also taking action to keep its brokers safe.

During FY23 we also increased the availability of cyber security training to brokers.

In addition to offering on-demand cyber security training, specialist training was also made available through a national webinar and by offering speaker insight at the AFG national roadshow, held across five States.

Social

Responsible finance

AFG is committed to acting in a fair and responsible way. This commitment extends to our support of our brokers as they arrange finance for their customers.

Our brokers operate under the responsible lending obligations of the *National Consumer Credit Protection Act 2009 (Cth)*.

In addition, our brokers are also bound by a legal duty to act in the best interests of their customers – a requirement that does not apply when consumers borrow direct from lenders.

While there is some overlap between both requirements – particularly in the processes about making enquiries about a customer's financial situation, best interest duty obligations apply to conduct and processes as well as the appropriateness of the credit product to meet the customer's individual requirements and objectives.

Best interest duty obligations therefore offer a point of difference for the customer obtaining a loan through a broker, offering an extra layer of security for those customers.

To support our brokers in complying with these obligations, AFG has both a Best Interests Duty Policy and a Responsible Lending Policy, which set out our expectations and the steps required to ensure these are being met.

AFG brokers are also expected to comply with an AFG Member Agreement, including the AFG Code of Conduct and Applicant Identification Procedures.

To ensure brokers continue to adhere to their obligations, the AFG Compliance team conducts periodical assurance reviews on all brokers.

Our brokers are required to complete initial induction training and ongoing coaching and training on all aspects of AFG's Responsible Lending Policy and AFG's Best Interests Duty Policy to ensure they remain competent and across any relevant legislative changes when providing credit assistance to their customers.

Supporting refinancers

In a rising interest rate environment, our brokers are helping customers navigate the changing market. In May 2023, AFG developed a new policy to support brokers with an increasing number of customers who could refinance to a better rate but have been unable to due to serviceability rules (ie a higher serviceability buffer for lending assessments).

The new policy enabled AFG brokers to recommend home loans based on lending criteria which reduced the standard 3 percent serviceability buffer to 1 percent – provided a customer had met certain requirements including good repayment history over the previous 12 months and the refinanced loan was for the same amount and term. The modification of the serviceability buffer meant brokers could potentially recommend a cost-saving alternative home loan for their customers, while still meeting their best interests duty obligations and responsible lending criteria.

Following on from the introduction of this policy, AFG Securities launched its own product with a 1 percent serviceability buffer – AFG Retro Switch – which is available for eligible customers looking to refinance on a dollar-for-dollar basis.

Supporting underserved

AFG is committed to financial inclusion by providing access to finance to those currently under served in the Australian mortgage market through its AFG Securities business.

By maintaining an approach that focuses on a personalised and circumstances-sensitive assessment model, AFG Securities supports borrowers whose needs may not be met by the broader banking sector.

Current credit scoring methodologies can be biased against borrowers with changeable employment profiles.

Consequently, the self-employed, sole traders, part-time (often younger) workers with multiple income sources, recent migrants or borrowers who have suffered a one-off life event that impacted their credit score, can be disadvantaged.

AFG Securities services this segment by providing more accessible and inclusive low-doc mortgages, achieved through a manual approach to credit assessment that focuses on the individual borrower and their circumstances. Our mortgages offer flexibility, with rates and terms that are affordable and responsible.

Our people

People are AFG's most important asset, and we continue our commitment to providing a diverse, safe, healthy and inclusive workplace where our employees can prosper and thrive and support the business to deliver on its purpose.

Our people are encouraged to come to work and genuinely get to know each other, to recognise each other in the work they do and see the difference each person makes to the bigger picture.

We see the results of our efforts in our annual employee survey, where 94 percent of employees believe we recognise and embrace people of diverse cultural backgrounds; 90 percent believe individual differences are respected and valued; and 89 percent believe we learn from and correct our mistakes in a timely manner.

This safe and inclusive environment where we adapt and learn quickly is one of our key differentiators as an employer, and we believe it is a significant contributor to our diverse and innovative culture.

Diversity initiatives at AFG are employee led via the AFG Diversity, Equity and Inclusion (**DEI**) Committee, whose membership includes our CEO and other Executive members, and volunteer employees from across the business.

This committee operates with measurable objectives, and our progress against these are reported in the table on the next page.

We also conduct a cyclical ethnicity survey to understand the cultural and ethnic composition of our people and gain insight on impactful changes we can make for the future.

As an example of one such change, a meeting room in head office is available for two hours each day as a prayer room, enabling employees of all faiths to observe their faith with minimal disruption to work commitments.

Our hybrid work policy remains in place, enabling employees to work from home for up to two days per week. Flexible working opportunities, including part-time employment and, where possible, modified working hours and the opportunity to take unpaid leave and career breaks, support employees to achieve work life balance.

We continue to recognise the importance of seeing each other face to face to collaborate and embrace the social component of work. AFG promotes a varied number of events each year where we can all get together and unwind including family days, social events and annual end-of-year celebrations.

AFG also offers its employees the opportunity for participation in community volunteering days, supporting our sustainability efforts whilst promoting team building.

Ensuring we provide a safe and supportive workplace is important. This year we have introduced measurable Work Health and Safety (**WHS**) objectives incorporating training and development, physical workplace safety inspections and capture any incidents relating to WHS on the corporate risk register.

All objectives have been met, with 100 percent WHS training complete, 100 percent workplace safety inspections complete and no WHS incidents.

Alongside ensuring we provide a safe physical workplace we support our team's mental health, with qualified mental health first-aid officers in all our state offices.

Our Employee Assistance Program (**EAP**) provides qualified psychologist appointments both in person or online.

The physical health of our employees is supported via programs such as free influenza vaccinations and skin checks in our head office. Fresh fruit and healthy drinks are readily available in the office.

Continuing to develop our employees by providing education assistance alongside study and exam leave ensures our team is well placed to meet future business and career goals.

Quotes from annual survey

"There is a nicer feel and vibe with AFG than you would get at a bigger organisation, we're all known as individuals and are supported to be who we are."

"All management will not hesitate in treating staff from all backgrounds and age groups with respect and stop to have a chat - really love this about AFG."

"Amazing work culture. I don't feel like a number but an actual person."

I love providing mortgage brokers with the essential information and valuable insights they need to run and grow their business.

Mikayla
Marketing Manager

	DEI Objective	Result/status
1	Achieve a minimum of 45% women in management positions (including KMP, Senior Managers and Other Managers) by 2025 with increased year on year representation.	Not met. This year we did not meet our year-on-year growth target. We remain confident we are well placed to achieve our 2025 objective.
2	Continue to develop cultural awareness across AFG ensuring our workforce reflects the diverse Australian population, demonstrated by a positive cultural diversity score of at least 80% in our annual employee survey.	Met. 94% of our employee survey respondents agree AFG recognises and embraces employees of diverse cultural backgrounds.
3	Maintain workplace diversity as one of the top three performing areas of our employee pulse surveys.	Met. Workplace diversity remains the top performing area of our employee survey for the fourth consecutive year.
4	Continue training and awareness programs to ensure employees maintain and uphold AFG's acceptable and expected behaviours and diversity and inclusion values in the workplace.	Met. The Diversity, Equity and Inclusion Committee alongside our Human Resource team has continued to deliver a range of programs and initiatives to meet this objective.
6	Maintain no less than 30% of each gender in the composition of AFG's Board of Directors.	Met. This objective continues to be met with two of our six directors (33%) being female.

Female representation among employees

Position	Total	Number of women	% of women
Board	6	2	33%
Senior Executives	17	3	18%
Senior Managers	24	12	50%
Total workforce (including directors)	**278**	**136**	**49%**

(as at 30 June, 2023)

'Senior Executive' is defined as Key Management Personnel, Head of Businesses, and Other Executives/General Managers.

It's fulfilling to know that my work directly contributes to maintaining the trust and confidence that customers place in our brokers.

Tyler
Cyber Security Analyst

Our industry

Our mission to create a fairer financial future starts with providing over 3,800 AFG brokers with unwavering support, powerful tools, and passionate expertise.

With 70 percent of all Australian mortgages sourced via a mortgage broker, our industry is a clear driver of competition and choice for Australian consumers.

Our commitment to diversity, equity and inclusion is embedded both within our business and across the programs we support and champion within the wider broking industry.

We promote gender diversity and support women to enter and continue their careers in mortgage broking and finance through our AFG *Women on the Move Program.*

This program aims to attract and retain female brokers, in a heavily male dominated industry, by providing a safe and progressive environment for our female brokers to develop the personal and business skills they need to thrive. During FY23, the program saw 204 women, including brokers, administration, and operations employees within a broking business, attend 15 events hosted across five states.

The success of the program is evident by the increased recruitment of female brokers. During FY23 we recruited 4 percent more females (28 percent of total), compared to FY22, when female brokers represented 24 percent of our new recruits.

Furthering our support of the progression of women in the finance industry, AFG committed as the Gold sponsor of the 2022 Women in Finance Awards - a national awards program designed to recognise and acknowledge the leading women influencing the Australian finance industry.

The brokers in our network are at the core of our business. Our relationship is one of shared success. And this sometimes means shared challenges. AFG is conscious of the pressure and challenges that steep interest rate hikes over the past year have created for our brokers in dealing with financially stressed customers. In many cases, trusted brokers have become "accidental counsellors", potentially affecting their own mental health.

To provide support, AFG has continued to offer its Employee Assistance Program to our broker network. AFG's EAP program was expanded to our brokers during the pandemic, when our brokers were once again on the frontline of customers facing hardship with the prospects of job losses and the financial stress of their own business uncertainty looming large.

This year we also took the opportunity to position mental health awareness as a major topic at our annual roadshow, held across five states and attended by almost 1500 brokers.

Certainly, many of our brokers are themselves having a substantial positive impact on their own communities. To recognise these efforts, the AFG Broker Awards include an "Industry and Community" Category, recognising the exceptional work of our brokers in this regard.

Our Community

AFG is committed to making a positive contribution to the communities in which we operate. Our main focus is on the theme of homelessness - as one of Australia's largest mortgage aggregators we know only too well the importance of a place to call home.

The AFG independence fund supported me to get my car repaired and back on the road so I can get to and from work comfortably, helping my journey into independence. Thank you to the amazing team at AFG!

Casey
Foyer Resident

foyerfoundation

Beginning in 2021, as Principal Partner we have committed $800,000 over four years to the Foyer Foundation as it strives to help young people break the cycle of homelessness and establish a thriving future. AFG is entering into the third year of its partnership with the Foyer Foundation.

Based on a globally proven model, Foyers are integrated learning and accommodation settings for young people, typically aged 16-24 years, who are at risk of, or experiencing homelessness. Foyers provide stable accommodation for up to two years, enabling residents to focus on study or work, and build life skills and confidence.

There are currently 11 accredited Youth Foyers in Australia, with another nine due to be accredited by the end of 2023.

The Foyer Foundation aims to have 50 accredited Foyer facilities across Australia by 2030 – enough to provide safe and stable homes with integrated support to nearly 20,000 young people over ten years.

The secure foundation of a safe place to call home not only paves the way for a better future for those involved, but also delivers immense social and economic benefits.

Research has shown eighty percent of youth Foyer residents exit to stable housing and 65 percent will gain secure, decent employment. A young person living in a Youth Foyers is 1.6 times more likely to achieve a higher level of education than young people using other homelessness services.

On a per-person basis, Youth Foyers create an average of $172,417 in benefits for taxpayers across taxation uplifts, and welfare and health savings. Every dollar invested in Foyers will deliver a $6 return on investment.

About a third of AFG's sponsorship dollars are directed into the AFG Independence Fund. This fund enables Foyer recipients to apply for one off grants, up to $1,000, which can be used to purchase items to support their education, employment, wellbeing, or transition to independent living.

In the past two years, more than 200 residents have used Independence Fund grants to purchase important items including laptops, tools, driving lessons, work clothing, and furniture as they transition into independent accommodation.

In addition to our $800,000 commitment over four years, AFG fund raising efforts – including charity tennis days - have attracted further donations from AFG brokers into the AFG Independence Fund.

Separately, in May this year, donations of 20 repurposed laptops from our head office were made to Anglicare WA, which runs Foyer Oxford in Perth. These laptops have been made available to Foyer Oxford residents, helping bridge the digital divide.

AFG is proud to have partnered with the Foyer Foundation to support its role in changing the lives of so many young people for the better, and in making a positive social and economic impact in this important area.

Thriving Futures

AFG is also naming rights sponsor of the **AFG Primary Interschool Numero® Challenge** – a numeracy competition that has been running across Western Australia primary schools since 1998. Under this competition schools compete for prizes, with generous cash prizes awarded to the top three schools.

$172,417
Lifetime cost savings for Government for each resident

80%
Foyer residents exiting into stable housing

6:1
Return on investment

65%
Foyer residents gaining secure and decent employment

Accenture report, commissioned by the Foyer Foundation and released in April 2023. Under One Roof – The Foyer Foundation

Environment

Our climate commitment:

AFG recognises that addressing the threat posed by climate change requires immediate and urgent action. We are conscious that failing to address these risks will have catastrophic risks for the environment and economy.

AFG therefore supports the transition to net zero emissions by 2050 in alignment with the Paris Agreement. AFG is on a journey to reduce its own emissions and will work with our employees, customers and communities to drive wider positive impact.

Fossil fuels

As a servicer and manager of residential home loans, AFG's securitised lending arm AFG Securities does not lend directly to the fossil fuels industry, including coal or coal products, natural or derived gas, crude oil, petroleum products and non-renewable wastes.

Similarly, AFG Securities does not lend directly to companies involved with native forest logging.

AFG has an interest in securitised lender ThinkTank Group Pty Ltd, which also does not lend directly to these industries.

While these companies do not lend directly to these industries, some of their loan customers may be employees of such businesses, which would not exclude them from borrowing from these lenders.

Impact on business

The changing climate presents notable risks to our business.

Adverse events resulting from climate change, in particular floods, fires and drought, affect the ability of customers to repay loans, potentially leading to a higher rate of defaults.

Additionally, there is a risk that lenders simply exclude growing parts of the country from accessing credit.

This would be detrimental to those communities and the enterprises they support. AFG believes this risk needs to be managed alongside the insurance industry and both state and federal governments.

Climate risk is integrated into our risk management framework.

Since 2021, AFG has prepared detailed internal monthly reporting on climate risk according to postcode, utilising the National Disaster Risk Framework. This data forms an important part of AFG Securities' business credit risk metrics.

During 2022 AFG extended its internal climate risk reporting to include all lenders, enabling it to segregate portfolios into low, medium and high risk. Reporting was also enhanced using RCP (Representational Concentration Pathways) data to enable forecasting for portfolios to 2030 and 2050.

AFG has also identified risks associated with changes to environmental laws, regulations, or other policies adopted by governments or regulatory authorities, including carbon pricing and climate change adaptation or mitigation policies.

We are aware there is also reputational risk to our business if we fail to adapt to climate change. Conversely, there are also opportunities if we proactively address the challenges.

AFG will continue to highlight the sustainable partners it works with and will seek opportunities to partner with organisations that are taking an active lead in addressing the challenges of climate change.

Our footprint

To understand our own impact on the environment (our climate footprint), our Greenhouse gas emissions (GHG) have been measured by an independent consultant. The FY23 analysis marks our third year of measurement.

AFG's GHG emissions scope and organisational boundary have been determined in accordance with the GHG Protocol Standard (World Business Council for Sustainable Development, World Resources Institute, 2004). The boundary follows the operational control model and includes the aspects of AFG's supply chain that the organisation has influence over.

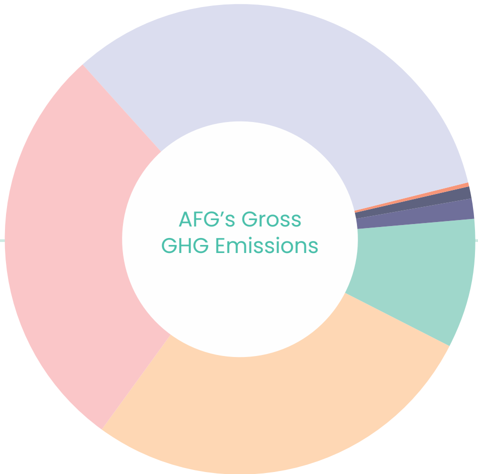
The company is still in the process of understanding to what extent emissions from brokers and lenders form part of the AFG scope 3 emissions and has therefore not been included in the company's assessment.

This year's measurement determined AFG produced 1,484.1 tonnes of carbon dioxide equivalent (t Co_2-e) gross between 1 July 2022 and 30 June 2023. This was a 51 percent increase on the year before, when 982.7 t Co_2-e (gross) was produced.

Our carbon footprint has progressively increased since the first year of measurement in FY21 – which was during the height of the Covid-19 pandemic when travel restrictions were in place and many employees were working from home, resulting in lower emissions. We therefore expected our baseline year would be significantly lower than in a 'usual' year.

There was also this year an increase in emissions from employee commuting as people spend less time working from home and start commuting back to the office.

FY23 also registered an increase in gross emissions from purchased goods and services, predominantly a result of increased expenditure with telecommunications companies. However, as our telecommunication providers such as Telstra and Microsoft Azure have carbon neutral status, the net emissions from purchased goods and services was small.



33%
Business Travel 489.1 + Co_2e

28.5%
Purchased goods and services 422.3 + Co_2e

27.3%
Employee commuting 404.7 + Co_2e

9%
Electricity use 133.2 + Co2e

1.5%
Waste generated in operations 21.9 + Co2e

0.8%
Indirect fuel and energy use 11.9 + Co2e

0.1%
Vehicle fuel consumption 0.8 + Co2e

Gross GHG emissions

GHG Emission Scope	Emissions (t CO_2-e)	Percentage
Scope 1	0.79	0.05
Scope 2	133.22	8.98
Scope 3	1,350.04	90.97
Total emissions	1,484.05	100

AFG's net emissions were 594.8 (t CO_2-e) net, calculated after taking into account 399.3t (CO_2-e) allowances for the use of carbon neutral products and services, and AFG's voluntary purchase of 490 (t CO_2-e) of offsets (which are different to carbon credits) from Greenfleet Australia. The Greenfleet offsets were purchased to offset emissions created by our business travel.

	T CO_2-e
FY23 gross GHG emissions	1,484.1
Carbon neutral supply chain allowances	-399.3
Carbon offsets (retired by Greenfleet Australia)	-490
Net GHG emissions for FY23	594.8

The 594.8 t CO_2-e net figure represented a decrease when compared to FY22 net emissions, which were 674.9 tonnes. While our gross emissions increased, the decrease in net emissions was a result of purchasing offsets from Greenfleet Australia.

Addressing our emissions

AFG is constantly seeking ways to reduce its own emissions.

One commitment was to reduce travel where possible. This remit was led by the AFG Board, which has agreed to conduct four of its ten annual meetings electronically to save emissions.

We actively aim to minimise our use of paper and office consumables. A move to paperless documentation during FY22 for loan processing and administration tasks has significantly reduced paper usage for a second year.

A comprehensive office wide recycling system introduced in head office within the year is diverting a significant amount of waste from landfill.

Timed lights and carefully tuned air conditioning systems across all offices, help reduce our energy requirements.

AFG continues to operate our hybrid working policy, which is also expected to have an impact in reducing emissions from reduced employee commuting.

Offsetting travel emissions

Although AFG is reducing travel wherever possible, being a national business there are still unavoidable flights and associated accommodation which produce greenhouse gas emissions.

We are addressing unavoidable emissions made during FY23 by voluntarily purchasing carbon offsets from environmental not-for-profit organisation Greenfleet Australia.

AFG has purchased offsets to cover 490 tonnes of greenhouse gas emissions produced through our flights and accommodation during FY23. This includes travel associated with the events we hold to support our brokers across Australia.

Greenfleet will use the funds received from these offsets to plant native trees in its biodiverse forests across Australia and New Zealand. Legally protected for up to 100 years, these forests absorb carbon from the atmosphere, improve soil and water quality and restore critical ecosystems by providing vital habitat for native wildlife.

Greenfleet has a robust verification process in place for its carbon offsetting projects. The Full Carbon Accounting Model (FullCAM), developed by CSIRO and approved by the Australian Department of the Environment is used to measure each forest planted by Greenfleet. EY verifies each Greenfleet carbon estate annually and Pitcher Partners independently audits Greenfleet's work.

Plant-a-tree program

Starting July 2022, AFG is planting one tree for every securitised home loan written by AFG, under a partnership with not-for-profit Carbon Positive Australia.

The native species trees are being planted on degraded sites - predominantly in Western Australia and New South Wales - providing corridors for native fauna and supporting biodiversity and ecosystem restoration.

Green Team

In 2022 AFG established its Green Team, comprising passionate employees from across the business to support the organisation's sustainability initiatives with a grass roots approach.

This group has been responsible for organising our community volunteer days, raising awareness across the business through various smaller events, and implementing an office wide recycling process in our head office.

As part of our recycling initiative, the Green Team recycles its head office containers through the Containers for Change program, saving thousands of containers from landfill and raising funds for the Kaarakin Black Cockatoo Conservation Centre.

Volunteer days

AFG stepped up our corporate volunteer days during FY23, with the AFG Green Team focusing upon initiatives that support the environment.

Our head office employees rolled up their sleeves to spend an afternoon planting trees at a nearby park and separately spent an afternoon cleaning up rubbish at a popular Perth beach.

AFG aims to continue to hold two environmentally focused volunteer events each year.

As we head in to the 2024 financial year, we look forward to continuing our commitment to sustainability at AFG.

We aim to make every interaction count. They add up in a business where your customers often stay with you for the entire life of their business.

Darryl
Operations Manager

Directors' Report

The Directors present their report together with the financial report on the consolidated entity consisting of Australian Finance Group Ltd ('the Company' or 'AFG'), and its controlled entities ('the Group'), for the financial year ended 30 June 2023 and the auditor's report thereon.

Directors

The Directors and Company Secretary of the Company at any time during or since the end of the financial year are:

Greg Medcraft
(Independent Non-Executive Chair)

The first part of Mr Medcraft's career was spent with accounting firm KPMG before spending 26 years with Société Générale in Australia, Asia, Europe and the Americas, and then as CEO of the industry group, the Australian Securitisation Forum. At Société Générale, Mr Medcraft initially worked on corporate finance, then capital markets, structured finance, project finance and funds management before becoming Deputy Global Head of Financial Engineering, and then Managing Director and Global Head of Securitisation. When based in New York, Mr Medcraft co-founded the industry group, the American Securitization Forum, and was Chairman for a number of years. From 2009, Mr Medcraft served as Commissioner for 2 years and then 7 years as Chairman of ASIC, the corporate and market regulator. In 2017, Mr Medcraft moved to Paris as Director of the OECD's Directorate of Financial and Enterprise Affairs. He also serves as a director of the Digital Finance Centre for Research and Co-operation and London based industry group GBBC Digital Finance Ltd. He is a Senior Board Advisor to Paris-based MNK Capital and Washington based Infraclear Inc. Mr Medcraft holds a Bachelor of Commerce from the University of Melbourne and Doctorate (honoris causa) of Business from RMIT University. Mr Medcraft was appointed as an independent non-executive director of AFG on 15 September 2021, the Deputy Chair on 29 July 2022, and was appointed to the role of Chair on 1 April 2023.

Brett McKeon
(Non-Executive Director)

Mr McKeon is a founding Director of AFG and the Group's former Managing Director. Mr McKeon has worked for more than 35 years in the financial services industry. He has considerable management, capital raising, public company and sales experience and is an experienced director in both the public and private arenas.

In addition to his role as Non-Executive Director of AFG, Mr McKeon is the Chair of Greenlane Group Pty Ltd, a privately-owned company specialising in debt and equity funding solutions for property developers, property development, mortgage fund investments and other opportunities for sophisticated and wholesale investors.

Malcolm Watkins
(Non-Executive Director)

Mr Watkins is a founding Director of AFG and plays a key role in the strategic direction of the Company. For 28 years he has driven the company's tactical development of market-leading IT and marketing divisions. Mr Watkins is also on the board of Thinktank Pty Ltd, a leading commercial property lender in which AFG holds a 32.08% stake.

He is tasked with overseeing the opportunity to blend Thinktank's commercial property lending expertise with AFG's broad distribution capabilities, to deliver strategic value to both businesses. Mr Watkins is also a former board member of the industry's peak national body representing the sector, the Mortgage Finance Association of Australia (MFAA).

Craig Carter

(Independent Non-Executive Director)

Mr Carter joined the AFG Board in early 2015 and is the Chair of the Audit Committee, a member of the Risk and Compliance Committee, and a member of the Remuneration and Nomination Committee.

Following a career spanning 35 years in stockbroking and investment banking, including 15 years at Macquarie Group, specialising in Corporate Advice and Equity Capital Markets, Mr Carter now actively manages his own business interests across a range of investment activities. Mr Carter is a well-known professional with unique experience in both business ownership and corporate advisory. Mr Carter is the Vice President of the AFL Fremantle Football Club where he Chairs the Finance and Audit Committee, and is on Bank of America's Australian Advisory Board. This experience and reputation provides a platform of financial experience, integrity, and strong governance.

Jane Muirsmith

(Independent Non-Executive Director)

Ms Muirsmith is an accomplished digital and marketing strategist, having held several executive positions in Sydney, Melbourne, Singapore and New York. Ms Muirsmith is Managing Director of Lenox Hill, a digital strategy and advisory firm and is a Non-Executive Director of Cedar Woods Properties Ltd, the Telethon Kids Institute and the Non Executive Chair of HealthDirect Australia. She is a Graduate of the Australian Institute of Company Directors, a Fellow of Chartered Accountants Australia and New Zealand and a member of the Ambassadorial Council UWA Business School. Ms Muirsmith was appointed to the AFG Board in March 2016 and is Chair of the Technology and Data Committee, a member of the Risk and Compliance Committee and a member of the Remuneration and Nomination Committee.

Annette King

(Independent Non-Executive Director)

Ms King is an experienced company director, former CEO and actuary, with over 30 years' experience in financial services across Asia-Pacific. Prior to becoming a non-executive director, Ms King had a successful track record as a CEO, CFO and CMO of significant financial institutions, as well as being a founder/entrepreneur. Ms King has served large multi-national companies (Swiss Re, AXA, Manulife, Mercer, MLC Super) and fintech companies (FNZ, Galileo Platforms). Her focus is on business growth through differentiated client experience, organizational culture and innovation via digital and technology enablement. Ms King serves on the boards of HCF, Swiss Re, and U Ethical Investors. She was previously President and Chair of the Actuaries Institute and President of the Life Insurance Association of Singapore. She is a Fellow of the Australian Institute of Company Directors, has a Bachelor of Economics from Macquarie University, is a Fellow of the Actuaries Institute of Australia and a member of Chief Executive Women.

Anthony (Tony) Gill

(Retired 1 April 2023)
(Independent Non-Executive Chair)

Mr Gill held the position of Chair of the Board from 2008 until his retirement in April 2023. Mr Gill has extensive experience across Australia's finance industry, mostly with Macquarie Bank. Mr Gill is a Director of First Mortgage Services and First American Title Insurance. He sits on the Pinchgut Opera, and is a former member of the Board of Genworth Mortgage Insurance Limited (GMA.AX), a former member of ASIC's External Advisory Panel, and former member of the Board of the Butterfly Foundation for Eating Disorders. Mr Gill holds a Bachelor of Commerce and is a Chartered Accountant (retired).

Melanie Kiely

(Retired 25 November 2022)
(Independent Non-Executive Director)

Ms Kiely joined the AFG Board as a Non-Executive Director in March 2016 and retired in November 2022. Ms Kiely is an experienced Executive and Company Director with over 30 years of experience in health care, financial services and consulting in Australia, Europe and South Africa. Ms Kiely is currently a Non-Executive Director of AIA Health and the National Disability Services (NDS) Australia. She is also CEO of MSWA. Prior to this, she has held CEO and Executive roles with Good Sammy Enterprises, Silver Chain, HBF Health Fund, nib health funds, MBF and was an Associate Partner at global consulting firm Accenture. She has also held a number of Board positions in the financial services and health sectors. Ms Kiely has an Honours Degree in Business Science from the University of Cape Town and is a Graduate of the Australian Institute of Company Directors.

The above named Directors held office during the whole of the financial year and since the end of the financial year except where noted otherwise.

Michelle Palethorpe

(Appointed 22 June 2023)
(Company Secretary)

Ms Palethorpe joined AFG in 2018 and was appointed to the position of Company Secretary in June 2023. Ms Palethorpe is also the General Counsel of the Company and holds a Bachelor of Laws degree and a Bachelor of Business Administration (Economics and Finance) degree. Ms Palethorpe is responsible for managing AFG's secretariat, governance and ASX requirements in addition to the legal functions of the Company.

For personal use only

Lisa Bevan
(Retired 22 June 2023)
(Company Secretary)
(Appointed Chief Operating Officer June 2023)

Ms Bevan joined AFG in 1998 and was appointed to the position of Company Secretary in 2001. Ms Bevan is a Chartered Accountant, holds a Bachelor of Commerce degree and has a Diploma of Corporate Governance from the Governance Institute of Australia. In June 2023, Ms Bevan was appointed as AFG's Chief Operating Officer and retired from her position as Company Secretary.

Interests in the shares and rights of the Company

As at 31July 2023, the interests of the Directors in the shares of the Group were:

Director	Number of ordinary shares	Number of rights over ordinary shares
Brett McKeon	16,332,632	-
Malcolm Watkins	16,130,824	28,157
Craig Carter	1,400,000	-
Jane Muirsmith	126,819	-
Greg Medcraft	60,000	
Annette King	60,000	
Tony Gill[1]	1,239,546	-
Melanie Kiely[2]	89,376	-

[1] Tony Gill retired from the Board on 1 April 2023.

[2] Melanie Kiely retired from the Board on 25 November 2022.

Changes in state of affairs

Other than matters dealt with in this report there were no significant changes in the state of affairs of the Group during the financial year.

Dividends

Total dividends paid during the financial year ended 30 June 2023 were $43,782k (2022: $38,755k), which included:

- A final fully franked ordinary dividend of $25,945k (9.6 cents per fully paid share) was declared out of profits of the Company for 2022 and paid on 23 September 2022.
- An interim fully franked ordinary dividend of $17,837k (6.6 cents per fully paid share) was declared out of profits of the Company for 2023 and paid on 23 March 2023.
- A final fully franked ordinary dividend of $11,078k (4.1 cents per fully paid share) has been declared out of profits of the Company for the financial year ended 30 June 2023 and is to be paid on 22 September 2023.

Principal activities

- The Group's principal activities in the course of the financial year continued to be:
- Mortgage origination of home loans, consumer asset finance and commercial loans; and
- Distribution of own branded home loan products, funded through its established residential mortgage backed securities (RMBS) programme and white label arrangements.

Corporate Governance Statement

The Company's Corporate Governance Statement can be found at **investors.afgonline.com.au/investor/?page=corporate-governance**

Review of operations

For the year ended 30 June 2023 the Group recorded a net profit after tax attributable to equity holders of $37,312k, which is 3.8% below the prior comparative period (2022: $38,777k). Underlying NPATA from continuing operations of $48,313k (2022: $55,755k). Revenue from operating activities was up 8.0% to $1,002,836k (2022: $928,980k).

The Underlying NPATA result was underpinned by lower gross profit due to:

- Reduction in Residential settlements of $5.8b to $53.6b (2022: $59.4b) and continued increase in the upfront payout ratio from 95.0% to 95.6% (2022: 94.6% to 95.0%). The lower Residential settlements followed a slowing of Australian credit growth to more normalised levels following a period of consistent interest rates rapidly rising to a 13 year high during the year.
- Securitisation loan book decreasing 6.5% to $4.5b (2022: $4.8b) and net interest income down 1.2% at $62.7m (2022: $63.5m). The result of intense competition from major banks who received the funding advantage through the TFF and low deposit rates despite the increase in the cash rate.
- Non cash trail book adjustment of $17.7m, as required by Australian Accounting Standards. Reflecting the impact of lower volumes as well as higher runoff, driven by the elevated level of refinance activity in the market. These are primarily driven by cash backs which have begun to be withdrawn from the market.

Operating costs increased year on year by $13.5m (excluding the costs associated with Fintelligence and BrokerEngine, which were not included in the comparative period).

The higher operating costs were seen in the following areas:

- $5.0m employee costs:
  - AFG Securities driven by book size & activity, as well as loan origination project activity to deliver a scalable platform.
  - IT to support higher levels of project activity, expected to continue in FY24.
- $3.0m additional spend on advertising with higher conference expense following removal of COVID restriction allowing a return to in person broker events.
- $3.0m depreciation & amortisation primarily relating to Fintelligence acquisition.
- $2.5m information technology costs with continued transition to the cloud, development of new broker facing technology & ongoing investment in cyber security.

AFG's most recent strategic investments, Fintelligence and BrokerEngine, have outperformed internal expectations. Consequently, the option liability value increased by $1.8m to $22.0m, which is a non-cash expense.

The performance of AFG's strategic investments (ThinkTank, Fintelligence and BrokerEngine) remained strong and combined, contributed $11.5m to earnings.

Net cashflows from operating activities were comparable at 0.4% to $52.1m (2022: $51.9m) and reflected a 108% cash conversion ratio.

At balance date, net cash, liquid assets, and other high performing investments totalled $202.1m (2022: $217.4m).

In September 2022, AFG issued a record $1b RMBS demonstrating the strength of the program & support from both domestic & international investors.

The following table reconciles the unaudited underlying earnings to the reported profit after tax for the period in accordance with Australian Accounting Standards:

	30 June 2023		30 June 2022	
In thousands of AUD	**Operating income**	**Profit after tax**	**Operating income**	**Profit after tax**
Net profit after tax for the period attributable to equity holders	1,002,836	37,312	928,980	38,777
Change in the carrying value of trailing commissions contract asset and payable[2]	7,443	6,819	(96,312)	(5,555)
Net change of fair value put/call liability for BrokerEngine and Fintelligence	-	1,820	-	-
Amortisation of intangibles	-	2,362	-	1,181
Significant items[1]	-	-	-	21,352
Underlying NPATA from continuing operations	**1,010,279**	**48,313**	**832,668**	**55,755**

[1] Technology impairment and Volt impairment in 30 June 2022. Refer to note 9(a) and 15 for further details on impairment.
[2] Lower trail book income adjustment reflects lower settlement volumes in FY23 as well as impact of higher run-off on the future cash flows.

The following table reconciles NPATA to the reported profit after tax for the period in accordance with Australian Accounting Standards:

In thousands of AUD	30 June 2023	30 June 2022
Net profit after tax for the period attributable to equity holders	37,312	38,777
Amortisation of acquired intangible assets	2,362	1,181
NPATA	39,674	39,958

Likely developments and expected results

The Group will continue to provide choice and lead the market by building on the strengths by continuing to invest our traditional wholesale mortgage broking business while building on our significant distribution network to access other areas of the finance market.

Further information about likely developments in the operations and the expected results of those operations in future financial years have not been included in this report because disclosure of the information would, in the opinion of the Directors, be likely to result in unreasonable prejudice to the Group.

Environmental regulation

The Group is not subject to any significant environmental regulation under a law of the Commonwealth or of a State or Territory in respect of its activities.

Subsequent events

Given the strength and strategic importance of Broker Engine on 27 July 2023, BrokerEngine and AFG agreed on a variation and payment agreement, which resulted in AFG agreeing to buyout the remaining 30% shareholding in BrokerEngine, bringing AFG to 100% ownership. AFG has agreed to pay $3m to the 30% shareholders of BrokerEngine on 31 August 2023.

On 24 August 2023, the Directors recommended the payment of a dividend of 4.1cents per fully paid ordinary share, fully franked based on tax paid at 30%. The dividend has a record date of 5 September 2023 and a payment date of 22 September 2023. The aggregate amount of the proposed dividend expected to be paid out of retained earnings at 30 June 2023 is $11,078k. The financial effect of this dividend has not been brought to account in the financial statements for the year ended 30 June 2023.

There has not been any matter or circumstance, other than that referred to in the financial statements or notes thereto, that has arisen since 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.

Share options

There were no options issued or exercised during the financial year (2022: Nil).

Indemnification of insurance of directors and officers

During the financial year, the Group paid a premium in respect of a contract insuring the Directors of the Group (as named above) against a liability incurred as a Director 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.

Indemnification of auditors

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

Directors' meetings

The number of Directors' meetings (excluding circulatory resolutions) held during the year and each Director's attendance at those meetings is set out in the table on the next page.

The Directors met as a Board 12 times during the year and were all main meetings, Special Meetings are convened at a time to enable the maximum number of Directors to attend and are generally held to consider specific items that cannot be held over to the next scheduled main meeting. No Special Meetings were held during the year. Apologies were received from Directors in all instances where they were unable to attend a meeting.

Directors' Board Meetings	Main Meetings Held	Main Meetings Attended	Special Meetings Held	Special Meetings Attended
Tony Gill[1]	9	8	0	0
Brett McKeon	12	11	0	0
Malcolm Watkins	12	10	0	0
Craig Carter	12	10	0	0
Melanie Kiely[2]	6	5	0	0
Jane Muirsmith	12	12	0	0
Greg Medcraft	12	12	0	0
Annette King	12	12	0	0

1. Tony Gill retired from the Board on 1 April 2023.
2. Melanie Kiely retired from the Board on 25 November 2022.

Committee membership

As at the date of this report the Company had an Audit Committee, Remuneration and Nomination Committee, a Risk and Compliance Committee and a Technology and Data Committee.

Members acting on the Committees of the Board during the year were:

Audit	Remuneration and Nomination	Risk and Compliance	Technology and Data [2]
Craig Carter (C)	Melanie Kiely (C) [4]	Jane Muirsmith (C) [1]	Jane Muirsmith (C)
Melanie Kiely [4]	Annette King (C) [5]	Greg Medcraft (C) [1]	Annette King
Jane Muirsmith [3]	Jane Muirsmith	Melanie Kiely [4]	Malcolm Watkins
Greg Medcraft	Greg Medcraft	Craig Carter	
Annette King	Craig Carter	Annette King	

1. Jane Muirsmith was the Chair of the Risk and Compliance Committee during the period of 1 July 2022 – 31 July 2022. Greg Medcraft assumed the role of Chair of the Risk and Compliance Committee on 1 August 2022.
2. The Technology and Data Committee was established by the Board on 1 August 2022.
3. Jane Muirsmith stepped down from membership of the Audit Committee effective 1 August 2022.
4. Melanie Kiely was Chair of the Remuneration and Nomination Committee during the period 01 July 2022 – 25 November 2022 and retired from the AFG Board on 25 November 2022.
5. Annette King was appointed Chair of the Remuneration and Nomination Committee on 26 November 2022.

Notes

(C) designates the Chair of the Committee

The following table sets out the number of meetings of the Committees of the Board and the number of meetings attended by each Director who is/was a member of that Committee:

Committee Meetings								
Directors	Audit		Remuneration and Nomination		Risk and Compliance		Technology and Data[1]	
	Maximum Possible Meetings	Attended	Maximum Possible Meetings	Attended	Maximum Possible Meetings	Attended	Maximum Possible Meetings	Attended
Craig Carter	4	4	8	7	4	3	-	-
Melanie Kiely[2]	2	2	4	4	2	2	-	-
Jane Muirsmith	-	-	8	8	4	4	9	9
Greg Medcraft	4	4	8	8	4	4	-	-
Annette King	4	4	8	8	4	4	9	9
Malcolm Watkins	-	-	-	-	-	-	9	8

1 The Technology and Data Committee was established by the Board on 1 August 2022.
2 Melanie Kiely retired from the Board on 25 November 2022.

Rounding

The amounts contained in this report and in the financial report have been rounded to the nearest $1,000 (where rounding is applicable) and where noted ($000) under the option available to the Company under ASIC Corporations Instrument 2016/191. The Company is an entity to which the class order applies.

Non–audit services

Non-audit services were provided by the entity's auditor, Ernst & Young as disclosed in Note 36 to the Financial Statements. The Directors are satisfied that the provision of non-audit services is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001.

The Directors are of the opinion that the services as disclosed in Note 36 to the Financial Statements do not compromise the external auditor's independence, based on advice received from the Audit Committee, for the following reasons:

- All non-audit services have been reviewed and approved to ensure that they do not impact the integrity and objectivity of the auditor; and
- None of the services undermine the general principles relating to auditor independence as set out in APES 110 'Code of Ethics for Professional Accountants' issued by the Accounting Professional & Ethical Standards Board, including reviewing or auditing the auditor's own work, acting in a management or decision-making capacity for the Company, acting as advocate for the Company or jointly sharing economic risks and rewards.

The nature and scope of each type of non-audit service provided means that auditor independence was not compromised. Ernst & Young did not receive or is due to receive any amounts for the provision of non-audit services.

Auditor's independence declaration

The auditor's independence declaration is included on page 36 of this financial report for the year ended 30 June 2023. This report is made in accordance with a resolution of the Directors.

Independence declaration under section 307C of the Corporations Act 2001 Report

EY
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Auditor's independence declaration to the directors of Australian Finance Group Limited

As lead auditor for the audit of the financial report of Australian Finance Group Limited for the financial year ended 30 June 2023, I declare to the best of my knowledge and belief, there have been:

a. No contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit;

b. No contraventions of any applicable code of professional conduct in relation to the audit; and

c. No non-audit services provided that contravene any applicable code of professional conduct in relation in relation to the audit.

This declaration is in respect of Australian Finance Group Limited and the entities it controlled during the financial year.

Ernst & Young

Ernst & Young

F Drummond
Partner

24 August 2023

Our events serve a lot of purposes, but always have a focus on helping brokers make meaningful connections across the AFG broker community.

Bonnie
Events Manager

Remuneration Report

Dear Shareholder,

On behalf of the Board of Australian Finance Group Ltd (**AFG** or the **Company**), I am pleased to present our 2023 Remuneration Report and my first as Chair of the Remuneration and Nomination Committee.

AFG Board's approach since listing has been, and continues to be, focused on an Executive remuneration structure that aligns performance and key talent retention and motivation, with shareholder returns in the short and longer term.

In setting our remuneration structure and targets, we take into account industry best practice, and we value the feedback of our shareholders, stakeholders and proxy advisors. Over time, we have incorporated this feedback into our revisions of the Executive remuneration framework. Equally, we are always mindful of the economic and employment market environment, and we strive to ensure appropriate and fair outcomes for our people, in alignment with shareholder, customer and other stakeholder outcomes.

In FY23, we returned to align our Executive remuneration framework with the post-COVID economic outlook, shareholder expectations and the employment market. We made the following changes:

- Long term incentive (**LTI**) targets were moved to an even 50/50 weighting between earnings per share (**EPS**) and total shareholder return (**TSR**), to reflect a more stable economic environment.
- EPS targets increased from 5% to 7.5%, with the gateway increasing from 2.5% to 5%.

For FY24:

- Short term incentives (**STI**) targets are weighted 50% net profit after tax, adjusted to exclude the non-cash tax-effected amortisation of intangibles and significant non-operating items (**NPATA**) and 50% strategic targets. NPATA remains as a gate opener (80%) for the payment of STI for Executives who are Key Management Personnel (**KMP**) and other Executives. There will be conduct and behaviours modifier, which can reduce STI awards by up to 20% if the individual is not embodying the Company's values. Further details on this modifier are set out below.
- LTI targets continue to be weighted 50% on EPS and 50% on TSR. EPS gateway is a minimum of 5% and target of 7.5%.

The Board at all times retains discretion on incentive payments.

FY23 Performance and Executive Remuneration Outcomes Summary

AFG's FY23 business performance results and the commensurate Executive remuneration reflects a difficult year.

Despite a challenging year in the residential mortgage markets, our people, under the guidance and leadership of our Executive team, provided resilient returns for shareholders and maintained excellent service to our brokers and customers.

Beginning in May 2022, many of our brokers and their customers were impacted by an unprecedented eleven increases to the official cash rate by the Reserve Bank of Australia (**RBA**), raising the rate by 4% from the record lows of 0.1%.

Whilst all banks passed these interest rate rises onto their borrowers, many banks did not pass on the full effect of these rises to their deposit holders, and this strategy along with the 'free kick' obtained through the RBA's low cost 3 year Term Funding Facility in 2020 and 2021, which was only offered to authorised deposit holding institutions, allowed the major banks to offer new or refinanced borrowers cash back incentives in an attempt to win market share, despite it detrimentally impacting their own return on capital.

This intense level of competition meant that our manufacturing business needed to decide whether to preserve benchmark returns on capital or continue to compete for market share, despite the return on such new lending being sub-economic. The business made what we believe is the right decision to maintain returns on capital and, as such, this impacted the earnings capability of AFG's manufacturing business, AFG Securities. It also had an impact on our AFG Home Loans white label program, which was not able to compete as effectively without a cash back offer from our white label funding partners. The Board considers that the decision to maintain profitability and not compete head-to-head with the banks offering these cash back incentives was the correct decision and in the long term interests of shareholders. In addition, the level of competition and cashback in the market combined with a wave of fixed rate mortgage expiry reduced the average loan life to levels not previously seen. The shorter loan life reduced the carrying value of the net loan book and Reported NPAT.

The rising interest rate environment also led to lower volumes of lodgements in the first 3 quarters of FY23 in the mortgage aggregation business. Whilst there were promising signs in the final quarter with lodgements up 15.6% on the previous quarter, we believe it is too early to determine if this represents an ongoing and consistent change to market conditions.

These factors had a direct impact on NPAT and EPS, consequently negatively impacting the STI and LTI target measures.

As noted earlier in the FY23 Annual Report, the acquisitions of majority interests in the Fintelligence and BrokerEngine businesses made by the Company in December 2021 and January 2022 respectively, have had a positive impact on the Company and the services offered to brokers. In FY24, management are planning the continued integration of these businesses to maximise the benefits of this diversification strategy.

Pleasingly, in FY23 AFG's employee engagement scores in the areas of diversity and inclusion continued to increase reflecting the important work the Company has done on recognising and embracing people of diverse backgrounds and ensuring all employees feel respected and valued. Further information is set out in the Sustainability section of the 2023 Annual Report.

The effect of the tumultuous market over the past year has reduced the FY23 NPAT from the prior year's record amount. It meant that the FY23 STI NPAT gate opener for relevant Executives was not achieved. Despite this, the Board recognises that management actively worked to manage risk on behalf of shareholders and maintain margins rather than lend at rates below the cost of capital. Given AFG's strategic growth plans and the tight employment market, the Board carefully considered the long-term business needs including the appropriate risk and long-term profitability decisions made by management, and the importance of retaining and motivating key talent. As such, the Board has used its discretion on STI on the basis that key risks have been managed in a difficult economic environment and that it is in the long-term interests of the Company, its shareholders and other stakeholders that a limited STI award is warranted in FY23 for some of the Executives.

Executive Key Management Personnel reporting to the CEO have been awarded 30% of target STI opportunity. The CEO will not receive any STI award in FY23.

The LTI performance over the period 1 July 2020 to 1 July 2023 was 51.9%. This is based on TSR performance at the 58th and 62nd percentile of Diversified Financials and Small Industrials Indexes respectively; representing 67% and 73% vesting of the TSR component of LTI (which represents 74.4% of overall LTI rights allocation). For FY23, EPS vesting targets were not met (representing 35% weighting) in the FY21 LTI Grant.

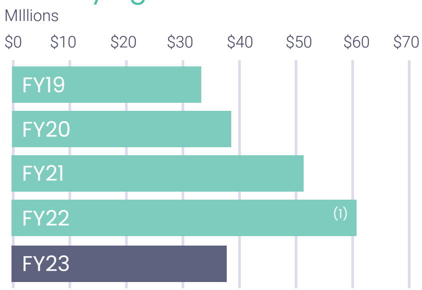
The Board considers the STI and LTI outcomes set out above are appropriate for the following reasons:

- Despite the unforeseen economic challenges, and off the back of a record year in FY22, AFG's earnings performance reduced in FY23 year overall in a difficult market, with NPAT of $37.3m (FY22: $38.8m) and Underlying NPATA of $48.3m (FY22: $55.8m).
- Management took appropriate long-term decisions to manage risk and protect capital and profitability, for the long-term benefit of the Company and its shareholders.
- Notwithstanding the factors which have affected the residential mortgage market, AFG's share price in FY23 has performed well compared to peers and the S&P/ASX300 Index (**Index**) with AFG share price increasing 18.5% vs Index of 9.37% as at 30 June 2023. AFG's FY23 total shareholder return of 29.3% outperformed its listed peers Pepper Money Limited, Liberty Financial Group Ltd, Resimac Group Ltd and MA Financial Group Ltd over the same period.
- AFG paid an interim dividend of 6.6 cents per share to shareholders and will pay a final dividend of 4.1 cents per share resulting in a dividend yield of 6.0% (share price as at 30 June 2023).
- In a tight labour market, continuity of AFG's key staff is a priority to ensure AFG's strategic objectives are achieved. The Board considers the retention of Executives is integral to implementing the new 5-year strategic plan and awarding a portion of STI and LTI was fair and necessary in the circumstances. The STI awards recognise Executive achievement over the year whilst the LTI provides a retention mechanism to ensure progression of the key strategic pillars over the following 3 years.

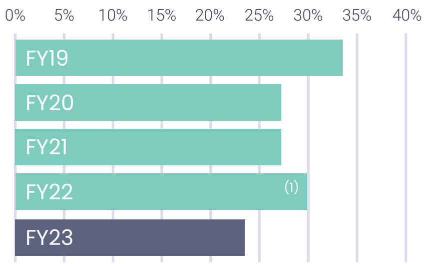
The Board has previously exercised downward discretion on STI in FY17 (when the white label trail book was first recognised as an asset) and FY22 (to reflect write-downs of technology and investment assets). STI and LTI outcomes were reduced in these circumstances where the maximum award was achieved however the Board considered that these other factors were relevant. Given the relative share price performance and dividend yield over FY23, the AFG Board considers the exercise of this discretion in FY23 aligns with the impact on shareholders and the levers in the control of the Executive team, and serves the long-term interests of shareholders.

A 5-year history of AFG's normalised NPATA, Residential Loan Book, AFG Home Loan's (**AFGHL**) Loan Book and Settlements, AFG Securities' Loan Book and Settlements, Return on Equity (**ROE**) and Dividends is provided below:

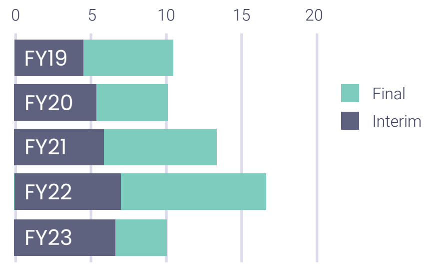
Underlying NPATA



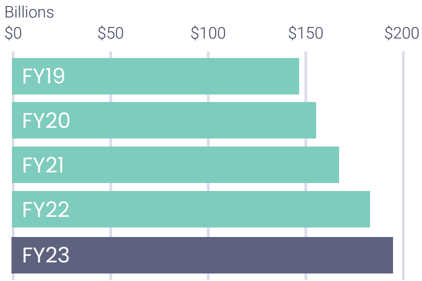
Underlying ROE



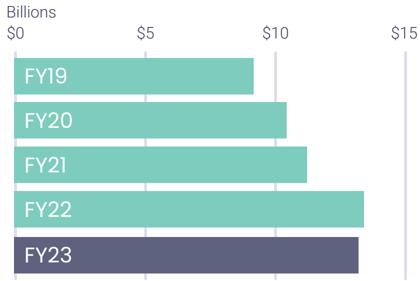
Dividends (cents per share)



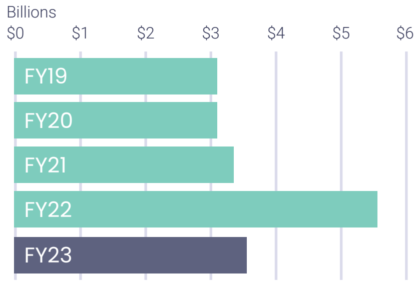
Residential Loan Book



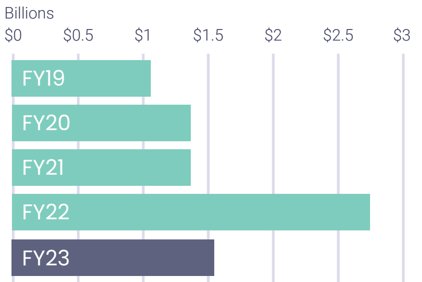
AFG Home Loans Loan Book



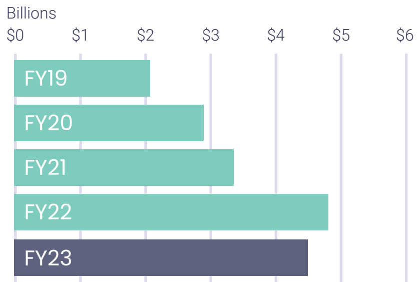
AFG Home Loans Settlements



AFG Securities Settlements



AFG Securities Loan Book



(1) Adjusted for technology and Volt impairment in FY22 ($21,352k).

As noted above, the Board intends to keep a similar Executive remuneration structure in FY24 however will introduce a conduct and behaviour overlay to STI grants for certain Executives to ensure continued alignment with industry best practice. The purpose of this overlay is to drive accountability and will allow the Board to apply a minus 20% modifier at its discretion based on transparent indicators and scorecards where individual Executive behaviour is not at a level that is expected. This replaces the current STI gateway on conduct. Notwithstanding this change, the Board retains full discretion at all times on STI and LTI payments.

During the year, Tony Gill retired from the Board after 12 years as Chair. Deputy Chair Greg Medcraft stepped into the role as Chair of the Board in April 2023 bringing a strong governance and securitisation background to the role. Non-Executive Director and former Chair of the Remuneration and Nomination Committee, Melanie Kiely also retired from the Board following the AGM in November 2022. We thank them both for their significant service and contributions.

I look forward to continuing to work with the Board and management as we drive forward AFG's strategic objectives in FY24 following the challenging environment in FY23.

We look forward to feedback from shareholders on this 2023 Remuneration Report.

Annette King

Chair, Remuneration and Nomination Committee

1. Introduction

The Remuneration Report outlines AFG's remuneration philosophy, framework and outcomes for all Non-Executive Directors and other Key Management Personnel (collectively **KMP**). The report is written in accordance with the requirements of the *Corporations Act 2001* (Cth) (the Corporations Act) and its regulations. This information has been audited as required by section 308(3C) of the Corporations Act.

2. Key Management Personnel

KMP are those persons who have specific responsibility for planning, directing, and controlling material activities of the Group. In this report, "Executives" refers to the KMP excluding the Non-Executive Directors (**NED**).

The current KMPs of the Group for the entire financial year unless otherwise stated are as follows:

Non-Executive Directors	Role	Date Appointed	Tenure
Anthony Gill	Non-Executive Chair	Appointed 28 August 2008; Retired 31 March 2023	15 years
Craig Carter[1]	Non-Executive Director	Appointed 25 March 2015	8 years
Melanie Kiely[3]	Non-Executive Director	Appointed 31 March 2016; Retired 25 November 2022	6 years
Jane Muirsmith[2]	Non-Executive Director	Appointed 31 March 2016	7 years
Brett McKeon[3]	Non-Executive Director	Transitioned 1 July 2019	27 years
Greg Medcraft[4]	Non-Executive Chair	Appointed 15 September 2021	2 year
Annette King[5]	Non-Executive Director	Appointed 1 February 2022	1 year
Malcolm Watkins[6]	Non-Executive Director	Transitioned 1 July 2022	26 years
Executives			
David Bailey	Chief Executive Officer	Transitioned 16 June 2017	19 years
Lisa Bevan[7]	Chief Operating Officer	Transitioned 22 June 2023	25 years
Luca Pietropiccolo	Chief Financial Officer	Appointed 31 October 2022	1 year
Ben Jenkins	Chief Financial Officer	Appointed 14 December 2015; Resigned 12 August 2022	-

(1) Craig Carter is Chair of the Audit Committee.
(2) Jane Muirsmith is Chair of the Technology and Data Committee.
(3) Brett McKeon was appointed to the Board 19 June 1996 and transitioned to Non-Executive Director effective 1 July 2019.
(4) Greg Medcraft transitioned to Chair of the Board effective 1 April 2023 and is Chair of the Risk and Compliance Committee.
(5) Annette King is Chair of the Remuneration and Nomination Committee.
(6) Malcolm Watkins was appointed to the Board 8 December 1997 and transitioned to Non-Executive Director effective 1 July 2022
(7) Lisa Bevan was appointed as Company Secretary 9 March 1998 and transitioned to Chief Operating Officer effective 22 June 2023.

Other than Brett McKeon and Malcolm Watkins, all Non-Executive Directors listed above are Independent Directors. The average tenure for the AFG Board as at 30 June 2023, is 13 years.

3. Executive remuneration structures

The Group aims to reward Executives with a level of remuneration commensurate with their responsibilities and position within the Group and their ability to influence shareholder value creation within the context of appropriate conduct.

The remuneration framework links rewards with the strategic goals and performance of the Group and provides a market competitive mix of both fixed and variable rewards including a blend of short and long-term incentives. The variable (or "at risk") remuneration of Executives is linked to the Group performance through outcomes based measures linked to the absolute and relative performance of the business. In FY24, the Group has introduced a conduct and behaviours modifier, which can reduce STI awards by up to 20% if the individual is not embodying the Company's values.

AFG Business Strategy	**To provide customers choice and lead the market by continuing to build on the strengths of our core wholesale mortgage broking business while developing our significant distribution network to access other areas of the finance market.**	
Executive Remuneration Strategy		
Remuneration component	**Performance measureperformance link**	**Strategic objective/performance link**
Fixed annual remuneration (FAR) **Comprises base salary, superannuation contributions and other benefits**	Key roles and responsibilities as set out in the individual's employment contract and position description.	To provide competitive fixed remuneration set with reference to role, market and experience in order to attract, retain and engage key talent. Considerations: • Role and responsibility • External benchmarking • Contribution, competencies and capabilities • Company size and performance
Short-term incentive (STI) Paid in cash	Group Financial Measures FY23: 50% allocation to NPAT, 25% to AFGS book growth and 25% to KPI's linked to broker technology project. Group Financial Measures FY24: 50% allocation to NPATA, and 50% to Strategic Initiatives (specifically 25% to AFGS book growth and 25% to IT data transformation projects).	Rewards Executives for their contribution to achievement of Group outcome and the achievement of strategically relevant KPI targets in the given financial year.

Long-term incentive (LTI)
 	
Awards are made in the form of performance rights
	FY23 and FY24 grant:
	• 50% of a KMP's entitlement allocated to a 3-year CAGR EPS target.
	• 50% of a KMP's entitlement allocated to relative TSR targets, 50% measure against the ASX Diversified Financials Index and 50% against the ASX Small Industrials Index. Both TSR targets include a gateway requirement for absolute TSR to be positive.
		Ensures a strong link to the long-term creation of shareholder value.
		• CAGR EPS was chosen as a performance hurdle as it is:
		  ◦ A key indicator of the creation and growth in shareholder value over the long term.
		  ◦ Provides a reliable measurement of the creation of shareholder value, and was given a lower weighting due to the ongoing difficulty in long term forecasts with a greater weighting givento TSR.
		• TSR was chosen as a performance hurdle as it:
		  ◦ Provides a relative, external market performance measure with a requirement for TSR to be at least positive even if relative performance against Indices is on target. This will help to ensure Executive remuneration is clearly tied to positive shareholder value creation.

3.1 Executive remuneration outcomes

STI award outcomes FY23

The combined cash bonus pool available to be paid to the KMP Executives for on target performance in FY23 was $416,377 and the minimum was nil. For FY23, the target STI measures were not achieved and the Board exercised its discretion to award 30% to KMP Executives (other than the CEO who was awarded 0%) as outlined below.

Target	FY22 000's	FY23 000's	Growth/ Performance	Payment (%)
NPATA (50%)	$54,958[1]	$39,674	(28%)	0%
AFGS Book Growth	$4,785,983	$4,474,615	(7%)	0%
Technology Measure			Not achieved	0%
Total Payment				0%
Total Payment after exercise of Board discretion				0-30%

1. Excluded impact of Volt impairment.

	Target STI opportunity	As a % of fixed remuneration	STI outcome	% Achieved	% Retained	% Forfeited
D. Bailey (CEO)	$240,500	39%	$0	0%	0%	100%
L. Bevan[2] (COO)	$93,000	30%	$27,900	30%	0%	70%
L. Pietropiccolo[3] (CFO)	$82,877	30%	$24,863	30%	0%	70%
Total	**$416,377**		**$52,763**			

2. L. Bevan is employed on a part time basis 4 days per week. L. Bevan was appointed as Company Secretary 9 March 1998 and transitioned to Chief Operating Officer effective 22 June 2023.
3. L. Pietropiccolo was appointed CFO on 31 October 2022.

LTI award outcomes FY23

For the 2023 financial year, 52% of the target LTI bonus (granted in FY21) was awarded to Executives as outlined below.

Measure	Target	Achieved	% Achieved
CAGR EPS	7.5%	(5.3%)	0%
TSR Small Industrials	75th Percentile	62nd Percentile	73.0%
TRS Diversified Industrials	75th Percentile	58th Percentile	66.6%

Performance Rights	Target LTI opportunity (FY21 Grant)	LTI outcome	% Achieved	% Forfeited[1]
D. Bailey	532,847	276,512	52%	48%
M. Watkins[2]	17,140	8,894	52%	48%
L. Bevan	166,636	86,473	52%	48%
Total	716,623	371,879	52%	48%

1. Forfeiture due to TSR hurdles not passing are still fully expensed as at 30 June 2023.
2. Malcolm Watkins transitioned to Non-Executive Director effective 1 July 2022.

3.2 Fixed annual remuneration

No significant changes to the remuneration structure were required during the financial year. The targeted remuneration mix for:

- The CEO is 39% fixed and 61% variable (at risk): and
- Other members of the Executive team are in the range of 52% to 63% fixed and 37% to 48% variable (at risk).

3.3 STI plan

AFG Executives are entitled to participate in AFG's STI plan. The amount of the STI award each participant may become entitled to (if any) will be determined by the Remuneration and Nomination Committee and approved by the Board based on achievement against set performance targets.

Objective	The AFG STI plan rewards Executives for the achievement of objectives directly linked to AFG's business strategy that is focused on earnings diversification and providing choice and competition to consumers.
Participation	All Executives
STI opportunity	The STI available to each Executive is set at a level based on role, responsibilities and market data for the achievement of stretch targets against specific KPIs. The target STI opportunity for each Executive in FY23 is listed in section 3.1 as an absolute dollar amount and as a percentage of the Executive's fixed base.
Performance period	The performance period is the relevant Financial Year. KPIs and weightings are set and reviewed each year to ensure that the STI targets remain relevant for the current environment and Executives remain focused on clear goals for the period.
Link between performance and reward	The KPI targets are selected based on what needs to be achieved over each financial performance period to deliver the business strategy over the long term. In FY24 50% of the STI target for KMP Executives will be allocated to NPATA, and 50% to Strategic Initiatives (specifically 25% to AFGS book growth and 25% to IT data transformation projects). The weightings for each KPI is set for each performance period based on the specific business targets set by the Board. A minimum threshold hurdle is set for each KPI included in the scorecard before any payment is made in respect of that KPI measure. A conduct and behaviours modifier, which can reduce STI awards by up to 20% if culture or conduct which is contrary to the Company's values is evident is also applied to the STI award.
Assessment of performance	The Board reviews and approves the performance assessment and STI payments for the CEO and all other KMP Executives. The Board has a broad discretion to apply qualitative factors such as risk (including non-financial risk), reputation, conduct, leadership skills and values to the assessment of performance achievements for an Executive.
Payment method	STI payments are delivered as cash.

3.4 FY24 STI opportunity

Offers to participate in STI awards for the 2024 financial year were made to KMP Executives under the STI plan on the terms set out below.

The amount of the STI award each participant may become entitled to (if any) will be determined by the Remuneration and Nomination Committee and approved by the Board based on achievement against the targeted NPATA (50%), AFGS book growth (25%) and to the KPI's linked to IT and data transformation projects (25%) and as approved by the Board. More broadly the allocation of targets is dependent upon the Executive's role in the business, however all have a substantial proportion of their STI linked to an NPATA target.

3.5 The LTI plan – 2022, 2023 and 2024 Grants

AFG has established the LTI plan to assist in the longer-term motivation, retention and reward of KMP and certain senior employees. The LTI plan is designed to align the interests of Executives and senior management with the interests of shareholders by providing an opportunity for the participants to receive an equity interest in AFG and to ensure a focus on long term sustainable growth. Details of the LTI grants are provided below.

	2022 LTI Grant	2023 & 2024 LTI Grant
Instrument	Performance rights to acquire ordinary AFG shares	Performance rights to acquire ordinary AFG shares
Quantum	35% of an Executive's annual LTI entitlement weighted to an **EPS** target 65% of an Executive's annual LTI entitlement weighted to relative **TSR** targets	50% of an Executive's annual LTI entitlement weighted to an **EPS** target 50% of an Executive's annual LTI entitlement weighted to relative **TSR** targets
Grant date	1 July 2021 other than those approved at the 2021 AGM.	1 July 2022 & 2023.
Grant date fair value	**TSR** Small Industrials Index 2022 $1.910. **TSR** Diversified Financials Index 2022 $1.770.	**TSR** Small Industrials Index 2023 $0.800; 2024 $1.148 **TSR** Diversified Financials Index 2023 $0.820; 2024 $1.118
	EPS $2.795 (being the 20-day Volume Weighted Average Price leading up to 30 June 2021, adjusted for any potential dividends)	**EPS** $1.713 (being the 20-day Volume Weighted Average Price leading up to 30 June 2023, adjusted for any potential dividends) **EPS** $1.607 (being the 20-day Volume Weighted Average Price leading up to 30 June 2022)
Gateway performance measure	**TSR** – Absolute **TSR** must be positive	**TSR** – Absolute **TSR** must be positive
	EPS – 2.5% CAGR **EPS** Given the uncertain economic environment resulting from the ongoing impacts of the COVID-19 pandemic a 3-year EPS CAGR gateway is considered appropriate. This uncertainty was also a factor in changing the weighting of the LTI award further towards **TSR**.	**EPS** – 5.0% CAGR **EPS**

	2022 LTI Grant	2023 & 2024 LTI Grant
Key performance measure	**TSR** Relative Total Shareholder Return (pro-rata vesting between hurdles) 50% measured against the Diversified Financials Index, 50% against Small Industrials 50th Percentile – 50% vesting 75th Percentile – 100% vesting 85th Percentile – 125% vesting (stretch target) 90th Percentile – 150% vesting (stretch target	**TSR** Relative Total Shareholder Return (pro-rata vesting between hurdles) 50% measured against the Diversified Financials Index, 50% against Small Industrials 50th Percentile – 50% vesting 75th Percentile – 100% vesting 85th Percentile – 125% vesting (stretch target) 90th Percentile – 150% vesting (stretch target)
	EPS accretion 2.5% CAGR – 50% vesting 5% CAGR – 100% vesting 7.5% CAGR – 150% vesting (stretch target)	**EPS** accretion 5.0% CAGR – 50% vesting 7.5% CAGR – 100% vesting 10.0% CAGR – 150% vesting (stretch target)
Performance & service period	1 July 2021 – 30 June 2024 (2022 Grant)	1 July 2022 - 30 June 2025 (2023 Grant) 1 July 2023 - 30 June 2026 (2024 Grant)
Performance assessment	30 June 2024 Performance period not yet complete.	30 June 2025 and 30 June 2026 Performance period not yet complete.

LTI Plan Rules & Design Considerations	
Link between performance and reward	**TSR** **TSR** encapsulates performance across the underlying key performance measures throughout the business aimed at achieving targeted business outcomes that will result in increased shareholder wealth through share price growth and dividends. **TSR** is measured against the ASX Diversified Financials Index (50%) and against the ASX Small Industries Index (50%). Both TSR targets include a gateway requirement for absolute **TSR** to be positive. Stretch targets are available giving Executives the opportunity to increase the number of performance rights by up to 50% for exceptional performance.
	EPS Long term **EPS** accretion targets are set at levels that are challenging yet achievable in a sustainable manner. **EPS** directly links creation of shareholder wealth to the delivery of the businesses strategy over a long term period. Stretch targets are available giving Executives the opportunity to increase the number of performance rights by up to 50% for exceptional performance. The Board has a broad discretion to apply qualitative factors such as risk (including non-financial risk), reputation, conduct, leadership skills and values to the assessment of performance achievements for an Executive.
Cessation of employment	If the participant ceases employment for cause or resigns, unless the Board determines otherwise, any unvested Performance Rights will automatically lapse. Generally, if the participant ceases employment for any other reason, all of their unvested Performance Rights will remain on foot and subject to the original performance conditions. However, the Board retains discretion to determine that some of their Rights (up to a pro rata portion based on how much of the Performance Period remains) will lapse.

LTI Plan Rules & Design Considerations	
Dividends & voting	The Performance Rights do not carry dividends or voting rights prior to vesting.
Clawback and preventing inappropriate benefits	The Plan Rules provide the Board with broad 'clawback' powers if, amongst other things, the participant has acted fraudulently or dishonestly, engaged in gross misconduct or has acted in a manner that has brought AFG or its related bodies corporate into disrepute. This would include circumstances where there is a material financial misstatement, or AFG is required or entitled under law or Company policy to reclaim remuneration from the participant, or the participant's entitlements vest as a result of the fraud, dishonesty or breach of obligations of any other person and the Board is of the opinion that the incentives would not have otherwise vested.
Change of control	In a situation where there is likely to be a change of control, the Board has the discretion to accelerate vesting of some or all of the Performance Rights. Where only some of the Performance Rights have vested on a change of control, the remainder of the Performance Rights will immediately lapse. If the change of control occurs before the Board exercises its discretion: • a pro-rata portion of the Performance Rights equal to the portion of the relevant Performance Period that has elapsed up to the expected or actual (as appropriate) date of the change of control will immediately vest; and • the Board may, in its absolute discretion, decide whether the balance should vest or lapse.
Restrictions on dealing	The participant must not sell, transfer, encumber, hedge or otherwise deal with Performance Rights. Unless the Board determines otherwise, the participant will be free to deal with the Shares allocated on vesting of the Performance Rights, subject to the requirements of AFG's Policy for dealing in securities.
Reconstructions, corporate actions, rights issues, bonus issues, etc.	The rules of the LTI Plan include specific provisions dealing with rights issues, bonus issues, and corporate actions and other capital reconstructions. These provisions are intended to ensure that there is no material advantage or disadvantage to the participant in respect of their Performance Rights as a result of such corporate actions.

4. Statutory remuneration tables

Executive remuneration for the years ended 30 June 2023 and 30 June 2022.

		Short-term				Post employment		Other Bonuses	Long - term	Sharebased payments		Other Payments	Total Remuneration	Proportion of remuneration
		Salary & fees	Cash bonus	Non-monetary benefits	Total	Superannuation	Retirement benefits	Discretionary bonuses	Long service leave	Rights	Shares	Other Payments		Performance related
		$	$	$	$	$	$	$	$	$	$	$	$	%
D. Bailey	2023	597,958	-	8,288	606,246	25,292	-	-	11,610	489,563	-	-	1,132,711	43%
	2022	577,432	197,488	8,115	783,035	23,568	-	-	11,164	694,627	-	-	1,512,394	59%
M. Watkins[1]	2023	-	-	-	-	-	-	-	-	-	-	-	-	-
	2022	123,636	18,887	-	142,523	12,364	-	-	2,390	21,928	-	-	179,205	23%
L. Bevan[2]	2023	285,108	27,900	8,288	321,296	25,292	-	-	5,536	139,924	-	-	492,048	34%
	2022	252,432	73,814	8,115	334,361	23,568	-	-	4,880	213,319	-	-	576,128	50%
B. Jenkins[3]	2023	43,098	-	954	44,052	3,747	-	-	-	-	-	-	47,799	0%
	2022	281,432	86,221	8,115	375,768	23,568	-	-	5,441	(7,313)	-	-	397,464	20%
L. Pietropiccolo[4]	2023	262,303	24,863	5,495	292,661	17,024	-	-	-	31,250	-	-	340,935	16%
	2022	-	-	-	-	-	-	-	-	-	-	-	-	-
Total	2023	1,188,467	52,763	23,025	1,264,255	71,355	-	-	17,146	660,737	-	-	2,013,493	35%
Total	2022	1,234,932	376,410	24,345	1,635,687	83,069	-	-	23,875	922,561	-	-	2,665,191	49%

Notes:

1. M. Watkins was employed on a part time basis 2 days per week until 30 June 2022. Malcolm Watkins transitioned to Non-Executive Director 1 July 2022.
2. L. Bevan is employed on a part time basis 4 days per week and transitioned to Chief Operating Officer effective 22 June 2023.
3. B. Jenkins resigned as CFO on 12 August 2022.
4. L. Pietropiccolo was appointed as CFO on 31 October 2022.

5. Non-Executive Director remuneration

5.1 Remuneration policy

The Board seeks to set aggregate remuneration at a level that provides the Company with the ability to attract and retain Directors of the highest calibre, whilst incurring a cost that is acceptable to shareholders and in line with the market. The amount of aggregate remuneration sought to be approved by shareholders and the fee structure is reviewed annually against fees paid to NEDs of comparable companies. The Board may consider advice from external consultants when undertaking the annual review process as appropriate.

The Company's constitution and the ASX listing rules specify that the NED fee pool shall be determined from time to time by a general meeting. The current NED fee pool is $1.25m per annum.

5.2 Structure

The remuneration of NEDs consists of Directors' fees, which is inclusive of statutory superannuation and Committee fees (if any). The below summarises the NED fees:

- Chair: $200,000 inclusive of superannuation
- Non-Executive Directors: $120,000 inclusive of superannuation

NEDs do not receive retirement benefits, other than statutory superannuation contributions, nor do they participate in any incentive programs.

Directors may also be reimbursed for travel and other expenses incurred in attending to the Company's affairs. The table below outlines the NED remuneration for the years ended 30 June 2023 and 30 June 2022:

	Year	Board and Committee Fees $	Short-term benefits (non-monetary) $	Superannuation $	Total $
A. Gill[1]	2023	135,871	-	14,266	150,137
	2022	181,818	-	18,182	200,000
B. McKeon	2023	108,597	-	11,403	120,000
	2022	109,091	-	10,909	120,000
C. Carter	2023	108,597	-	11,403	120,000
	2022	109,091	-	10,909	120,000
M. Kiely[2]	2023	44,034	-	4,624	48,658
	2022	109,091	-	10,909	120,000
J. Muirsmith	2023	108,597	-	11,403	120,000
	2022	109,091	-	10,909	120,000
G. Medcraft[3]	2023	126,647	-	13,298	139,945
	2022	83,077	-	8,308	91,385
A. King[4]	2023	108,597	-	11,403	120,000
	2022	41,538	-	4,154	45,692
M. Watkins[5]	2023	108,597	-	11,403	120,000
	2022	-	-	-	-
Total	2023	849,537	-	89,203	938,740
Total	2022	742,797	-	74,280	817,077

1. Anthony Gill retired from the Board on 31 March 2023
2. Melanie Kiely retired from the Board on 25 November 2022
3. Greg Medcraft commenced as a Non-Executive Director on 15 September 2021 and was appointed Chair of the Board on 1 April 2023
4. Annette King commenced as a Non-Executive Director on 1 February 2022
5. Malcolm Watkins transitioned to a Non-Executive Director on 1 July 2022

Additional disclosures relating to rights and shares

5.3 Rights awarded, vested and lapsed during the year

The table below discloses the number of rights granted to Executives as remuneration during FY21, FY22 and FY23 as well as the number of rights that vested, lapsed or forfeited during the year. Rights do not carry any voting or dividend rights and shares can be allocated once the vesting conditions have been met until their expiry date.

The 2021 plan vested on 30 June 2023 as detailed below.

KMP	Year / Tranches (T)	No. of rights awarded during the year[1]	Grant date	Fair value per rights at award date $	Vesting date	Exercise price	Expiry date	No. forfeited during the year	No. vested during the year[1]
M. Watkins	2021 / T1	4,396	1-Jul-20	$1.80	30-Jun-23	-	30-Jun-23	4,396	-
	2021 / T2	6,386	1-Jul-20	$1.15	30-Jun-23	-	30-Jun-23	2,133	4,253
	2021 / T3	6,358	1-Jul-20	$1.15	30-Jun-23	-	30-Jun-23	1,717	4,641
	2022 / T1	2,880	1-Jul-21	$2.795	30-Jun-24	-	30-Jun-24	-	-
	2022 / T2	4,223	1-Jul-21	$1.77	30-Jun-24	-	30-Jun-24	-	-
	2022 / T3	3,914	1-Jul-21	$1.91	30-Jun-24	-	30-Jun-24	-	-
L. Bevan	2021 / T1	42,737	1-Jul-20	$1.80	30-Jun-23	-	30-Jun-23	42,737	-
	2021 / T2	62,084	1-Jul-20	$1.15	30-Jun-23	-	30-Jun-23	20,736	41,348
	2021 / T3	61,815	1-Jul-20	$1.15	30-Jun-23	-	30-Jun-23	16,690	45,125
	2022 / T1	28,050	1-Jul-21	$2.795	30-Jun-24	-	30-Jun-24	-	-
	2022 / T2	41,130	1-Jul-21	$1.77	30-Jun-24	-	30-Jun-24	-	-
	2022 / T3	38,115	1-Jul-21	$1.91	30-Jun-24	-	30-Jun-24	-	-
	2023 / T1	64,717	1-Jul-22	$1.61	30-Jun-25	-	30-Jun-25	-	-
	2023 / T2	63,415	1-Jul-22	$0.82	30-Jun-25	-	30-Jun-25	-	-
	2023 / T3	65,000	1-Jul-22	$0.80	30-Jun-25	-	30-Jun-25	-	-
D. Bailey	2021 / T1	136,658	1-Jul-20	$1.80	30-Jun-23	-	30-Jun-23	136,658	-
	2021 / T2	198,525	1-Jul-20	$1.15	30-Jun-23	-	30-Jun-23	66,307	132,218
	2021 / T3	197,664	1-Jul-20	$1.15	30-Jun-23	-	30-Jun-23	53,370	144,294
	2022 / T1	94,419	1-Jul-21	$2.795	30-Jun-24	-	30-Jun-24	-	-
	2022 / T2	138,446	1-Jul-21	$1.77	30-Jun-24	-	30-Jun-24	-	-
	2022 / T3	128,298	1-Jul-21	$1.91	30-Jun-24	-	30-Jun-24	-	-
	2023 / T1	234,599	1-Jul-22	$1.61	30-Jun-25	-	30-Jun-25	-	-
	2023 / T2	229,878	1-Jul-22	$0.82	30-Jun-25	-	30-Jun-25	-	-
	2023 / T3	235,625	1-Jul-22	$0.80	30-Jun-25	-	30-Jun-25	-	-
L. Pietropiccolo	2023 / T1	37,493	1-Jul-22	$1.67	30-Jun-25	-	30-Jun-25	-	-
	2023 / T2	29,819	1-Jul-22	$1.05	30-Jun-25	-	30-Jun-25	-	-
	2023 / T3	27,778	1-Jul-22	$1.13	30-Jun-25	-	30-Jun-25	-	-

T1 – Earnings Per Share allocation T2 – TSR (Diversified Financials) allocation T3 – TSR (Small Industrials) allocation

1. Number vested during the year is calculated on T1 0%, T2 67% and T3 73%

5.4 Shareholdings of KMP

Ordinary shares held in Australian Finance Group Ltd ASX:AFG

30 June 2023	Balance 1 July 2022	Shares issued on vesting of rights	Sold during the period	Net change other [2]	Balance 30 June 2023[1]	Held nominally[3]
Directors						
T. Gill[4]	1,239,546	-	-	(1,239,546)	-	-
B. McKeon	16,332,632	-	-	-	16,332,632	16,332,632
M. Watkins	16,515,594	15,230	(400,000)	-	16,130,824	16,014,195
C. Carter	1,400,000	-	-	-	1,400,000	1,400,000
M. Kiely[5]	89,376	-	-	(89,376)	-	-
J. Muirsmith	126,819	-	-	-	126,819	126,819
A. King	60,000	-	-	-	60,000	60,000
G. Medcraft	60,000	-	-	-	60,000	-
Executives						
D. Bailey	1,582,297	473,447	--	-	2,055,744	609,334
L. Bevan	1,273,799	148,061	-	-	1,421,860	98,485
B. Jenkins[6]	98,222	-	-	(98,222)	-	-
L. Pietropiccolo[7]	-	-	-	-	-	-

1 Includes shares held directly, indirectly and beneficially by the KMP.
2 Relates to the derecognition of holding on ceasing to be a KMP.
3 Relates to shares held within a superannuation fund.
4 T. Gill retired from the Board on 31 March 2023.
5 M. Kiely retired from the Board on 25 November 2022.
6 B. Jenkins resigned as CFO on 12 August 2022.
7 L. Pietropiccolo was appointed as CFO on 31 October 2022.

All Directors are required to hold a minimum shareholding in alignment with the Company's policy. All Directors meet that requirement.

30 June 2022	Balance 1 July 2021	Shares issued on vesting of rights	Sold during the period	Net change other [2]	Balance 30 June 2022[1]	Held nominally[3]
Directors						
T. Gill	1,329,546	-	(90,000)	-	1,239,546	1,152,274
B. McKeon	16,310,694	21,938	-	-	16,332,632	16,332,632
M. Watkins	17,493,656	21,938	(1,000,000)	-	16,515,594	16,414,195
C. Carter	960,714	-	-	439,286	1,400,000	1,400,000
M. Kiely	89,376	-	-	-	89,376	89,376
J. Muirsmith	86,819	-	-	40,000	126,819	126,819
A. King	-	-	-	60,000	60,000	60,000
G. Medcraft	-	-	-	60,000	60,000	-
Executives						
D. Bailey	1,304,037	278,260	-	-	1,582,297	609,334
L. Bevan	1,098,485	85,314	-	90,000	1,273,799	98,485
B. Jenkins[4]	93,902	84,320	(80,000)	-	98,222	-
J. Sanger[5]	98,632	89,281	-	(187,913)	-	-

1 Includes shares held directly, indirectly and beneficially by the KMP.
2 Relates to derecognition of holding on ceasing to be a KMP.
3 Relates to shares held within a superannuation fund.
4 B. Jenkins resigned as CFO on 12 August 2022.
5 J. Sanger resigned as COO on 22 December 2021.

6. Executive service agreements

Remuneration and other terms of employment for Executives are formalised in employment agreements. Each of these employment agreements provides for the payment of fixed and performance-based remuneration and employer superannuation contributions. The following outlines the details of these agreements:

Name	Agreement expires	Notice of termination by Company	Employee notice
D. Bailey	No expiry, continuous agreement	12 months (or payment in lieu of notice)	12 weeks
L. Bevan	No expiry, continuous agreement	12 months (or payment in lieu of notice)	12 weeks
L. Pietropiccolo[1]	No expiry, continuous agreement	6 months (or payment in lieu of notice)	24 weeks

1. L.Pietropiccolo was appointed as CFO on 31 October 2022.

7. Remuneration governance

7.1 Remuneration and Nomination Committee

The Remuneration and Nomination Committee is responsible for ensuring AFG has remuneration strategies and a framework that fairly and responsibly rewards Executives and Non-Executive Directors with regard to performance, the law and corporate governance. The Committee ensures that AFG remuneration policies are directly aligned to business strategy, financial performance and support increased shareholder wealth over the long term.

As at 30 June 2023 the Committee comprised independent Non-Executive Director Annette King (Chair), and independent Non-Executive Directors Craig Carter, Jane Muirsmith and Greg Medcraft.

Further information on the role of the Remuneration and Nomination Committee is set out in the Committee's Charter available at www. afgonline.com.au and in the Corporate Governance Statement also available on the Company's website.

7.2 Remuneration philosophy

The performance of the Company depends upon the quality of its Directors and Executives. To prosper, the Company must attract, motivate and retain highly skilled Directors and Executives.

The Board embodies the following principles in its remuneration framework:

- Remuneration levels for KMP are set to attract and retain appropriately qualified and experienced Directors and Executives;
- Alignment of Executive reward with shareholder interest and strategy; and
- The relationship between performance, conduct and remuneration of Executives is clear and transparent.

7.3 Use of independent consultants

In performing its role, the Remuneration and Nomination Committee can directly commission and receive information and advice from independent external advisors.
The Committee has protocols in place to ensure that any advice and recommendations are provided in an appropriate manner and free from undue influence of management.

No remuneration recommendations (as defined in the Corporations Act) from remuneration consultants was received during the financial period ended 30 June 2023.

7.4 Policy for dealing in securities

AFG has a policy for dealing in securities to establish best practice procedures that protect AFG, Directors and employees against the misuse of unpublished information that could materially affect the value of AFG securities. Directors, Executives and their connected persons are restricted by trading windows (other than in limited exceptional circumstances).

7.5 Director minimum shareholding policy

AFG has adopted a formal Director Minimum Shareholding Policy. All Non-Executive Directors must establish and maintain a minimum level of ownership in AFG shares equal to their base annual director fees (including superannuation) within the later of 3 years of appointment and the date of adoption of the policy.

All Non-Executive Directors currently meet the minimum shareholding requirements under the policy.

7.6 Remuneration Report approval at 2022 AGM

The 30 June 2022 Remuneration Report was presented to shareholders and was approved at the 2022 Annual General Meeting.

8. Other Transactions and Balances with KMP and their Related Parties

i. Mr T. Gill is an Independent Director of First Mortgage Services (FMS), one of our providers of loan settlement services for the AFG Securities business. During the year, the Group made payments to FMS. These dealings were in the ordinary course of business and were on normal terms and conditions. The payments made for the provision of the settlement services were $959k (2022: $1,323k). These payments are not considered to be material to the financial results of the Group and therefore did not impact on Mr T. Gill's independence as a Director while he was appointed.

ii. Greenlane Group Pty Ltd (formerly Establish Property Group Ltd) (**Greenlane**) was created as part of the demerger of AFG's property business prior to listing on the ASX on 22 April 2015. Directors of Greenlane include B. McKeon, D. Bailey and L. Bevan.

AFG's head office is located at 100 Havelock Street West Perth. AFG leases these premises at commercial arm's length rates from an investee of Greenlane, Qube Havelock Street Development Pty Ltd (**Qube**). AFG paid rent of $1,218k to Qube (2022: $1,194k) for the head office lease. These payments are not considered to be material to the financial results of the Group and therefore do did not impact on Mr B. McKeon's independence as a Director.

End of Audited Remuneration Report

9. Independent Audit of Remuneration Report

The Remuneration Report has been audited by Ernst & Young. Please see page 117 of this Annual Report for Ernst & Young's report on the Remuneration Report.

This Directors' Report, including the Remuneration Report, is signed in accordance with a Resolution of Directors of AFG.

Greg Medcraft
Chair

Perth, Western Australia
24 August 2023

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Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 30 June 2023

In thousands of AUD	Note	2023	2022
Commission and other income	7	742,834	820,133
Securitisation interest income		260,002	108,847
Operating income		**1,002,836**	**928,980**
Commission and other cost of sales		(679,142)	(741,032)
Securitisation interest expense		(210,627)	(57,722)
Gross profit		**113,067**	**130,226**
Other income	8	21,852	20,357
Impairment expenses	9(a)	-	(24,074)
Administration expenses		(10,805)	(9,008)
Other expenses	9(b)	(77,759)	(62,230)
Results from operating activities		**46,355**	**55,271**
Finance income	10	6,170	259
Finance expenses	10	(3,128)	(1,089)
Net change in fair value of financial assets and liabilities at fair value through profit and loss	21	(1,820)	-
Share of profit of associates		6,059	5,937
Profit before tax from continuing operations		**53,636**	**60,378**
Income tax expense	11(a)	(14,527)	(20,666)
Profit for the period		**39,109**	**39,712**
Attributable to:			
Equity holders of the Company		37,312	38,777
Non-controlling interests		1,797	935
		39,109	39,712
Other comprehensive profit for the year, net of income tax		**-**	-
Total comprehensive income for the period attributable to:			
Equity holders of the Company		37,312	38,777
Non-controlling interests		1,797	935
Total comprehensive income for the year		**39,109**	**39,712**
Earnings per share			
Basic earnings per share (cents per share)	26	13.81	14.41
Diluted earnings per share (cents per share)	26	13.61	14.22

The Consolidated Statement of Profit or Loss and Other Comprehensive Income should be read in conjunction with the Notes to the Financial Statements.

Consolidated Statement of Financial Position

As at 30 June 2023

In thousands of AUD	Note	2023	2022
Assets			
Cash unrestricted	12(a)	60,031	84,681
Cash restricted	12(a)	162,211	183,904
Trade and other receivables	13	15,098	11,766
Current tax receivable	11(b)	-	1,674
Contract assets	14	1,139,483	1,146,926
Loans and advances	16	4,487,966	4,802,575
Investment in associates	17	37,480	31,421
Property, plant and equipment		704	884
Right of use assets	18	6,498	5,113
Deferred tax asset	11(c)	148	32
Intangible assets	15	34,166	31,945
Goodwill	15	61,082	60,748
Total assets		**6,004,867**	**6,361,669**
Liabilities			
Trade and other payables	19	1,145,223	1,138,239
Non-interest-bearing liabilities	21	22,000	20,180
Employee benefits	22	6,391	7,203
Current tax payable	11(b)	3,188	-
Provisions	23	1,850	2,729
Contract liability	24	5,715	6,908
Lease liability	18	7,037	5,581
Interest-bearing liabilities	20	4,590,914	4,949,315
Deferred tax liability	11(c)	22,777	26,079
Total liabilities		**5,805,095**	**6,156,234**
Net assets		**199,772**	**205,435**
Equity			
Share capital	25(a)	102,125	102,125
Share-based payment reserve		7,278	6,067
Retained earnings		89,867	96,337
Other capital reserves		(29)	(29)
Equity reserves		(20,180)	(20,180)
Total equity attributable to equity holders of the Company		**179,061**	**184,320**
Non-controlling interest	29	20,711	21,115
Total equity		**199,772**	**205,435**

The Consolidated Statement of Financial Position should be read in conjunction with the Notes to the Financial Statements.

Statement of Changes in Equity

For the year ended 30 June 2023

In thousands of AUD	Share capital	Foreign currency translation reserve	Equity reserve	Share-based payment	Retained earnings	Total equity	Non-controlling interest	Total equity
Balance at 1 July 2022	102,125	(29)	(20,180)	6,067	96,337	184,320	21,115	**205,435**
Total comprehensive income for the period								
Profit	-	-	-	-	37,312	37,312	1,797	**39,109**
Total comprehensive income for the period	-	-	-	-	37,312	37,312	1,797	**39,109**
Transactions with owners, recorded directly in equity								
Dividends to equity holders	-	-	-	-	(43,782)	(43,782)	(2,201)	**(45,983)**
Share-based payment transactions	-	-	-	1,211	-	1,211	-	**1,211**
Acquisition of non-controlling interest	-	-	-	-	-	-	-	**-**
Total transactions with owners	-	-	-	1,211	(43,782)	(42,571)	(2,201)	**(44,772)**
Balance at 30 June 2023	102,125	(29)	(20,180)	7,278	89,867	179,061	20,711	**199,772**

In thousands of AUD	Share capital	Foreign currency translation reserve	Equity reserve	Share-based payment	Retained earnings	Total equity	Non-controlling interest	Total equity
Balance at 1 July 2021	102,125	(29)	-	4,572	96,313	202,981	-	**202,981**
Total comprehensive income for the period								
Profit	-	-	-	-	38,777	38,777	935	**39,712**
Total comprehensive income for the period	-	-	-	-	38,777	38,777	935	**39,712**
Transactions with owners, recorded directly in equity								
Dividends to equity holders	-	-	-	-	(38,753)	(38,753)	-	**(38,753)**
Share-based payment transactions	-	-	-	1,495	-	1,495	-	**1,495**
Acquisition of non-controlling interest	-	-	(20,180)	-	-	(20,180)	20,180	**-**
Total transactions with owners	-	-	(20,180)	1,495	(38,753)	(57,438)	20,180	**(37,258)**
Balance at 30 June 2022	102,125	(29)	(20,180)	6,067	96,337	184,320	21,115	**205,435**

The Consolidated Statement of Changes in Equity should be read in conjunction with Notes to the Financial Statements.

Statement of Cash Flows

For the year ended 30 June 2023

In thousands of AUD	Note	2023	2022
Cash flows from/(used in) operating activities			
Cash receipts from customers		767,700	734,035
Cash paid to suppliers and employees		(749,533)	(706,965)
Interest received		260,002	108,847
Interest paid		(213,521)	(58,635)
Income taxes paid		(12,559)	(25,379)
Net cash generated by operating activities	12(b)	**52,089**	**51,903**
Cash flows from/(used in) investing activities			
Net interest received		6,173	259
Acquisition of property, plant and equipment		(291)	(551)
Purchase of intangible assets		(6,741)	(12,120)
Dividend from Thinktank		-	515
Acquisition of Fintelligence (net of cash acquired)	29	-	(50,509)
Acquisition of BrokerEngine (net of cash acquired)	29	(924)	(3,602)
Proceeds in broker loans and advances		754	325
Net loans and advances to borrowers		310,669	(1,391,823)
Net cash from/(used in) investing activities		**309,640**	**(1,457,506)**
Cash flows from/(used in) financing activities			
Proceeds from warehouse facility		1,367,672	2,686,044
Repayments of warehouse facility		(1,083,000)	(1,759,000)
Proceeds from securitised funding facilities		697,771	1,565,909
Repayments to securitised funding facilities		(1,333,736)	(1,056,120)
Proceeds from Debt facility		-	52,500
Payment for acquisition of debt facility		-	(451)
Repayment of debt facility		(8,353)	-
Payment of principal portion of lease liability		(2,443)	(1,987)
Dividends paid	25(b)	(43,782)	(38,755)
Dividends paid to non-controlling interest	25(b)	(2,201)	-
Net cash (used in)/from financing activities		**(408,072)**	**1,448,140**
Net (decrease)/increase in cash and cash equivalents		(46,343)	42,537
Cash and cash equivalents at 1 July		268,585	226,048
Cash and cash equivalents at 30 June	12(a)	**222,242**	**268,585**

The Statement of Cash Flows should be read in conjunction with the Notes to the Financial Statements.

Notes to the Financial Statements

1. Reporting entity

The Consolidated Financial Statements for the financial year ended 30 June 2023 comprise Australian Finance Group Ltd (the 'Company'), which is a for profit entity and a Company domiciled in Australia and its subsidiaries (together referred to as the 'Group') and the Group's interest in associates and jointly controlled entities.

The Group's principal activities in the course of the financial year were mortgage origination and lending. The Company's principal place of business is 100 Havelock Street, West Perth, Western Australia.

2. Basis of preparation

a. Statement of compliance

The Financial Report complies with Australian Accounting Standards, and International Financial Reporting Standards ('IFRS') as issued by the Australian Accounting Standards Board ("AASB").

The Financial Report is a general-purpose financial report, for a 'for-profit' entity, which has been prepared in accordance with the requirements of the Corporations Act 2001 and Australian Accounting Standards and other authoritative pronouncements of the Australian Accounting Standards Board. The Financial Report has also been prepared on a historical cost basis, except where noted.

The Financial Statements comprise the Consolidated Financial Statements of the AFG Group of companies.

The Financial Report is presented in Australian dollars and all values are rounded to the nearest thousand dollars ($000's) unless otherwise stated.

The Consolidated Financial Statements were authorised for issue by the Board of Directors on 24 August 2023. The Directors have the power to amend and reissue the financial report.

b. Basis of measurement

The consolidated financial statements have been prepared on a historical cost basis except for the following material items:

- Payables relating to trailing commission are initially measured at fair value and subsequently at amortised cost;
- Contract assets are measured using the expected value method under AASB 15 "Revenue from contracts with customers"; and
- Financial instruments at fair value through profit or loss are measured at fair value.

c. Functional and presentation currency These Consolidated Financial Statements are presented in Australian dollars ("AUD").

The Group is of a kind referred to in ASIC Corporations Instrument 2016/191 dated 31 March 2016 and in accordance all financial information presented in Australian dollars has been rounded to the nearest thousand dollars unless otherwise stated.

d. Use of estimates and judgements

The preparation of Financial Statements in conformity with AASB's requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

Information about critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the Financial Statements is included in the following notes:

- Note 3(a)(i) - Consolidation of special purpose entities
- Note 3(b) - Expected value of trail commission income contract assets
- Note 3(g)(ii) - Impairment of financial assets held at amortised cost being customer loans and advances
- Note 3(i) - impairment of non-financial assets; and
- Note 5(a) - Impairment of contract asset

Information about assumptions and estimates that have a significant risk of resulting in a material adjustment within the next financial years are included in the following:

- Note 3(b) and 28(d) - Determination of assumptions used in forecasting and discounting future trail commissions
- Note 21 - Put/Call valuations
- Note 27 - Measurement of share-based payments
- Note 28 - Valuation of contract assets and expected credit losses

Taxation

The Group's accounting for taxation requires Management's judgement in assessing whether deferred tax assets and certain deferred tax liabilities are recognised on the Statement of Financial Position. Deferred tax assets, including those arising from unutilised tax losses, capital losses and temporary differences, are recognised only where it is considered more likely than not that they will be recovered, which is dependent on the generation of sufficient future taxable profits.

Assumptions about the generation of future taxable profits depend on Management's estimates of future cash flows. These depend on estimates of future income, operating costs, capital expenditure, dividends and other capital management transactions. Judgements and assumptions are also required about the application of income tax legislation. These judgments and assumptions are subject to risk uncertainty, hence there is a possibility that changes in circumstances will alter expectations, which may impact the amount of deferred tax assets and deferred tax liabilities recognised on the Statement of Financial Position and the amount of other tax losses and temporary differences not yet recognised. In such circumstances, some or all of the carrying amounts of recognised deferred tax assets and liabilities may require adjustment, resulting in a corresponding credit or charge to the Consolidated Statement of Profit or Loss and Other Comprehensive Income.

e. Changes in accounting policies and disclosures

The accounting policies adopted are consistent with those of the previous financial year except as follows:

i. Adoption of new and revised Accounting Standards

New and revised Standards and amendments thereof and interpretations effective for the current year end that are relevant to the Group but do not have a material impact on the Group include:

- AASB 2020-3 Amendments to Australian Accounting Standards – Annual Improvements 2018 - 2020 and Other Amendments.

The Group has adopted all of the new and revised Standards and Interpretations, including amendments to the existing standards issued by the Australian Accounting Standards Board (AASB) that are relevant to their operations and effective for the current reporting period.

ii. Accounting Standards and Interpretations Issued But Not Yet Effective

At the date of authorisation of the Financial Statements, the Standards and Interpretations that were issued but not yet effective, which have not been early adopted are listed below. The Group is still currently assessing the impact:

Affected Standards and Interpretations	Application Date*	Application date for Group
AASB 17 Insurance Contracts	1 January 2023	1 July 2024
AASB 2020-1 Amendments to Australian Accounting Standards – Classification of Liabilities as Current or Non-current	1 January 2023	1 July 2024
AASB 2021-2 Amendments to Australian Accounting Standards – Disclosure of Accounting Policies and Definition of Accounting Estimates	1 January 2023	1 July 2024
AASB 2021-5 Amendments to Australian Accounting Standards – Deferred Tax related to Assets and Liabilities arising from a single transaction	1 January 2023	1 July 2024
AASB 2021-6 Amendments to Australian Accounting Standards – Disclosure of Accounting Policies: Tier 2 and Other Australian Accounting Standards	1 January 2023	1 July 2024
AASB 2022-1 Amendments to Australian Accounting Standards - Initial Application of AASB 17 and AASB 9 – Comparative Information	1 January 2023	1 July 2024
AASB 2022-6 Amendments to Australian Accounting Standards – Non-current Liabilities with Covenants	1 January 2023	1 July 2024
AASB 2022-7 Editorial Corrections to Australian Accounting Standards and Repeal of Superseded and Redundant Standards	1 January 2023	1 July 2024
AASB 2022-8 Amendments to Australian Accounting Standards – Insurance Contracts: Consequential Amendments	1 January 2023	1 July 2024
AASB 2022-5 Amendments to Australian Accounting Standards – Lease Liability in a Sale and Leaseback	1 January 2024	1 July 2025
AASB 2022-10 Amendments to Australian Accounting Standards – Fair Value Measurement of Non-financial assets of not-for-profit Public Sector Entities	1 January 2024	1 July 2025
AASB 2023-1 Amendments to Australian Accounting Standards – AASB 107 and AASB 7 – Disclosure of Supplier Finance Arrangements	1 January 2024	1 July 2025
AASB 2023-3 Amendments to Australian Accounting Standards – Disclosure of Non-current liabilities with Covenants – Tier 2	1 January 2024	1 July 2025
AASB 2014-10 Amendments to Australian Accounting Standards – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	1 January 2025	1 July 2026
AASB 2022-9 Amendments to Australian Accounting Standards – Insurance Contracts in the Public Sector	1 July 2026	1 July 2026

** Reporting period commences on or after the application date.*

3. Significant accounting policies

Except as expressly described in the Notes to the Financial Statements, the accounting policies set out below have been applied consistently to all periods presented in these Consolidated Financial Statements and have been applied consistently by all Group entities.

a. Basis of consolidation

The Consolidated Financial Statements incorporate the Financial Statements of the Company and entities (including structured entities) controlled by the Company and its subsidiaries. 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
- Has the ability to use its power to affect its returns

When the Group has less than a majority of the voting rights or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement with the other vote holders of the investee
- Right arising from other contractual arrangements
- The Group's voting rights and potential voting rights

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the Consolidated Statement of Profit or Loss and Other Comprehensive Income from the date the Company gains control until the date when the company ceases to control the subsidiary. Subsidiaries are entities controlled by the Group.

When necessary, adjustments are made to the Financial Statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company. 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 intra-group balances, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the Consolidated Financial Statements. Unrealised gains arising from transactions with equity accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair values of the consideration paid or received is recognised directly in equity and attributed to the owners of the Company.

When the Group loses control of a subsidiary, a gain or loss is recognised in the profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets, and liabilities of the subsidiary and any non-controlling interests. All the amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group has directly disposed of the related assets and liabilities of the subsidiary. The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under AASB 9 as it becomes a financial instrument on loss of control.

i. Special purpose entities

Special purpose entities (SPE) are those entities over which the group has no ownership interest but in effect the substance of the relationship is such that the Group controls the entity. The Group holds capital and residual units in these respective special purpose entities.

The Group has established the following special purpose entities to support the specific funding needs of the Group's securitisation programme:

- AFG 2010-1 Trust and its Series (SPE) to conduct securitisation activities funded by short term warehouse facilities provided by warehouse and related mezzanine facility providers.
- AFG 2019-1 Trust, AFG 2019-2 Trust, AFG 2020-1 Trust, AFG 2020-1 NC Trust, AFG 2021-1 Trust, AFG 2021-2 Trust, AFG 2022-1NC Trust, AFG 2022-1 Trust and AFG 2022-2 Trust (SPE-RMBS) to hold securitised assets and issue Residential Mortgage-Backed Securities (RMBS).
- AFG 2010-2 Pty Ltd and AFG 2010-3 Pty Ltd to hold and fund investments in some of our Residential Mortgage Backed Securities (RMBS) to meet risk retention requirements.

The special purpose entities meet the criteria of being controlled entities under AASB 10 – *Consolidated Financial Statements*.

The elements indicating control include, but are not limited to, below:

- The Group has existing rights that gives it the ability to direct relevant activities that significantly affect the special purpose entities' returns;
- The Group is exposed, and has rights, to variable returns from its involvement with the special purpose entities;
- The Group has all the residual interest in the special purpose entities;
- Fees received by the Group from the special purpose entities vary on the performance, or non-performance, of the securitised assets; and
- The Group has the ability to direct decision making accompanied by the objective of obtaining benefits from the special purpose entities' activities.

As a result, the Company controls the SPE and on consolidation the underlying loans and notes issued are recognised as assets and liabilities and interest on loans is recognised in the statement of profit and loss.

ii. Investments in associates (equity accounted investee)

Associates are those entities in which the Group has significant influence, but not control, over the financial and operating policies. Investments in associates are accounted for using the equity method (equity accounted investee) and are initially recognised at cost. The cost of the investment includes transaction costs (see Note 17).

The Consolidated Financial Statements include the Group's share of the profit or loss and other comprehensive income of the investee, after adjustments to align the accounting policies with those of the Group, from the date that significant influence commences until the date that significant influence ceases.

b. Revenue from contracts with Customers

The Group accounts for revenue under AASB 15 Revenue from contracts with customers. The standard has introduced a single principle based five step recognition measurement model for revenue recognition:

1. Identifying the contract with a customer;
2. Identifying the separate performance obligations;
3. Determining the transaction price;
4. Allocating the transaction price to the performance obligations; and
5. Recognising revenue when or as performance obligations are satisfied.

Revenue is recognised either at a point in time or over time, when (or as) the Group satisfies performance obligations by transferring the promised goods or services to its customers. The Group recognises contract liabilities (see Note 24) for consideration received in respect of unsatisfied performance obligations and reports these amounts as other liabilities in the statement of financial position. Similarly, if the Group performs a performance obligation before it receives the consideration, the Group recognises either a contract asset or a receivable in its statement of financial position, depending on whether something other than the passage of time is required before the consideration is due. In relation to the Group the contract asset is recognised to account for the revenue in relation to the satisfaction of a performance obligation.

Under AASB 15, revenue is recognised when the Group satisfies performance obligations by transferring the promised services to its customers. Determining the timing of the transfer of control - at a point in time or over time - requires judgement. Below is a summary of the major services provided and the Group's accounting policy on recognition as a result of adopting AASB 15.

The Group's significant income streams under AASB 15 include:

- Commissions – origination and trail commissions and associated interest income to account for the time value of money.
- Other income – sponsorship income and fees for services.

The Group often enters into transactions that will give rise to different streams of revenue. In all cases, the total transaction price for a contract is allocated amongst the various performance obligations based on their relative stand-alone selling prices. The transaction price for a contract excludes any amounts collected on behalf of third parties.

Commissions – origination and trail commissions

The Group provides loan origination services and receives origination commission on the settlement of loans. Additionally, the lender normally pays a trailing commission over the life of the loan.

Commission revenue is recognised as follows:

- Origination commissions: Origination commissions on loans other than those originated by the Group are recognised upon the loans being settled and receipt of commission net of clawbacks. Commissions may be clawed back by lenders in accordance with individual contracts. These potential clawbacks are estimated and recognised at the same time as origination commission and included in origination commission revenue.
- Trailing commissions: The Group receives trail commissions from lenders on settled loans over the life of the loan based on the loan balance outstanding. The Group also makes trail commission payments to brokers when trail commission is received from lenders. The future trail commission receivable is recognised upfront as a contract asset. Trailing commissions include revenue on residential, commercial and AFGHL white label trail books.

- Interest income: This is the financing component of the trail commission contract asset which brings into consideration the time value of money.

Trail commissions – significant estimates and judgements

The Group applies the AASB 15 variable consideration guidance to the measurement of the contract asset.

On initial recognition, the Group recognises a contract asset which represents management's estimate of the variable consideration to be received from lenders on settled loans. The Group uses the 'expected value' method of estimating variable consideration which requires significant judgement, it is highly probable that there is no significant reversal.

A corresponding expense and payable is also recognised, initially measured at fair value being the net present value of expected future trailing commission payable to brokers and subsequently measured at amortised cost.

The value of trail commission receivable from lenders and the corresponding payable to brokers is determined by using a discounted cash flow valuation to determine the expected value. These calculations require the use of assumptions which are determined by management using a variety of inputs including external actuarial analysis of historical information. Key assumptions underlying the calculation include the average loan life, discount rate and the percentage paid to brokers. Refer to Note 28 (d) for details on these key assumptions.

Other income

Sponsorship income is the income received in advance from sponsorship payment arrangements with lenders. The income is brought to account once the sponsored event has occurred.

Fees for services relates to providing marketing, compliance and administration services to the brokers. This revenue is recognised with reference to the stage of completion for the contract of services.

Impact of application of AASB 15 Revenue from Contracts with Customers

Determining performance obligations are satisfied (over time or a point in time) requires judgement. The below table illustrates a summary of the impact of AASB 15 on the Group's significant revenue from contracts with customers.

Payment for upfront commissions and fees for services are all typically due within 30 days of satisfying performance obligations.

"Point in time" or "Over time"	Types of Service	Nature and timing of satisfaction of performance obligations	Revenue recognition policy under AASB 15
Point in time	Commissions – origination commissions	At the point in time when the loan is settled with the lender.	The Group recognises revenue at the point in time when the loan is settled with the lender. The transaction price is adjusted for any expected clawbacks.
Point in time	Commissions – trail commissions	At the point in time when the loan is settled with the lender.	The Group recognises this revenue at the point in time, when the loan is settled with the lender. On initial recognition a contract asset is recognised, representing managements estimate of the variable consideration to be received. The Group uses the "expected value" method of estimating the variable consideration, which includes significant financing component, by recalculating the net present value of the estimated future cash flows at the original effective interest rate.
Over time	Interest income – discount unwind on the NPV trail commission contract asset	Revenue arising from the discount rate applied to the trail commission contract asset.	Interest income from the unwinding of the discount rate on the trail commission contract asset is recognised over time.

"Point in time" or "Over time"	Types of Service	Nature and timing of satisfaction of performance obligations	Revenue recognition policy under AASB 15
Over time	Subscription income	The performance obligation is to provide access to the platform for which the subscription is purchased. The income is recognised evenly over the service period, being the subscription period.	Subscription income is recognised evenly over the service period, being the subscription period.
Point in time	Other income – sponsorship income	The performance obligation is that a sponsored event has occurred.	Funds are received in advance and initially recognised as contract liability (deferred income). Revenue is recognised at a point in time when the sponsored event has occurred.
Over time	Other income – Fees for services	The performance obligation is the provision of services to brokers, including marketing, compliance and administration services. The income is recognised with reference to the stage of completion for the contract of the services.	Revenue is recognised when performance obligation is satisfied.

c. Securitisation interest income and expense

Interest income is the key component of this revenue stream and it is recognised using the effective interest method in accordance with AASB 9. The rate at which revenue is recognised is referred to as the effective interest rate and is equivalent to the rate that effectively discounts estimated future cash flows throughout the estimated life to the net carrying value of the loan. Acquisition costs relating to trail commission to brokers are also spread across the estimated life of the loan using the effective interest method.

Interest income is recognised using the effective interest method for debt instruments measured subsequently at amortised cost.

For financial assets other than purchased or originated credit impaired financial assets, interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit impaired.

For financial assets that have subsequently become credit impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset. If, in subsequent reporting periods, the credit risk on the credit impaired financial instrument improves so that the financial asset is no longer credit impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset.

Securitisation expense comprises interest payable on borrowings.

d. Finance income and expenses

Finance income comprises interest income on funds invested and foreign currency gains. Interest income is recognised as it accrues, using the effective interest method.

Finance expenses comprise interest payable on borrowings.

e. Income tax expense

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the balance sheet date.

Deferred income tax is generally provided on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax assets are recognised where management consider that it is probable that future taxable profits will be available to utilise those temporary differences. The carrying amount of deferred income tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

Unrecognised deferred income tax assets are reassessed at each balance sheet date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised, or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date.

Income taxes relating to items recognised directly in equity are recognised in equity and not in the profit or loss.

i. Tax consolidation

The Company and its wholly-owned Australian resident entities have formed a tax consolidated group with effect from 1 July 2004 and are therefore taxed as a single entity from that date. The head entity within the tax-consolidated group is the Company.

Current tax expenses, deferred tax liabilities and deferred tax assets arising from temporary differences of the members of the tax-consolidated group are recognised in the separate Financial Statements of the members of the tax-consolidated group using the 'group allocation' approach by reference to the carrying amounts of assets and liabilities in the separate Financial Statements of each entity and the tax values applying under tax consolidation.

Any current tax liabilities (or assets) and deferred tax assets arising from unused tax losses of the subsidiaries is assumed by the head entity in the tax-consolidated group and are recognised by the Company as amounts payable (receivable) to (from) other entities in the tax-consolidated group in conjunction with any tax funding arrangement amounts (refer below). Any difference between these amounts is recognised by the Company as an equity contribution or distribution.

The Company recognises deferred tax assets arising from unused tax losses of the tax-consolidated group to the extent that it is probable that future taxable profits of the tax-consolidated group will be available against which the asset can be utilised. Any subsequent period adjustments to deferred tax assets arising from unused tax losses as a result of revised assessments of the probability of recoverability is recognised by the head entity only.

ii. Nature of tax funding arrangements and tax sharing arrangements

The head entity, in conjunction with other members of the tax-consolidated group, has entered into a tax funding arrangement which sets out the funding obligations of members of the tax-consolidated group in respect of tax amounts. The tax funding arrangements require payments/(receipts) to/(from) the head entity equal to the current tax liability (asset) assumed by the head entity and any tax loss deferred tax asset assumed by the head entity, resulting in the head entity recognising an intra-group receivable (payable) equal in amount to the tax liability (asset) assumed. The inter-entity receivables (payables) are at call.

Contributions to fund the current tax liabilities are payable as per the tax funding arrangement and reflect the timing of the head entity's obligation to make payments for tax liabilities to the relevant tax authorities.

The head entity in conjunction with other members of the tax-consolidated group has also entered into a tax sharing agreement. The tax sharing agreement provides for the determination of the allocation of income tax liabilities between the entities should the head entity default on its tax payment obligations. No amounts have been recognised in the Financial Statements in respect of this agreement as payment of any amounts under the tax sharing agreement is considered remote.

iii. Goods and services tax

Revenue, expenses and assets are recognised net of the amount of goods and services tax (GST), except where the amount of GST incurred is not recoverable from the taxation authority. In these circumstances, the GST is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated with the amount of GST included. The net amount of GST recoverable from, or payable to, the Australian Taxation Office (ATO) is included as a current asset or liability or as part of the expense.

Cash flows are included in the Statement of Cash Flows on a gross basis. The GST components of cash flows arising from investing and financing activities which are recoverable from, or payable to, the ATO are classified as cash flows from operating activities.

f. Cash and short-term deposits

Cash and short-term deposits in the Consolidated Statement of Financial Position comprise cash at bank and on hand, short term deposits with a maturity of three months or less from date of origination, as well as restricted cash such as proceeds and collections in the SPE accounts which are not available to the shareholders.

For the purpose of the Statement of Cash Flows, cash and cash equivalents consist of the cash and term deposits as defined above, net of outstanding bank overdrafts.

g. **Financial instruments**

i. Financial assets

Initial recognition and measurement

With the exception of trade receivables that do not contain a significant financing component, the Group initially measures a financial asset at its fair value, plus in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset.

Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss. Trade receivables that do not contain a significant financing component are initially measured at the transaction price determined under AASB 15 (see Note 3(b) Revenue from contracts with customers).

Subsequent measurement Financial assets at amortised cost

A financial asset is measured at amortised cost if it meets the following conditions:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows;
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding; and
- it is not designated at Fair Value through Profit and Loss (FVPL).

The amortised cost of a financial asset is:

- the amount at which the financial asset is measured at initial recognition;
- minus the principal repayments;
- plus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount; and
- adjusted for any loss allowance.

Interest income, foreign exchange gains and losses and impairment are recognised in profit and loss.

Derecognition of financial assets

The Group derecognises a financial asset 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 entity. 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. When assessing whether or not to derecognise an asset, the entity considers whether there has been a change in counterparty and whether there has been a substantial modification to the terms of the arrangement. If the modification does not result in cashflows that are substantially different, the modification does not result in derecognition however, the modification will result in a gain/loss recognised in statement of profit and loss.

ii. Impairment of financial assets

The Group applies the Expected Credit Loss ("ECL") model under AASB 9. This applies to contract assets, and financial assets measured at amortised cost and but not to investments in equity instruments.

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Group expects to receive). It consists of 3 components:

a. probability of default (PD): represents the possibility of a default over the next 12 months and remaining lifetime of the financial asset;
b. a loss given default (LGD): expected loss if a default occurs, taking into consideration the mitigating effect of collateral assets and time value of money;
c. exposure at default (EAD): the expected loss when a default takes place.

The Group measures the loss allowance for a financial instrument at an amount equal to the lifetime ECL if the credit risk on that financial instrument has increased significantly since initial recognition, or if the financial instrument is a purchased or originated credit-impaired financial asset. If the credit risk on a financial instrument has not increased significantly since initial recognition (except for a purchased or originated credit-impaired financial asset), the Group measures the loss allowance for that financial instrument at an amount equal to a 12-month ECL.

The Group has assessed the loans and advances (securitised assets) and recognised the ECL for these assets.

Impairment of Loans and Advances

The Group has applied the three-stage model based on the change in credit risk since initial recognition to determine the loss allowances of its loans and advances.

Stage 1: 12-month ECL

At initial recognition, ECL is collectively assessed and measured by classes of financial assets with the same level of credit risk based on the PD within the next 12 months and LGDs with consideration to forward looking economic indicators. Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets.

Stage 2: Lifetime ECL

When the Group determines that there has been a significant increase in credit risk since initial recognition but not considered to be credit impaired, the Group recognises a lifetime ECL calculated as a product of the PD for the remaining lifetime of the financial asset and LGD, with consideration to forward looking economic indicators. Similar to Stage 1, loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets.

Stage 3: Lifetime ECL - credit impaired

At each reporting date, the Group assesses whether financial assets carried at amortised cost are credit impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. For financial assets that have been assessed as credit impaired, a lifetime ECL is recognised as a collective or specific provision, and interest revenue is calculated in subsequent reporting periods by applying the effective interest rate to the amortised cost instead of the carrying amount.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment including forward-looking information.

As part of the forward-looking assessment, the Group has considered:

- Actual or expected adverse changes in business, financial or economic conditions that are expected to cause a significant change to the borrower's ability to meet its obligations such as market interest rates, unemployment rates or property growth rates are incorporated in the model;
- External (if available) credit ratings;
- Significant changes in the value of the collateral supporting the obligation or in the quality of third-party guarantees or credit enhancements;
- Significant changes in the quality of the underwriter;
- S&P assumptions such as first home buyer, occupancy, employment type, geographical concentration, principal and interest and interest only.

In addition to the above, the Group has considered the impact of interest rates, property price performances and unemployment rates in preparing the ECL.

As part of this assessment, the Group has considered:

- Increased probability weightings for downside cases; and
- Staging for borrowers who have asked for a deferral of mortgage payments.

Impairment charges are discussed further in Note 28 of the 2023 Annual Report.

Changes to the estimates and outcomes that have been applied in the measurement of the Group assets and liabilities may arise in the future.

A summary of the assumptions underpinning the Groups ECL model is as follows:

Category	Definition of Category	Basis for recognition of ECL provision
Performing	Customers have a low risk of default and a strong capacity to meet contractual cash flows	12 month expected losses
Doubtful	Loans for which there is a significant increase in credit risk; as significant increase in credit risk is presumed if interest and/or principal repayments are 30 days past due	Lifetime expected losses
In default	Interest and/or principal repayments are 90 days past due	Lifetime expected losses
Write off	Interest and/or principal repayments are past due and there is no reasonable expectation of recovery	Asset is written off

Given economic uncertainty in the market and the flow on effect to unemployment rates, interest rates and property prices and therefore probability of default, the final probability of default was calculated as the maximum of:

- The probability of default calculated using S&P methodology;
- The probability of default floor based on days past due; and
- The probability of default floor based on restructuring status, which takes into account any hardship arrangements.

The group assumes the credit risk on a financial instrument has not increased significantly since initial recognition if the financial instrument is determined to have a low credit risk at the reporting date. A financial instrument is determined to have a low credit risk if:

1. The financial instrument has a low risk of default;
2. The debtor has a strong capacity to meets its contractual cash flow obligation in the near term; and
3. Adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations.

Impairment of Contract Assets and Cash and Cash Equivalents

The Group's contract assets relate to trail commission receivable mainly from high credit quality financial institutions who are the members of AFG's lender panel (Refer to Note 5(a)). There have been no historical instances where a loss has been incurred, including through the global financial crisis. Even when forward looking assumptions are considered the ECL would not be material.

Impairment of trade receivables

Trade and other receivables from other customers are rare given the nature of the Group's business. The Group has assessed its history of losses as well as performing a forward-looking assessment, both of which have not resulted in any historical or expected material forward looking losses. Group does not require collateral in respect of trade and other receivable (refer to Note 5(a)).

Write-off policy

The Group writes off a financial asset when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the debtor has been placed under liquidation or has entered into bankruptcy proceedings.

Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognised in profit or loss within impairment expense.

Trade receivables are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with the Group, and a failure to make contractual payments.

iii. Financial Liabilities

Initial recognition and measurement

Financial liabilities within the scope of AASB 9 are classified as financial liabilities at fair value through profit or loss, or loans and borrowings. The Group determines the classification of its financial liabilities at initial recognition. All financial liabilities are recognised initially at fair value, in the case of loans and borrowings, net of directly attributable transactions. The Group initially recognises financial liabilities on the trade date at which the Group becomes a party to the contractual provisions of the instrument.

The Group derecognises a financial liability when its contractual obligations are discharged, cancelled or expired.

The Group's non-derivative financial liabilities include interest-bearing liabilities and trade and other payables.

Subsequent measurement

Subsequent to initial recognition, the interest-bearing loans and borrowings are measured at amortised cost using the effective interest rate method.

Subsequent to initial recognition, the put/call liability is measured at fair value through the profit and loss.

Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in respect of the carrying amounts is recognised in the income statement. The Group considers a modification substantial based on qualitative factors and if it results in a difference between the adjusted discounted present value and the original carrying amount of the financial liability of, or greater than, ten per percent.

iv. Amortised cost and effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. For financial assets other than purchased or originated credit impaired financial assets (i.e. assets that are credit impaired on initial recognition), the effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) excluding expected credit losses, through the expected life of the debt instrument, or, where appropriate, a shorter period, to the gross carrying amount of the debt instrument on initial recognition.

For purchased or originated credit impaired financial assets, a credit adjusted effective interest rate is calculated by discounting the estimated future cash flows, including expected credit losses, to the amortised cost of the debt instrument on initial recognition.

The amortised cost of a financial asset is the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, adjusted for any loss allowance. The gross carrying amount of a financial asset is the amortised cost of a financial asset before adjusting for any loss allowance.

v. Share capital

Ordinary shares

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares and share options are recognised as a deduction from equity at the time of issuance, net of any related income tax benefit.

Repurchase of share capital

When share capital recognised as equity is repurchased the amount of consideration paid, including directly attributable costs, is recognised as a reduction in equity.

Dividends

Dividends are recognised as a liability in the period in which they are declared.

h. Intangibles

i. Software development costs

Software development costs are recognised as an expense when incurred, except to the extent that such costs, together with previous unamortised deferred costs in relation to that project, are expected probable, to provide future economic benefits and to the extent that the Group has control over these assets.

The unamortised balance of software development costs deferred in previous periods is reviewed regularly and at each reporting date, to ensure the criterion for deferral continues to be met. Where such costs are considered to no longer provide future economic benefits they are written-off as an expense in the profit or loss.

ii. Customer related intangibles

Customer relationship intangibles acquired as part of a business combination are recognised separately from goodwill. The customer relationships are carried at fair value at the date of acquisition less accumulated amortisation and impairment losses. Amortisation is calculated based on the timing of projected cashflows over their estimated useful lives of 8 years.

iii. Subsequent expenditure

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is recognised in profit or loss when incurred.

iv. Amortisation

Amortisation is recognised in profit or loss on a straight-line basis over the estimated useful lives of intangible assets from the date that they are available for use.

The estimated useful lives for the current and comparative periods are as follows:

- Capitalised software development costs 2.5 - 5 years

v. Software-as-a-Service (SaaS) arrangements

SaaS arrangements are arrangements in which the Group does not currently control the underlying software used in the arrangement.

Where costs incurred to configure or customise SaaS arrangements result in the creation of a resource which is identifiable, and where the company has the power to obtain the future economic benefits flowing from the underlying resource and to restrict the access of others to those benefits, such costs are recognised as a separate intangible software asset and amortised over the useful life of the software on a straight-line basis. The amortisation is reviewed at least at the end of each reporting period and any changes are treated as changes in accounting estimates.

Where costs incurred to configure or customise do not result in the recognition of an intangible software asset, then those costs that provide the Group with a distinct service (in addition to the SaaS access) are now recognised as expenses when the supplier provides the services. When such costs incurred do not provide a distinct service, the costs are now recognised as expenses over the duration of the SaaS contract.

i. Impairment of non-financial assets

The carrying amounts of the Group's non-financial assets, other than deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists then the asset's recoverable amount is estimated.

For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit").

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount.

A cash-generating unit is the smallest identifiable asset group that generates cash flows that largely are independent from other assets and groups.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

Impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed (except goodwill) if there has been a change in the estimates that have been used to determine the recoverable amount. An impairment loss is reversed only to the extent that the assets carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss has been recognised.

j. Leases

Recognition and measurement

When a contract is entered into, the Group assesses whether the contract contains a lease. A lease arises when the Group has the right to direct the use of an identified asset which is not substitutable and to obtain substantially all economic benefits from the use of the asset throughout the period of use. The leases recognised by the Group relate to office space.

Right of Use assets

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

Lease Liabilities

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable.

In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

Key estimates and judgements

a. Control - Judgement is required to assess whether a contract is or contains a lease at inception by assessing whether the Group has the right to direct the use of the identified asset and obtain substantially all the economic benefits from the use of that asset.
b. Lease term - Judgement is required when assessing the term of the lease and whether to include optional extension and termination periods. Option periods are only included in determining the lease term at inception when they are reasonably certain to be exercised. Lease terms are reassessed when a significant change in circumstances occurs.
c. Discount rates - Judgement is required to determine the discount rate, where the discount rate is the Group's
d. Incremental borrowing rate if the rate implicit in the lease cannot be readily determined.

k. Employee benefits

i. Long-term employee benefits

The Group's liability in respect of long-term employee benefits is the amount of future benefits that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value, and the fair value of any related assets is deducted. Consideration is given to the expected future wage and salary levels, and periods of service. The discount rate is the yield at the reporting date on government and high quality corporate bonds that have maturity dates approximating the terms of the Group's obligations and that are denominated in the same currency as the Group's functional currency.

ii. Short-term benefits

Short-term employee benefits are measured on an undiscounted basis and are expensed as the related service is provided.

A liability is recognised for employee benefits such as wages, salaries and annual leave if the Group has present obligations resulting from employees' services provided to reporting date.

A provision is recognised for the amount expected to be paid under short-term and long-term cash bonus or profit-sharing plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

iii. Share-based payment transactions

The grant date fair value of options and shares granted to employees is recognised as an employee expense, with a corresponding increase in equity over the period in which the employees become unconditionally entitled to the options or shares. The amount recognised as an expense is adjusted to reflect the actual number of options or shares that vested, except for those that fail to vest due to market conditions not being met.

l. Provisions

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting expected future cash flows at a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the liability.

The unwinding of the discount is recognised as a finance cost.

Provision for clawbacks on settlements within the period are raised on both commission received and commission payable. Clawbacks will be re-measured each reporting period.

m. Borrowing Costs

Borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset are capitalised as part of the cost of that asset and subsequently amortised over the life of that asset. Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in the profit or loss using the effective interest method.

n. Trail commissions payable

The Group pays trail commissions to brokers. This is initially measured at expected value being the net present value of expected future trailing commission payable to brokers.

The trail commissions payable to brokers is determined by using a discounted cash flow valuation. These calculations require the use of assumptions which are determined by management using a variety of inputs including external actuarial analysis of historical runoff information. Refer to Note 28(d) for details on the key assumptions.

o. Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, which is measured at acquisition date fair value, and the amount of any non-controlling interests in the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred and included in administrative expenses.

The Group determines that it has acquired a business when the acquired set of activities and assets include an input and a substantive process that together significantly contribute to the ability to create outputs. The acquired process is considered substantive if it is critical to the ability to continue producing outputs, and the inputs acquired include an organised workforce with the necessary skills, knowledge, or experience to perform that process or it significantly contributes to the ability to continue producing outputs and is considered unique or scarce or cannot be replaced without significant cost, effort, or delay in the ability to continue producing outputs.

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

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Contingent consideration classified as equity is not remeasured and its subsequent settlement is accounted for within equity. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of AASB 9 Financial Instruments, is measured at fair value with the changes in fair value recognised in the statement of profit or loss in accordance with IFRS 9. Other contingent consideration that is not within the scope of AASB 9 is measured at fair value at each reporting date with changes in fair value recognised in profit or loss.

Goodwill is initially measured at cost (being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interests and any previous interest held over the net identifiable assets acquired and liabilities assumed). If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Group re-assesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognised at the acquisition date.

If the reassessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognised in profit or loss.

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

Where goodwill has been allocated to a CGU and part of the operation within that unit is disposed of, the goodwill associated with the disposed operation is included in the carrying amount of the operation when determining the gain or loss on disposal. Goodwill disposed in these circumstances is measured based on the relative values of the disposed operation and the portion of the cash-generating unit retained. Refer to note 29 for more details on the Group's business combinations.

4. Determination of fair values

A number of the Group's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and/or disclosure purposes based on the following methods. Where applicable, further information about the assumptions made in determining fair values are disclosed in the notes specific to that asset or liability.

Contract Asset

The Group receives trail commissions from lenders on settled loans over the life of the loan based on the loan book balance outstanding. This is initially recognised as a contract asset and is measured using the 'expected value' method under AASB 15. Refer to Note 3(b).

The contract asset from lenders is determined by using a discounted cash flow valuation which is then adjusted to reflect the constraining requirement under AASB 15. These calculations require the use of assumptions which are determined by management using a variety of inputs including external actuarial analysis of historical runoff information. Refer to Note 28(d) for details on the key assumptions.

Trade and other payables

All trade and other payables have a remaining life of less than one year and the notional amount is deemed to reflect the fair value.

Other financial instruments

The carrying amount of all other financial assets and liabilities recognised in the Statement of Financial Position approximate their fair value, with the exception of the trail commission payables that are initially recognised at fair value and subsequently measured at amortised cost based on an actuarial assessment of future cashflow using appropriate discount rates.

5. Financial risk management

Overview

The Group has exposure to credit, liquidity and market risks from the use of financial instruments.

This note presents information about the Group's exposure to each of the below risks, the objectives, policies and processes for measuring and managing risk, and the management of capital.

Further quantitative disclosures are included throughout the financial report.

The Board of Directors has overall responsibility for the establishment and oversight of the risk management framework. The Risk and Compliance Committee is responsible for developing and monitoring risk management policies.

Risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities. The Group, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Risk and Compliance Committee oversees how management monitors compliance with the Group's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Company and the Group.

a. Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations and arises principally from the Group's receivables from customers. Refer to Note 28(a) for details.

Trade and other receivables

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The demographics of the Group's customer base, including the default risk of the industry and country in which customers operate, has less of an influence on credit risk.

Excluding financial institutions on the lender panel, trade and other receivables from other customers are rare given the nature of the Group's business. The Group has assessed its history of losses as well as performing a forward-looking assessment, both of which have not resulted in any historical or expected material forward looking losses. Group does not require collateral in respect of trade and other receivables.

Contract assets

The Group's contract assets relate mainly to high credit quality financial institutions who are the members of the lender panel. New panel entrants are subject to commercial due diligence prior to joining the panel. The Group bears the risk of non-payment of future trail commissions by lenders (contract assets) should they not maintain solvency. However, should a lender not meet its obligations as a debtor then the Group is under no obligation to pay out any future trail commissions to brokers.

Loans and advances

To mitigate exposure to credit risk on loans and advances, the Group has adopted the policy of only dealing with creditworthy counterparties and obtaining sufficient collateral or other security where appropriate.

The Group's loans and advances relate mainly to loans advanced through its residential mortgage securitisation programme. Credit risk management is linked to the origination conditions externally imposed on the Group by the warehouse facility provider including geographical limitations. As a consequence, the Group has no significant concentrations of credit risk. The Group has established a credit quality review process to provide early identification of possible changes in credit worthiness of counterparties by the use of internal analytics and external credit agencies, which assigns each counterparty a risk rating. Risk ratings are subject to regular review.

The Group's maximum exposure is the carrying amount of the loans, net of any impairment losses. All residential loans with a loan to value ratio of greater than 80% are subject to a lenders mortgage insurance contract.

The Group has applied an ECL model to determine the collective impairment provision of its loans and advances. Refer Notes 3(g)(ii)) and 28(a)(ii) for details. Interest rates, property price performances and unemployment rates have been considered in the ECL model which has seen the provision increase at 30 June 2023 to $3,269k (2022: $2,877k).

b. Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due or will have to do so at an excessive cost. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

To limit this risk, the Group manages assets with liquidity in mind, and monitors future cash flows and liquidity on a regular basis. This incorporates an assessment of expected cash flows and the availability of high-grade collateral which could be used to secure additional funding if required.

The liquidity position is assessed and managed under a variety of scenarios, giving due consideration to stress factors relating to both the market in general and specifically to the Group.

c. Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Group's income or the value of its holdings of financial instruments.

The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

Currency risk

The Group is exposed to foreign currency risk on cash assets that are denominated in a currency other than AUD. The currencies giving rise to this risk are denominated in US dollars (USD). The Group elects not to enter into foreign exchange contracts to hedge this exposure as the net movements would not be material. The Group has no significant exposure to currency risk.

Interest rate risk

Interest rate risk is the risk to the Group's earnings and equity arising from movements in interest rates. Positions are monitored on an ongoing basis to ensure risk levels are maintained within established limits.

The Group's most significant exposure to interest rate risk is on the interest-bearing loans within the SPE which fund the residential mortgage securitisation programme. To minimise its exposure to increases in cost of funding, the Group only lends monies on variable interest rate terms. Should there be changes in pricing the Group has the option to review its position and offset those costs by passing on interest rate changes to the end customer.

Prepayment risk

Prepayment risk is the risk that the Group will incur a financial loss because its customers and counterparties repay or request repayment earlier than expected.

The Group's key exposure relates to the net present value of contracts assets and future trail commissions payable. The Group uses regression models to project the impact of varying levels of prepayment on its net income. The model makes a distinction between the different reasons for repayment and takes into account the effect of any prepayment penalties. The model is back tested against actual outcomes.

For the loans and advances within the SPE and SPE-RMBS, the Group minimises the prepayment risk by passing back all principal repayments to the warehouse facility providers and bondholders.

Other market risk

The Group is exposed to an increase in the level of credit support required within its securitisation programme arising from changes in the credit rating of mortgage insurers used by the SPE, and the composition of the available collateral held. The Group regularly reviews and reports on the credit ratings of those insurers as well as the Company's maximum cash flow requirements should there be any adverse movement in those credit ratings.

Non market risk

The Group is exposed to non-financial risk due to the existence of a put and call option. Refer to note 21.

d. Capital management

The Board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The Board of Directors monitors the return on capital, which the Group defines as net operating income divided by total shareholders' equity and aims to maintain a capital structure that ensures the lowest cost of capital available to the Group. The Board of Directors also monitors the level of dividends to ordinary shareholders.

The SPEs are subject to the external requirements imposed by the warehouse facility providers. The terms of the warehouse facilities provide a mechanism for managing the lending activities of the SPE and ensure that all outstanding principal and interest is paid at the end of each reporting period. Similarly, the SPE-RMBS are subject to external requirements imposed by the bondholders and the rating agencies. The terms of the RMBS transactions provide a mechanism for ensuring that all outstanding principal and interest is paid at the end of each reporting period. There were no breaches of the covenants or funding terms imposed by the warehouse and RMBS transactions in the current period. AFG Securities Pty Ltd is subject to externally imposed minimum capital requirements by the Australian Securities and Investments Commission (ASIC) in accordance with the conditions of their Australian Financial Services Licence.

6. Segment information

AASB 8 requires operating segments to be identified on the basis of internal reports about business activities in which the Group is engaged and that are regularly received by the chief operating decision maker, the Board of Directors, in order to allocate resources to the segment and to assess its performance.

The Group has identified two reportable segments based on the nature of the products and services, the type of customers for those products and services, the processes followed to produce, the method used to distribute those products and services and the similarity of their economic characteristics. All external customers are Australian entities.

The following summary describes the operations in each of the Group's reportable segments:

Aggregation

The aggregation segment refers to the operating activities in which the Group acts as a wholesale mortgage broker that provides its contracted brokers with administrative and infrastructure support as well as access to a panel of lenders.

The Group receives two types of commission payments on loans originated through its network, as described below:

- Upfront commissions on settled loans - Upfront commissions are received by the Group from lenders as a percentage of the total amount borrowed. Once a loan settles, the Group receives a one-off payment linked to the total amount borrowed as an upfront commission, a large portion of which is then paid by the Group to the originating broker.
- Trail commissions on the loan book - Trail commissions are received by the Group from lenders over the life of the loan (if it is in good order and not in default), as a percentage of the particular loan's outstanding balance. The trail book represents the aggregate of mortgages outstanding that have been originated by the Group's brokers and are generating trail income.

AFG Home Loans

AFGHL offers the Group's branded mortgage products, funded by third party wholesale funding providers (white label products) and AFG Securities mortgages (Securitised loans issued by AFG Securities Pty Ltd) that are distributed through the Group's broker network. AFGHL sits on the Group's panel of lenders alongside the other Lenders and competes with them for home loan customers. The segment earns fees for services, largely in the form of upfront and trail commissions, and net interest margin on its securitisation programme.

Segment results that are reported to the Board of Directors include items directly attributable to the relevant segment as well as those that can be allocated on a reasonable basis.

Other/Unallocated

Other/unallocated items are comprised mainly of other operating activities from which the Group earns revenue and incurs expenses that are not required to be reported separately since they do not meet the quantitative thresholds prescribed by AASB 8 or are not managed separately and include corporate and taxation overheads, assets and liabilities. Information regarding the results of each reportable segment is included below. Performance is measured based on segment profit before tax, as included in the internal management reports that are reviewed by the Board of Directors.

Year ended 30 June 2023 In thousands of AUD	Aggregation	AFG Home Loans	Other / Unallocated/ Eliminations	Total
Income				
Operating income	704,507	296,434	1,895	1,002,836
Inter-segment[1]	39,258	-	(39,258)	-
Other income	8,843	-	13,009	21,852
Finance income	-	-	6,170	6,170
Share of profit of an associate	-	-	6,059	6,059
Total segment income	**752,608**	**296,434**	**(12,125)**	**1,036,917**
Timing of revenue recognition				
At a point in time	666,655	33,663	(31,190)	669,128
Over time	85,953	262,771	19,065	367,789
Results				
Segment results	**21,516**	**34,654**	**(2,534)**	**53,636**
Income tax expense				(14,527)
Net profit after tax				**39,109**
Assets and liabilities				
Total segment assets	**1,205,172**	**4,856,698**	**(57,003)**	**6,004,867**
Total segment liabilities	**1,195,161**	**4,749,667**	**(139,733)**	**5,805,095**
Other segment information				
Depreciation and amortisation	(55)	(69)	(6,880)	(7,004)

Year ended 30 June 2023 In thousands of AUD	Aggregation	AFG Home Loans	Other / Unallocated/ Eliminations	Total
Income				
Operating income	764,526	162,743	1,711	928,980
Inter-segment[1]	51,823	-	(51,823)	-
Other income	7,475	-	12,882	20,357
Finance income	-	8	251	259
Share of profit of an associate	-	-	5,937	5,937
Total segment income	**823,824**	**162,751**	**(31,042)**	**955,533**
Timing of revenue recognition				
At a point in time	740,489	51,449	(49,862)	742,076
Over time	83,335	111,302	18,820	213,457
Results				
Segment results	**37,473**	**49,190**	**(2,211)**	**84,452**
Items not included in segment results[2]				(24,074)
Profit before tax including impairment				60,378
Income tax expense				(20,666)
Net profit after tax				**39,712**
Assets and liabilities				
Total segment assets	**1,202,836**	**5,235,391**	**(76,558)**	**6,361,669**
Total segment liabilities	**1,204,870**	**5,109,785**	**(158,421)**	**6,156,234**
Other segment information				
Depreciation and amortisation	(64)	(45)	(4,009)	(4,118)

1. Relate to Intercompany transactions
2. Volt and technology impairment. Refer to Note 9(a) and 15.

7. Commissions and other income

In thousands of AUD	2023	2022
Timing of revenue recognition		
At a point in time		
Commissions	650,240	730,119
Securitisation transaction fees	3,087	3,487
Over time		
Interest on commission income receivable	82,345	82,219
Mortgage management services	304	488
Securitisation transaction fees	1,353	1,177
Subscription income	3,594	1,689
Other income	1,911	954
Total commissions and other income	**742,834**	**820,133**

Commission and other income is accounted for in accordance with AASB 15 – Revenue from contracts with customers. Refer to Note 3(b) for accounting policy.

8. Other income

In thousands of AUD	2023	2022
Timing of revenue recognition		
At a point in time		
Sponsorship and incentive income	6,505	6,162
Performance bonus income	759	900
Over time		
Professional indemnity insurance(i)	2,991	2,922
Software licence fees(ii)	2,694	3,088
Fees for services	6,766	6,534
Other(iii)	2,137	751
Total Other income	**21,852**	**20,357**

i. Professional indemnity insurance is the income generated from professional indemnity insurance cover. AFG purchases a third-party professional indemnity insurance policy for which it pays a premium and offers AFG's brokers the option to be included under AFG's policy cover. If this offer is taken up, brokers will be charged a fee. This revenue from this fee is brought to account over time.

ii. Software Licenses is the income generated from FLEX & SMART. This revenue relates to AFG software and marketing services used by brokers and is recognised over time.

iii. Other income is accounted for in accordance with AASB 15 – Revenue from contracts with customers. Refer to Note 3(b) for accounting policy.

9. Other expenses and employee costs

a. Impairment expenses

In thousands of AUD	Note	2023	2022
Impairment of Volt investment		-	15,000
Impairment of software intangibles[1]		-	9,074
		-	**24,074**

1. Refer to note 15 for further details on impairment.

b. Other expenses

In thousands of AUD	Note	2023	2022
Advertising and promotion		6,824	4,685
Consultancy and professional fees		5,499	5,541
Information technology		8,065	6,885
Occupancy costs		441	450
Employee costs	9(c)	49,531	40,946
Depreciation and amortisation		7,004	4,118
Impairment loss/(release) on loans and advances[1]		395	(395)
		77,759	**62,230**

1. Relates to Expected Credit Loss (ECL) provision for loans and advances.

c. Employee costs

In thousands of AUD	2023	2022
Wages and salaries	35,605	28,249
Other associated personnel expenses	8,721	7,631
Change in liabilities for employee benefits	295	702
Share-based payment transactions	1,108	1,360
Superannuation	3,802	3,004
	49,531	**40,946**

10. Finance income and expenses

Recognised in profit or loss

In thousands of AUD	2023	2022
Interest income on broker loans and receivables	245	233
Interest income on cash and cash equivalents	5,925	26
Finance income	**6,170**	**259**
Interest expense on debt facility	2,895	913
Interest expense on lease liability	233	176
Finance expense	**3,128**	**1,089**

11. Income tax

a. Current tax expense

In thousands of AUD	2023	2022
Income tax recognised in profit or loss		
Current tax expense		
Current period	17,465	19,354
Other adjustments	163	(163)
Deferred tax expense		
Origination and reversal of temporary differences	(3,047)	1,475
Adjustments for deferred tax of prior periods	(54)	-
Income tax expense reported in the statement of profit or loss	**14,527**	**20,666**

Income tax recognised in other comprehensive income	2023	2022
Deferred tax movements recognised in other comprehensive income	-	(135)

Numerical reconciliation between tax expense and pre-tax accounting profit

In thousands of AUD	2023	2022
Profit before tax from continuing operations	**53,636**	**60,378**
Income tax using the Company's domestic tax rate of 30% (2022: 30%)	16,091	18,113
Non-assessable income	(1,674)	(1,498)
Non deductible expenses	-	4,513
Over/(under) provision in prior periods	109	(163)
Other adjustments	-	(299)
	14,526	**20,666**

b. Current tax assets and liabilities

The current tax liability for the Group of $3,188k (2022: current tax asset $1,674k) represents the amount of income taxes payable in respect of current and prior financial years.

c. Deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

	Assets		Liabilities		Net	
In thousands of AUD	2023	2022	2023	2022	2023	2022
Property, plant and equipment and intangibles	(2,977)	(1,017)	7,007	7,007	4,030	5,990
Contract asset	-	-	333,232	335,859	333,232	335,859
Employee benefits	(2,111)	(1,352)	-	-	(2,111)	(1,352)
Trade and other payables	(309,105)	(308,413)	-	-	(309,105)	(308,413)
Lease liability	(162)	-	-	-	(162)	-
Other items	(3,255)	(6,037)	-	-	(3,255)	(6,037)
Tax (assets) / liabilities	(317,610)	(316,819)	340,239	342,866	22,629	26,047
Set off of tax	317,462	316,787	(317,462)	(316,787)	-	-
Net deferred tax (assets)/liabilities	(148)	(32)	22,777	26,079	22,629	26,047

12. Cash and cash equivalents

a. Cash and cash equivalents

In thousands of AUD	2023	2022
Cash at bank	58,781	83,431
Short term deposits	1,250	1,250
Unrestricted cash	**60,031**	**84,681**
Cash collections accounts[1]	148,943	152,637
Restricted cash[2]	13,268	31,267
Restricted cash	**162,211**	**183,904**
Cash and cash equivalents	222,242	268,585
Cash and cash equivalents in the Statement of Cash Flows	**222,242**	**268,585**

1. Discloses amounts held in the special purpose securitised trusts and series on behalf of the warehouse funder and the bondholders
2. Discloses cash collateralised standby letter of credit, liquidity reserve account and cash provided in trust by the warehouse providers to fund pending settlements

The effective interest rate on short term deposits in 2023 was 3.40% (2022: 0.55%). The deposits had an average maturity of 76 days (2022: 69 days).

The Group's exposure to interest rate risk and a sensitivity analysis for financial assets and liabilities are disclosed in Note 28.

b. Reconciliation of cash flows from operating activities

In thousands of AUD	2023	2022
Cash flows from operating activities		
Profit for the period from continuing operations	39,109	39,712
Adjustments to reconcile the profit to net cash flows:		
Income tax expense from continuing operations	14,527	20,666
Depreciation and amortisation	7,004	4,118
Interest on leases	380	276
Term out cost amortisation	1,116	2,260
Impairment and write-down of other assets	-	24,074
Net interest income from investing activities	(6,173)	(259)
Expense recognised in respect of equity-settled share-based payments	1,108	1,360
Share of profit in associates	(6,059)	(5,937)
Present value of future trail commission income	7,442	(96,313)
Present value of future trail commission expense	2,299	88,377
Provision for ECL	392	(395)
Change in fair value of non-interest-bearing liabilities	1,820	-
	62,965	**77,939**
Working capital adjustments:		
Changes in assets and liabilities		
Decrease/(Increase) in receivables and prepayments	388	(10,425)
Increase in trade and other payables	3,499	10,611
(Decrease) in contract liability	(1,193)	(1,773)
(Decrease)/Increase in employee entitlements	(812)	779
(Decrease)/Increase in provisions	(199)	151
Cash generated from operations	**64,648**	**77,282**
Income tax paid	(12,559)	(25,379)
Net cash generated by operating activities	**52,089**	**51,903**

13. Trade and other receivables

In thousands of AUD	2023	2022
Current		
Trade and other receivables	3,211	1,761
Other receivables	1,035	240
Accrued income	4,623	3,681
	8,869	**5,682**
Prepayments	6,229	6,084
	15,098	**11,766**

14. Contract assets

In thousands of AUD	2023	2022
Current		
Net present value of future trail commissions contract asset	243,103	231,212
Non-current		
Net present value of future trail commissions contract asset	896,380	915,714
	1,139,483	**1,146,926**

The Group's exposure to credit and currency risks and impairment losses related to contract assets are disclosed in Note 28.

15. Intangible assets and goodwill

In thousands of AUD	Customer related intangibles	Software - Internally Generated	Software - Acquired	Other intangibles	Goodwill	Total
Consolidated						
Balance at 1 July 2021	-	9,430	-	76	-	9,506
Acquisitions	17,299[2]	-	3,983	-	60,748[3]	82,030
Additions	-	12,475[1]	-	(12)	-	12,463
Impairment	-	(9,075)[4]	-	-	-	(9,075)
Amortisation	(1,687)	(145)	(399)	-	-	(2,231)
Balance at 30 June 2022	**15,612**	**12,685**	**3,584**	**64**	**60,748**	**92,693**
Balance at 1 July 2022	15,612	12,685	3,584	64	60,748	92,693
Acquisitions	-	-	890	-	334[5]	1,224
Additions	-	5,851[1]	-	(1)	-	5,850
Impairment	-	-	-	-	-	-
Amortisation	(2,162)	(1,544)	(813)	-	-	(4,519)
Balance at 30 June 2023	**13,450**	**16,992**	**3,661**	**63**	**61,082**	**95,248**

1. The software acquisitions relate to work in progress.
2. The $17.3M acquisitions relate to broker network acquired through business combinations during the prior year ended 30 June 2022. Refer to Note 29.
3. The $60.7M goodwill relates to the Fintelligence and BrokerEngine acquisitions. Refer to Note 29.
4. An impairment of $9M was recognised on software intangibles where the recoverable amount was determined to be lower than its carrying amount.
5. Some valuations were subsequently adjusted prior to 1 January 2023 (one year after the transaction). Refer to Note 29.

The Group tests whether goodwill has suffered any impairment on an annual basis. Goodwill relates to the acquisition of Fintelligence and BrokerEngine which occurred in FY22, calculated as the consideration transferred and the amount recognised for non-controlling interests and any previous interest held over the net identifiable assets acquired and liabilities assumed (refer to note 29). The Group's accounting of the business combination for the acquisitions were provisional at 31 December 2021, but at 31 December 2022 was finalised.

The carrying amount has been assessed against the recoverable amount of the Aggregation Cash Generating Unit (CGU). The acquisition of both Fintelligence and Broker Engine are critical parts of the AFG broker proposition. This is the segment that these businesses align with from an operational point of view being same distribution channels.

The recoverable amount has been determined based on a value in use calculation using 5-year financial forecasts presented to the Board in April 2023. A post tax discount rate applied to cash flow projections and cash flows beyond the five-year period are extrapolated using a 2.0% growth rate. It was concluded that the carrying value did not exceed the value in use. As a result of this analysis, no impairment for the year ended 30 June 2023.

Key assumptions used in the value in use calculations and sensitivity to changes in assumptions.

The calculation of value in use is most sensitive to the following assumptions:

- Discount rates
- Forecast cash flows
- Growth rates to used to extrapolate cash flows beyond the forecast period.

16. Loans and advances

In thousands of AUD	2023	2022
Current		
Securitised assets[1]	1,692,099	1,452,527
Other secured loans[2]	780	862
	1,692,879	**1,453,389**
Non-current		
Securitised assets[1]	2,797,371	3,350,407
Other secured loans[2]	985	1,656
Less: Provision for expected credit loss[3]	(3,269)	(2,877)
	2,795,087	**3,349,186**
	4,487,966	**4,802,575**

1. The originated mortgage loans and securitised assets are held as security for the various debt interests in the special purpose securitised trusts and series.
2. Other secured loans include:
   a) Loans and advances to Brokers secured over future trail commissions payable to the broker and in some cases personal guarantees. Interest is charged on average at 12.08% p.a. (2022: 9.89% p.a.).
   b) Loan and advances to McCabe St Limited (related party) was repaid during the prior year ended 30 June 2022.
3. Refer to Note 28(a)(ii) for a reconciliation of opening and closing expected credit losses on loans and advances including movements between credit risk stages.

At the end of the reporting period, the balance of the Group's securitised assets includes a provision for expected credit loss of $3,269k (2022: $2,877k). During the financial year, new loans issued in the Group's securitisation programme were $1,580,847k (2022: $2,719,683k). The Group's exposure to credit, currency and interest rate risks related to loans and advances is disclosed in Note 28.

17. Investment in associates

In thousands of AUD	2023	2022
Non-current		
Thinktank		
Cost of investment[1]	12,629	12,629
Share of post-acquisition profit	21,491	15,417
Dividends received	(515)	(515)
Purchase additional shares	725	725
	34,330	**28,256**
MAB Broker Services Pty Ltd		
Cost of investment[2]	3,700	3,700
Share of post-acquisition losses	(550)	(535)
	3,150	**3,165**
Total Investment in associates	**37,480**	**31,421**

1. Investment in Thinktank Group Pty Ltd ("Thinktank") includes transaction costs.
2. Investment in MAB Broker Services Pty Ltd includes transaction costs.

Thinktank Investment

AFG holds a 32.08% investment in Thinktank Group Pty Ltd ("Thinktank"). Principal place of business, Sydney NSW Australia. In connection with the investment AFG distributes a white label commercial property product through its network of brokers. The strategic investment in Thinktank represents an opportunity for AFG to diversify its earnings base. The ongoing success of AFGHL are important contributors to the future growth of AFG. The investment in Thinktank allows AFG to participate further in commercial property lending - both directly through the white label opportunity and indirectly through AFG's shareholding to generate further earnings for AFG.

Associates are all entities over which the Group has significant influence but not 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. 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 Thinktank.

MAB Broker Services Pty Ltd Investment

AFG holds a 48.05% investment in MAB Broker Services Pty Ltd ("MAB"). Principal place of business, Sydney NSW Australia.

Associates are all entities over which the Group has significant influence but not 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. 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 MAB.

In thousands of AUD	2023	2022
Thinktank's summarised financial information		
Balance Sheet		
Current assets	311,308	257,716
Non-current assets	5,217,451	4,125,087
Total Assets	**5,528,759**	**4,382,803**
Current liabilities	33,174	1,615,050
Non-current liabilities	5,420,652	2,712,281
Total Liabilities	**5,453,826**	**4,327,331**
Net assets	**74,933**	**55,472**
Income Statement		
Revenue	351,387	156,748
Profit after tax	18,908	18,913
Reconciliation to carrying amounts:		
Carrying amount of investment	34,330	28,256
Group's share of profit after tax	21,491	15,417
Acquisition costs	12,629	12,629
Purchase additional shares	725	725
Dividends received	(515)	(515)
	34,330	**28,256**
MAB summarised financial information		
Balance Sheet		
Current assets	2,158	2,108
Non-current assets	63	75
Total Assets	**2,221**	**2,183**
Current liabilities	161	132
Non-current liabilities	207	193
Total Liabilities	**368**	**325**
Net assets	**1,853**	**1,858**

In thousands of AUD	2023	2022
Income Statement		
Revenue	714	758
Loss after tax	(8)	(381)
Reconciliation to carrying amounts:		
Carrying amount of investment	3,150	3,165
Group's share of loss after tax for the period	(550)	(535)
Acquisition costs	3,700	3,700
	3,150	**3,165**

18. Leases

The Group leases a number of office facilities under operating leases. The leases run for a period of up to 5 years, with an option to renew the lease after that date. Lease payments are generally increased every year to at least reflect Consumer Price Index (CPI) movements, with regular adjustments to reflect market rentals.

Right of use assets *In thousands of AUD*	2023	2022
At 1 July	5,113	4,979
Additions	3,397	1,367
Acquisition of controlled entities	-	365
Depreciation	(2,012)	(1,598)
Carrying amount at 30 June	**6,498**	**5,113**

Lease liability *In thousands of AUD*	2023	2022
At 1 July	5,581	5,362
Additions	3,397	1,367
Acquisition of controlled entities	-	367
Repayments	(2,321)	(1,791)
Accretion of interest	380	276
Carrying amount at 30 June	**7,037**	**5,581**

In thousands of AUD	2023	2022
Current	2,123	1,551
Non-current	4,914	4,030
Carrying amount at 30 June	**7,037**	**5,581**

The table below presents the contractual discounted cash flows associated with the Group's lease liabilities, representing principal and interest.

Maturity profile of lease liabilities **Due for payment in:** *In thousands of AUD*	2023	2022
1 year or less	2,123	1,551
1-2 years	1,927	1,647
2-3 years	854	1,463
3-4 years	696	393
4-5 years	742	207
More than 5 years	695	320
	7,037	**5,581**

19. Trade and other payables

In thousands of AUD	Note	2023	2022
Current			
Present value of future trail commissions payable	4	221,333	208,546
Other trade payables		90,080	89,853
Non-trade payables and accrued expenses		11,810	7,353
		323,223	**305,752**
Non-current			
Net present value of future trail commissions payable		821,999	832,487
		821,999	**832,487**
		1,145,222	**1,138,239**

Trade payables are non-interest-bearing and are normally settled on 60-day terms.
Non-trade payables are non-interest-bearing and are normally paid on a 60-day basis.
The Group's exposure to liquidity risk related to trade and other payables is disclosed in Note 28.

20. Interest-bearing liabilities

This note provides information about the contractual terms of the Group's interest-bearing loans and borrowings. For more information about the Group's exposure to interest rate risk, see Note 28.

In thousands of AUD	2023	2022
Current		
Securitisation warehouse facilities	1,652,283	1,598,339
Securitised funding facilities[1]	926,462	995,159
Debt facility[2]	4,928	4,847
	2,583,673	**2,598,345**
Non-current		
Securitisation warehouse facilities	445,416	214,689
Securitised funding facilities[1]	1,522,450	2,088,602
Debt facility[2]	39,375	47,679
	2,007,241	**2,350,970**
	4,590,914	**4,949,315**

1. Securitised funding facilities include RMBS and risk retention facilities.
2. Corporate debt facility used to fund the Fintelligence acquisition.

Terms and debt repayment schedule

Terms and conditions of outstanding loans were as follows:

	2023				2022			
In thousands of AUD	Weighted Average Effective interest rate	Year of maturity	Face value	Carrying amount	Weighted Average Effective interest rate	Year of maturity	Face value	Carrying amount
Warehouse facilities	4.56%	2024	2,097,700	2,097,699	1.43%	2023	1,813,028	1,813,028
Securitised funding facilities	4.43%	2024-2027	2,451,530	2,448,912	1.42%	2023-2027	3,088,491	3,083,761
Debt Facility	2.75% + BBSW	2024-2026	44,303	44,303	2.75% + BBSW	2023-2026	52,526	52,526
			4,593,533	**4,950,914**			**4,954,045**	**4,949,315**

a. Warehouse and Securitised funding facilities

i. Warehouse facilities

The warehouse facilities provide funding for the financing of loans and advances to customers within the SPE and its Series.

The security for advances under these facilities is a combination of fixed and floating charges over all assets of the SPE being loans and advances to customers. If the warehouse facility is not renewed or should there be a default by the trustee under the existing terms and conditions, the warehouse facility funder will not have a right of recourse against the remainder of the Group.

Customer loans and advances are secured against residential properties only. Up until 1 July 2014, all new loans settled irrespective of their LVR were covered by a separate individual lenders mortgage insurance contract. Subsequent to this date, all new loans settled with an LVR of less than or equal to 80% were settled on the basis that no lenders mortgage insurance policy was required. When purchased, a lenders mortgage insurance contract covers 100% of the principal of the loan.

As at the reporting date the unutilised securitisation warehouse facility for all Series is $454,300k (2022: $488,800k). The interest is recognised at an effective rate of 4.56% (2022: 1.43%). As at the reporting date we have three securitisation warehouse facilities, expiring on 13 November 2023, 10 May 2024 and 13 May 2024.

ii. Securitised funding facilities

Secured bond issues

SPE-RMBS were established to provide funding for loans and advances (securitised assets) originated by AFG Securities Pty Ltd. The bond issues have a legal final maturity of 31.5 years from issue, and a weighted average life of up to 5 years. The security for loans and advances is a combination of fixed and floating charges over all assets of the SPE-RMBS.

Under the current trust terms, a default by the borrowing customer will not result in the bondholders having a right of recourse against the Group (as Originator, Trust Manager or Servicer). The interest is recognised at a weighted effective rate of 4.43% (2022: 1.42%).

Liquidity facility

Various mechanisms have been put in place to support liquidity within the transaction to support timely payment of interest, including;

- principal draws which are covered by Redraw Notes for redraws that cannot be covered by normal collections (available principal),
- a liquidity facility being 1% of the aggregated invested amount of all notes at that time,
- $150k Reserve Account which is an Extraordinary Expense Ledger account, and
- available income.

Additional credit support includes subordinated credit enhancement held by the Company of $11,303k (2022: $12,500k). During the financial year there were no breaches to the terms of the SPE-RMBS that gave right to the bondholders to demand payment of the outstanding value.

Other Securitised funding facilities

Securitised funding facilities are secured only on the assets of each of the individual securitisation trusts. As at the reporting date we have two other securitised funding facilities, provided for the purpose of funding the purchase of Notes in our RMBS issues required to be retained under the EU Regulations. These facilities are also supported by a guarantee provided by AFG Securities Pty Ltd. Total funding provided in financial year ending 30 June 2023 was $122,008k (2022: $144,186k).

b. Debt facility

The Group entered into a debt facility agreement with National Australia Bank Ltd on 20 December 2021. The $52.5M facility was used to fund the Fintelligence 70% acquisition. The loan is for a period of 5 years. The interest rate on the loan is 2.75% + BBSW.

c. Other finance facilities

In thousands of AUD	2023	2022
Standby facility	300	300
Bank guarantee facility	473	473
	773	**773**
Facilities utilised at reporting date		
Standby facility	122	36
Bank guarantee facility	473	473
	595	**509**
Facilities not utilised at reporting date	178	264
Standby facility	**178**	**264**

The facilities are subject to annual review.

21. Non-interest bearing liabilities

In thousands of AUD	2023	2022
Put/call liability Fintelligence	19,000	18,200
Put/call liability BrokerEngine	3,000	1,980
	22,000	**20,180**

Fintelligence

On 22 December 2021, the Group acquired a 75% stake in leading asset finance aggregator, National Finance Alliance Pty Ltd, trading as Fintelligence. AFG has an exclusive call option to acquire the remaining 25% interest in Fintelligence over the next two and a half years with value linked to Fintelligence achieving agreed milestones. The minority shareholders also have a similar put option to require AFG to purchase the remaining 25% interest in Fintelligence on the same terms as the call option.

The put and call option to acquire the remaining 25% of the business is exercisable evenly across FY23, FY24 and FY25 and is subject to a valuation matrix based on profitability and broker numbers. The exercise of the FY23 and FY24 options can be deferred until FY24 and FY25 or all until FY25 at the election of the minority shareholders. The put and call option cannot be deferred beyond FY25. The Group has recognised a liability in relation to this option against an equity reserve. The exercise price and the timing for the exercise of the put/call options is variable until FY25 and could result in a subsequent revision to the put/call liability recognised. Any changes to the fair value of the liability will be subsequently measured at fair value through profit or loss.

The fair value of the liability was assessed at 30 June 2023. The Forecasted cashflows were updated with the latest forecast and the discount rate was reassessed and risk adjusted where necessary. As a result of this assessment the put/call liability for Fintelligence has increased by $0.8m to $19.0m.

BrokerEngine

On 12 January 2022, the Group acquired of a 70% stake in leading mortgage broker software business, BrokerEngine. The acquisition supports AFG and BrokerEngine's shared mission to build technology solutions to drive business growth and enhance customer outcomes in the Australian mortgage industry. BrokerEngine is a highly successful mortgage broker workflow platform used by brokers across the industry, including many AFG brokers. As part of the transaction, AFG has an option to increase its stake to 100% over the next two years, subject to performance hurdles.

The put and call option to acquire the remaining 30% of the business is exercisable in FY24 (two years after completion of the transaction). The Group has recognised a liability in relation to this option against an equity reserve. The exercise price and the timing for the exercise of the put/call options is variable until FY24 and could result in a subsequent revision to the put/call liability recognised. Any changes to the fair value of the liability will be subsequently measured at fair value through profit or loss.

The fair value of the non-controlling interest in BrokerEngine, a non-listed company, has been determined with reference to the final agreed price to be paid by AFG for the remaining 30%. As a result of this assessment the put/call liability for BrokerEngine has increased by $1.0m to $3.0m.

22. Employee benefits

In thousands of AUD	2023	2022
Current		
Salaries and wages accrued	2,077	3,224
Liability for long service leave	1,987	1,681
Liability for annual leave	2,235	2,195
	6,299	**7,100**
Non-Current		
Liability for long-service leave	92	103
	92	**103**
	6,391	**7,203**

23. Provisions

In thousands of AUD	2023	2022
Provision for Clawbacks[1]	1,470	1,627
Provision for make good	178	178
Provision for contingent payment[2]	-	924
Provision other[3]	202	-
	1,850	**2,729**

1. Provision for clawbacks relates to commissions that maybe clawed back by lenders in accordance with individual contracts. These potential clawbacks are estimated, and a provision raised (see Note 3(l)).
2. Provision for contingent payment to BrokerEngine (see Note 29). The contingent payment related to the contingent consideration paid in FY23 for the remaining initial consideration for a 70% stake in BrokerEngine.
3. Provision other relates to restructuring provisions to occur in FY24.

24. Contract liability

Contract Liability In thousands of AUD	2023	2022
Current		
Sponsorship income	5,326	6,657
Unearned income	389	251
	5,715	**6,908**

25. Capital and reserves

a. Share capital

	Share Capital ($'000)		Number of Ordinary shares ('000)	
The Company	**2023**	**2022**	**2023**	**2022**
On issue at 1 July	102,125	102,125	269,129	268,382
Issued for cash	-	-	1,129	747
Share issue costs	-	-	-	-
On issue at 30 June – fully paid	**102,125**	**102,125**	**270,258**	**269,129**

The Company does not have authorised capital or par value in respect of its issued shares. All issued shares are fully paid and rank equally with regard to the Company's residual assets.

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company.

b. Dividends

	Cents per share	Total amount ($'000)	Franked / unfranked	Date of payment
2023				
Final 2022 ordinary	9.6	25,945	100%	23/09/2022
1st interim 2023 ordinary	6.6	17,837	100%	23/03/2023
		43,782		
Dividend paid to non-controlling interest		2,201	100%	
2022				
Final 2021 ordinary	7.4	19,916	100%	23/09/2021
1st interim 2022 ordinary	7.0	18,839	100%	24/03/2022
		38,755		

Declared but not recognised as a liability:

	Cents per share	Total amount ($'000)	Franked / unfranked	Date of payment
2023				
Final 2023 ordinary	4.1	11,078	100%	22/09/2023
		11,078		

Dividends declared or paid during the year or after 30 June 2023 were franked at the rate of 30%.

In thousands of AUD	2023	2022
Dividend franking account	27,282	36,969
30 percent franking credits available to shareholders of Australian Finance Group Limited for subsequent financial years	63,657	86,260
	90,939	**123,229**

The ability to utilise the franking credits is dependent upon the ability to declare dividends. In accordance with the tax consolidation legislation the Company as the head entity in the tax-consolidated group has also assumed the benefit of $90,939k (2022: $123,229k) franking credits.

26. Earnings per share (EPS)

Basic EPS amounts are calculated by dividing the profit for the year attributable to ordinary equity holders of Australian Finance Group Limited by the weighted average number of ordinary shares outstanding during the year.

Diluted EPS amounts are calculated by dividing the profit attributable to ordinary equity holders of Australian Finance Group Limited by the weighted average number of ordinary shares during the year plus the weighted average number of ordinary shares that would be issued on conversion of all the dilutive potential ordinary shares into ordinary shares.

The following reflects in the income and share data used in the basic and dilutive EPS computations:

In thousands of AUD	2023	2022
Profit attributable to ordinary equity holders of the Company	37,312	38,777
	Thousands	Thousands
Weighted average number of ordinary shares for basic EPS (thousands)	270,098	269,021
Effect of dilution: Performance rights	4,021	3,692
Weighted average number of ordinary shares adjusted for the effect of dilution	**274,119**	**272,713**

There have been no other transactions involving ordinary shares or potential ordinary shares between the reporting date and the date of authorisation of these financial statements.

27. Share based payments

Executive Rights plan (Long-Term Incentive Plan)

The Group has in place an Executive Long-Term Incentive Plan (LTIP) which grants rights, settled in equity, to certain Executives subject to the achievement of performance and service requirements. Eligible Executives are granted rights to a value determined by the Board that is benchmarked against direct industry peers and other Australian listed companies of a similar size and complexity.

The LTIP operates in accordance with the terms of the Australian Finance Group Ltd Employee Share Trust Deed, under which the trustee may subscribe for, or acquire, deliver, allocate or hold, shares for the benefit of the participants. Participants will be able to access the relevant taxation concessions available under the Income Tax Assessment Act 1997 (ITAA 1997).

Executives participating in the plan will not be required to make any payment for the acquisition of rights.

The rights lapse if the performance and service criteria are not met. The rights granted under the plan are subject to instalment vesting over a three-year period. The rights are subject to Total Shareholder Return (TSR) and Earnings Per Share (EPS) performance hurdles in addition to continuous service vesting conditions. The Board has the full discretion to determine whether some or all of the rights vest or lapse or whether unvested rights remain subject to vesting conditions in the event of a change of control. Refer to section 3.5 of the remuneration report for further detail.

In any event, any rights that remain unvested will lapse immediately after the end of the relevant vesting period. The following table outlines performance rights that are conditionally issued under LTIP:

Offer Date	Vesting date	Balance at start of the year	Granted during the year	Vested during the year	Expired during the year	Forfeited during the year	Balance at the end of the year
1/07/2020	30/06/2023	1,987,804	1,349,079	746,481	-	99,789	2,652,246
1/07/2021	30/06/2024	2,652,246	1,017,543	1,129,435	-	792,489	1,747,865
1/07/2022	30/06/2025	1,747,865	1,700,501	510,733	-	519,890	2,417,743

Number vested during the year is calculated on T1 0%, T2 67% and T3 73%.

28. Financial instruments

a. Credit risk

Exposure to credit risk

The carrying amount of the Group's financial assets represents the maximum credit exposure.

i. Contract assets

The majority of the Group's net present value of future trail commission receivables is from counterparties that are rated between AA+ and A-. The following table provides information on the credit ratings at the reporting date according to the Standard & Poor's counterparty credit with AAA and BBB being respectively the highest and the lowest possible ratings. An impairment assessment using forward looking assumptions has been undertaken refer to Note 3(g)(ii) for further information.

In thousands of AUD	Current	Non-Current	Current	Non-Current
Standard & Poor's Credit rating	**2023**	**2023**	**2022**	**2022**
AA-	115,035	424,162	109,759	434,702
A+	77,789	286,826	71,641	283,736
A	-	-	4	14
A-	8,589	31,669	9,341	36,994
BBB+	12,471	45,985	7,777	30,799
BBB	11,138	41,070	9,772	38,703
BBB-	2,546	9,389	3,383	13,398
Not rated	15,535	57,279	19,535	77,368
	243,103	**896,380**	**231,212**	**915,714**

ii. Loans and advances

Exposure to credit risk

The Group's maximum exposure to credit risk for loans and advances at the reporting date by customer type are summarised as follows:

	Carrying amount	
In thousands of AUD	**2023**	**2022**
Customer type		
Residential mortgage borrowers	4,474,615	4,785,285
Mortgage Brokers	1,764	2,518
Other	11,587	14,772
	4,487,966	**4,802,575**

Residential mortgage borrowers

The Group minimises credit risk by obtaining security over residential mortgage property for each loan. The estimated value of collateral held at balance date was $8,481,206k (2022: $8,804,875k). During the year ended 30 June 2023 the Group took possession of 5 residential securities, 1 of which was sold during the financial year. No shortfall was recoded on the sale, as sales proceeds exceeded the outstanding loan balance.

In monitoring the credit risk, mortgage securitisation customers are grouped according to their credit characteristics using credit risk classification systems. This includes the use of the Loan to Value Ratio (LVR) to assess its exposure to credit risk from loans originated through the securitisation programme.

The table below summarises the Group exposure to residential mortgage borrowers by current LVR, with the valuation used determined as at the time of settlement of the individual loan. The ECL model considers the different risk profiles across the different loan portfolios full doc, near prime and low doc. The assumptions applied are the same across the portfolios.

	Carrying amount	
In thousands of AUD	**2023**	**2022**
Loan to value ratio		
Greater than 95% [1]	871	-
Between 90%-95% [1]	21,809	13,888
Between 80%-90% [1]	524,170	574,693
Less than 80%	3,927,765	4,197,402
	4,474,615	**4,785,983**

1. LVR greater than 80% is required to have Lenders Mortgage Insurance (LMI), resulting in 100% of this balance being insured.

The expected credit loss (ECL) provision has increased to $3,269k for the year ended 30 June 2023 (2022: $2,877k). The ECL model considers interest rates, property price performances and unemployment rates. Proactive management has resulted in arrears remaining low. The loan book is 100% variable interest rate, this allows for a quick response to changing market conditions & no exposure to the rate increase confronting customers as they reach the end of their fixed term loans. All loans originated above 80% LVR require individual LMI policies, with LMI underwritten on a per loan basis by the LMI insurer. There were no losses incurred in the reporting period. Given market volatility, changes may arise to the estimates and outcomes that have been applied in the measurement of the Group assets and liabilities in the future.

A summary of the Groups' ECL provision is as follows:

30 June 2022

In thousands of AUD	ECL rate	Basis of recognition ECL provision	Estimated gross carrying amount at default	Carrying amount (net of impairment provision)	Basis for calculation of interest revenue
Performing	0.06%	12 month expected losses	4,594,261	4,591,472	Gross carrying amount
Underperforming	0.03%	Lifetime expected losses	184,700	184,637	Gross carrying amount
Non-performing	0.36%	Lifetime expected losses	7,022	6,997	Amortised cost
Write off	-	Asset is written off	-	-	None
Total Loans			4,785,983	4,783,106	

30 June 2023

In thousands of AUD	ECL rate	Basis of recognition ECL provision	Estimated gross carrying amount at default	Carrying amount (net of impairment provision)	Basis for calculation of interest revenue
Performing	0.06%	12 month expected losses	4,283,261	4,280,772	Gross carrying amount
Underperforming	0.08%	Lifetime expected losses	146,748	146,634	Gross carrying amount
Non-performing	1.49%	Lifetime expected losses	44,606	43,940	Amortised cost
Write off	-	Asset is written off	-	-	None
Total Loans			4,474,615	4,471,346	

In thousands of AUD	Performing	Under performing	Non-performing	Write-offs	Total
Opening loss allowance as at 1 July 2021	2,917	59	296	-	3,272
Individual financial assets transferred to under-performing (lifetime expected credit losses)	(1)	1	-	-	-
Individual financial assets transferred to non-performing (credit-impaired financial assets)	(79)	(29)	108	-	-
New financial assets originated or purchased	544	6	11	-	561
Write-offs	-	-	-	-	-
Recoveries	95	(184)	(9)	-	(98)
Other changes	(658)	(28)	(172)	-	(858)
Closing loss allowance as at 30 June 2022	2,818	(175)	234	-	2,877

In thousands of AUD	Performing	Under performing	Non-performing	Write-offs	Total
Opening loss allowance as at 1 July 2022	2,818	(175)	234	-	2,877
Individual financial assets transferred to under-performing (lifetime expected credit losses)	(40)	40	-	-	-
Individual financial assets transferred to non-performing (credit-impaired financial assets)	(496)	(3)	499	-	-
New financial assets originated or purchased	888	46	58	-	992
Write-offs	-	-	-	-	-
Recoveries	1	(1)	-	-	-
Other changes	(681)	207	(126)	-	(600)
Closing loss allowance as at 30 June 2023	2,490	114	665	-	3,269

In thousands of AUD	30 June 2023	30 June 2022
Performing	4,283,261	4,594,261
Underperforming	146,748	184,700
Non-performing	44,606	7,022
Loans written off	-	-
Total gross loans and advances	**4,474,615**	**4,785,983**
Less Loan loss allowance	(3,269)	(2,877)
Less Write-offs	-	-
Loans and advances net of ECL as at 30 June	**4,471,346**	**4,783,106**

In thousands of AUD	30 June 2022	Movement	30 June 2023
Stage 1	2,818	(328)	2,490
Stage 2	(175)	289	114
Stage 3	234	431	665
Total Provision for ECL	**2,877**	**392**	**3,269**

In thousands of AUD	Movement	30 June 2023
Opening loss allowance as at 1 July	2,877	3,272
Stage 1	(328)	(99)
Stage 2	289	(234)
Stage 3	431	(62)
Closing loss allowance as at 30 June	**3,269**	**2,877**

Securitisation assets

Loans and advances of SPEs: The Group is required to provide the warehouse facility provider with a level of subordination or Credit Support. The Group's maximum exposure to credit risk on securitised loans at reporting date is the carrying amount of subordinated notes.

The SPE-RMBS loans and advances: Under the current trust terms, a default by the customers will not result in the bond holders having a right of recourse against the Group (as Originator, Trust Manager or Servicer). Importantly, all residential mortgages under SPE-RMBS with an LVR exceeding 80% are insured by a lender's mortgage insurance contract which covers 100% of the principal. The Group's maximum exposure is the loss of future interest income on its Class C notes investment, which eliminate on consolidation. No impairment loss was recognised during 2023 relating to securitization assets (2022: Nil).

Other secured loans

The Group has minimal exposure to credit risk for other secured loans made during the year. No impairment loss was recognised during 2023 for other secured loans (2022: Nil).

b. Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation. The Board of Directors reviews the rolling cash flow forecast on a monthly basis to ensure that the level of its cash and cash equivalents is at an amount in excess of expected cash outflows over the proceeding months. Excess funds are generally invested in at call bank accounts with maturities of less than 90 days. Within the special purpose entities, the Group also maintains sufficient cash reserves to fund redraws and additional advances on existing loans.

The following are the contractual maturities of financial liabilities based on undiscounted payments, including estimated interest payments and excluding the impact of netting agreements for the Group.

2023

In thousands of AUD	Carrying amount	Contractual cash flows	6 months or less	6-12 months	1-2 years	2-5 years	More than 5 years
Securitisation ware house facilities	2,097,699	2,139,103	1,222,593	471,093	445,417	-	
Secured funding facilities	2,448,912	2,462,903	463,231	463,231	577,958	958,483	-
Net present value of future trail commissions payable	1,043,332	1,132,086	144,415	129,587	218,461	407,332	232,291
Put/call liability[1]	22,000	25,397	10,133	-	7,043	8,222	-
Debt facility	44,303	44,303	2,278	2,650	5,250	34,125	-
Trade and other payables	101,891	101,891	101,891	-	-		-
Lease liability	7,037	7,037	1,061	1,061	1,927	2,293	695
	5,765,174	5,912,721	1,945,602	1,067,622	1,256,056	1,410,455	232,986

1. Refer to note 21.

2022

In thousands of AUD	Carrying amount	Contractual cash flows	6 months or less	6-12 months	1-2 years	2-5 years	More than 5 years
Securitisation warehouse facilities	1,813,028	1,848,142	1,127,976	505,477	214,689	-	-
Secured funding facilities	3,083,761	3,100,991	497,579	497,580	683,413	1,422,419	-
Net present value of future trail commissions payable	1,041,033	1,148,645	141,730	127,971	217,981	419,727	241,236
Put/call liability[1]	20,180	27,178	-	6,558	11,298	9,322	-
Debt facility	52,526	52,526	2,651	2,625	5,250	42,000	-
Trade and other payables	97,206	97,206	97,206	-	-	-	-
Lease liability	5,581	5,581	775	776	1,647	2,063	320
	6,113,315	6,280,269	1,867,917	1,140,987	1,134,278	1,895,531	241,556

1. Refer to note 21.

The obligation in respect of the net present value of future trail commission only arises if and when the Group receives the corresponding trail commission revenue from the lenders. It is not expected that the cash flows included in the maturity analysis could occur significantly earlier, or at significantly different amounts.

Securitisation warehouse facilities

Secured bond issuances are based on expected cashflows rather than contractual cashflows as each must be repaid to secured bondholders on receipt of funds from underlying mortgage customers. The warehouse facilities are short term funding facilities that are generally renewable bi-annually or annually. If the warehouse facility is not renewed or should there be a default by the trustee under the existing terms and conditions, the warehouse facility funder will not have a right of recourse against the remainder of the Group. Should the warehouse facility not be renewed then the maximum exposure to the Group would be the loss of future income streams from the net interest margin, being the difference between the mortgage rate and the underlying cost of funds and inability to fund new loans.

The expiry dates of the Group's warehouse facilities are 13 November 2023, 10 May 2024 and 13 May 2024. The Group has a history of successfully renegotiating the warehouse facility agreements prior to the expiry of the facility.

Securitised funding facilities

The securities are issued by the SPE-RMBS with an expected weighted average life of 3 to 5 years. They are pass through securities that may be repaid early (at the call date) by the issuer (the Group) in certain circumstances. The above maturity assumes that the securities will be paid at the securities call date.

The Directors are satisfied that the Group's ability to continue as a going concern will not be affected. For terms and conditions relating to trade payables and net present value of future trail commissions payable refer to Note 19. For terms and conditions relating to debt facilities refer to Note 20.

Market risk

i. Currency risk

Exposure to currency risk

As at reporting date the Group held cash assets denominated in NZD and USD. Fluctuations in foreign currencies are not expected to have a material impact on the Consolidated Statement of Profit or Loss and Other Comprehensive Income and equity of the Group and have therefore not formed part of the disclosures.

ii. Interest rate risk

The table below summarises the profile of the Group's interest-bearing financial instruments and contract assets at reporting date.

	Carrying amount	
In thousands of AUD	**2023**	**2022**
Fixed rate instruments[1]		
Contract assets	1,139,483	1,146,926
Financial liabilities	(1,043,332)	(1,041,033)
	96,151	105,893
Variable rate instruments		
Cash and cash equivalents	222,242	268,585
Other secured loans	1,765	2,518
Securitised assets	4,486,201	4,800,057
Financial liabilities	(4,590,914)	(4,949,315)
	119,294	121,845

1. Discount rate for trail commission receivable and payable is fixed for the life of the loan.

The Group's main interest rate risk arises from securitised assets, cash deposits and interest-bearing facilities. All the Group's borrowings are issued at variable rates, however the vast majority pertains to the warehouse facility which is arranged as 'pass through' facilities, and therefore the exposure to the interest rate risk is mitigated by the ability to pass any rate increases onto borrowers.

Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points in interest rates at the reporting date would have increased/(decreased) equity and profit or loss by the amounts shown below. This analysis assumes that all other variables remain constant. The analysis is performed on the same basis for 2022 and 2023

	After tax profit		Carrying amount	
Effect in thousands of AUD	**100bp increase**	**100bp decrease**	**100bp increase**	**100bp decrease**
30 June 2023				
Variable rate financial assets	32,971	(32,971)	32,971	(32,971)
Variable rate financial liabilities	(20,977)	20,977	(20,977)	20,977
Cash flow sensitivity (net)	11,994	(11,994)	11,994	(11,994)
30 June 2022				
Variable rate financial assets	35,480	(35,480)	35,480	(35,480)
Variable rate financial liabilities	(18,105)	18,105	(18,105)	18,105
Cash flow sensitivity (net)	17,375	(17,375)	17,375	(17,375)

iii. Prepayment risk

Net present value of contract assets and future trail commissions payable

Exposure to prepayment risk

The Group will incur financial loss if customers or counterparties repay or request repayment earlier or later than expected. A change in the pattern of repayment by end consumers will have an impact on the fair value of future trail commissions contract asset and future trail commission payables. Refer to Note 28(d) for more details.

Sensitivity analysis

Management have engaged the use of actuaries for the purposes of reviewing the run-off rate of the loans under management. Management does not expect the run-off rate to change in excess of 10% positive or 10% negative of the rates revealed from the actuarial analysis performed on AFG's historical loan data. The change estimate is calculated based on historical movements of the prepayment rate.

The effect from changes in prepayment rates, with all other variables held constant, is as follows:

		2023		2022
In thousands of AUD	**+10%**	**-10%**	**+5%**	**-5%**
After tax profit	(6,169)	6,959	(3,237)	3,421

Securitised assets

The Group is exposed to prepayment risk on its securitised assets. The warehouse facilities and the securitised funding facilities funding the securitisation operations are pass through funding facilities in nature. All principal amounts prepaid by residential mortgage borrowers are passed through to the warehouse facility provider or the bond holders as part of the monthly payment terms. Consequently, the Group has no material exposure to prepayment risk on its securitised assets.

iv. Other market risks

The Group is exposed to other market risks on the credit support (securitisation loan receivable) provided by the Group in relation to the warehouse facilities. The value of the loan is dynamic in that it can change due to circumstances including the credit ratings of mortgage insurers. The Group has assessed that if this were to occur, it would not have a material impact on the Group's profit after tax and equity.

c. Accounting classifications and fair values

Fair value hierarchy

The different levels have been defined as follows:

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

Fair value of financial assets and liabilities that are not measured at fair value (but fair value disclosures are required)

The table below reflects the fair value of the trail commission payable, non-current loans and advances and non-current securitised funding facilities. The carrying amount of all the other financial assets and liabilities recognised in the Statement of Financial Position approximate their fair value due to their short-term nature.

	30 June 2023		30 June 2022	
In thousands of AUD	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets				
Non-current loans and advances	2,795,087	2,508,023	3,352,063	3,271,098
Financial liabilities				
Future Trailing commission payable[1]	1,043,332	1,034,331	1,041,033	1,064,474
Non-current securitised funding facilities	1,967,867	1,762,058	2,307,829	2,254,921
Non-current debt facility	39,375	33,744	47,679	47,679

1. Note a 5% discount rate (2022:4%) is applied to the fair value calculations. Run off rate and pay out percentage remain consistent with the carrying value calculation assumptions.

Loans and advances

The fair values of loans and advances are estimated using a discounted cash flow analysis, based on current lending rates for similar types of lending arrangements ranging from 5.2% to 10.6%, (2022: 2.1% to 7.1%).

For the purpose of fair value disclosure under AASB 13 Fair Value Measurement, the loans and advances would be categorised as a Level 3 asset where the lowest level input that is significant to the fair value measurement is directly or indirectly observable.

Future Trailing commission payable

Trailing commissions are received from lenders on settled loans over the life of the loan based on the loan book balance outstanding if the respective loans are in good order and not in default. The Group is entitled to the trailing commissions without having to perform further services. The Group also makes trailing commission payments to Members when trailing commission is received from lenders. Trail commissions are actuarially assessed on future cashflow based on a number of assumptions including estimated loan life, discount rate, payout ratio and income rate.

The trail commission assets and liabilities at 30 June 2023 relate to the Residential, Commercial and the AFGHL white label loan books.

The movement in the future trail commission balances for the period are mostly attributable to the growth of the respective trail books over the financial year as opposed to any significant changes in the assumptions applied.

The fair value of trailing commission contract asset from lenders and the corresponding payable to members is determined by using a discounted cash flow valuation. These calculations require the use of assumptions which are determined by management, reviewed by external actuaries, by reference to market observable inputs. The valuation is classified as level 3 in the fair value measurement hierarchy.

The key assumptions/inputs underlying the carrying value calculations of trailing commission receivable and the corresponding payable to members at the reporting date is summarised in the following table:

	30 June 2023	30 June 2022 value
Average loan life	Between 3.6 and 4.5 years	Between 3.8 and 4.8 years
Discount rate per annum	Between 4% and 13.5%	Between 4% and 13.5%
Percentage paid to brokers	Between 85% and 95.5%	Between 85% and 94.8%

Securitised funding facilities

The fair value of securitised funding facilities are estimated using discounted cash flow analysis, based on current borrowing rates for similar types of borrowing arrangements ranging from 4.89% to 6.35% (2022: 1.7% to 3.1%).

For the purposes of fair value disclosure under AASB 13 Fair Value Measurement, the subordinated notes would be categorised as a Level 3 liability where the lowest level input that is significant to the fair value measurement is directly or indirectly observable.

29. Business combinations

Fintelligence

In the previous financial year, on 22 December 2021, the Group acquired a 75% stake in leading asset finance aggregator, National Finance Alliance Pty Ltd, trading as Fintelligence. AFG has an exclusive call option to acquire the remaining 25% interest in Fintelligence over the next two years with value linked to Fintelligence achieving agreed milestones. The minority shareholders also have a similar put option to require AFG to purchase the remaining 25% interest in Fintelligence on the same terms as the call option.

The Group paid $54.6m for the purchase of 75% of Fintelligence, funded primarily by a new corporate debt facility.

The fair values of the identifiable assets and liabilities of Fintelligence as at the date of acquisition, based on business combination accounting were finalised as at 31 December 2022, 12 months post-acquisition date:

In thousands of AUD	Fair value recognised on acquisition (Final)
Assets	
Cash and cash equivalents	4,090
Trade and other receivables	1,605
Other current assets	1,443
Property, plant and equipment	27
Right of use asset	332
Customer related intangibles (broker network)	17,299
Computer software	2,314
	27,110
Liabilities	
Trade and other payables	(3,965)
Accrued and deferred items	(279)
Provisions	(850)
Lease liabilities	(355)
Deferred tax liability	(5,812)
	(11,261)
Total identifiable net assets at fair value	**15,849**
Goodwill arising on acquisition	56,950
Total identifiable net assets at fair value, including goodwill	**72,799**
Non-Controlling Interest	(18,200)
Purchase consideration transferred	**54,599**

The Group has recognised a liability in relation to the option to acquire the remaining 25% interest in Fintelligence. This liability is recognised against an equity reserve (refer to note 21).

The fair value at acquisition date of the non-controlling interest in Fintelligence, a non-listed company, has been determined with reference to the price paid by AFG for 75% of the company. This has also been cross-checked by applying a discounted earnings technique. The fair value measurements are based on significant inputs that are not observable in the market.
The fair value estimate is based on:

- An assumed discount rate of 15.2%.
- Forecasted cash flows for a 2-year period.

In thousands of AUD	Fair value recognised on acquisition
Analysis of cashflows on acquisition	
Net cash acquired with the subsidiary (included in cashflows from investing activities)	4,090
Cash paid	(54,599)
Net cash flow on acquisition	(50,509)

The Group measured the acquired lease liabilities using the present value of the remaining lease payments at the date of acquisition. The goodwill recognised is primarily attributed to the expected synergies and other benefits from combining the assets and activities of Fintelligence with those of the Group. The goodwill is not deductible for income tax purposes. The goodwill balances have been finalised.

BrokerEngine

In the previous financial year, on 12 January 2022, the Group completed the acquisition of a 70% stake in leading mortgage broker software business, BrokerEngine. The acquisition supports AFG and BrokerEngine's shared mission to build technology solutions to drive business growth and enhance customer outcomes in the Australian mortgage industry. BrokerEngine is a highly successful mortgage broker workflow platform used by brokers across the industry, including many AFG brokers. As part of the transaction, AFG has an option to increase its stake to 100% over the next two years, subject to performance hurdles.

The Group paid $3.6m for the purchase of 70% of BrokerEngine, funded through cash.

The fair values of the identifiable assets and liabilities of BrokerEngine as at the date of acquisition, based on business combination accounting finalised as at 31 December 2022, 12 months post-acquisition date were:

In thousands of AUD	Fair value recognised on acquisition (Final)
Assets	
Cash and cash equivalents	93
Other current assets	2
Intangibles	3
Computer software	3,983
	4,081
Liabilities	
Trade and other payables	(85)
Deferred revenue[1]	(354)
Deferred tax liability	(1,195)
	(1,634)
Total identifiable net assets at fair value	**2,447**
Goodwill arising on acquisition	4,152
Total identifiable net assets at fair value, including goodwill	**6,599**
Non Controlling Interest	(1,980)
Purchase consideration transferred	**4,619**

1 The valuations were subsequently adjusted, prior to 1 January 2023 (one year after the transaction), resulting in an increase in goodwill.

The Group has recognised a liability in relation to the option to acquire the remaining 30% interest in BrokerEngine. This liability is recognised against an equity reserve (refer to note 21).

The fair value of the non-controlling interest in BrokerEngine, a non-listed company, has been determined with reference to the final agreed price to be paid by AFG for 70% of the company.

In thousands of AUD	Fair value recognised on acquisition
Analysis of cashflows on acquisition	
Net cash acquired with the subsidiary (included in cashflows from investing activities)	93
Cash paid	(4,619)
Net cash flow on acquisition	(4,526)

The goodwill recognised is primarily attributed to the expected synergies and other benefits from combining the assets and activities of BrokerEngine with those of the Group. The goodwill is not deductible for income tax purposes.

30. Group entities

	Country of incorporation interest	Percentage Ownership 2023	2022
Parent entity			
Australian Finance Group Limited	Australia	100	100
Significant subsidiaries			
Australian Finance Group (Commercial) Pty Ltd	Australia	100	100
Australian Finance Group Securities Pty Ltd	Australia	100	100
AFG Securities Pty Ltd	Australia	100	100
AFG 2010-1 Trust	Australia	100	100
AFG 2017-1 Trust [1]	Australia	-	100
AFG 2018-1 Trust [1]	Australia	-	100
AFG 2019-1 Trust	Australia	100	100
AFG 2019-2 Trust	Australia	100	100
AFG 2020-1 Trust	Australia	100	100
AFG 2020-1 NC Trust	Australia	100	100
AFG 2021-1 Trust	Australia	100	100
AFG 2021-2 Trust	Australia	100	100
AFG 2022-1 NC Trust	Australia	100	100
AFG 2022-1 Trust	Australia	100	100
AFG 2022-2 Trust [2]	Australia	100	-
AFG 2010-2 Pty Ltd	Australia	100	100
AFG 2010-3 Pty Ltd	Australia	100	100
AFG Home Loans Pty Ltd	Australia	100	100

	Country of incorporation interest	Percentage Ownership 2023	2022
Australian Finance Group Ltd Employee Share Trust	Australia	100	100
National Finance Alliance Pty Ltd [3]	Australia	75	75
Credit Concierge Pty Ltd [3]	Australia	75	75
Broli Finance Pty Ltd [3]	Australia	75	75
Fintelligence Pty Ltd [3]	Australia	75	75
Mortgage Brokers Software Pty Ltd [4]	Australia	70	70
Mortgage Processing Services Pty Ltd [4]	Australia	70	70
Investment in associates			
Thinktank Group Pty Ltd	Australia	32.08	32.20
MAB Broker Services Pty Ltd	Australia	48.05	48.05

1. AFG 2017-1 Trust and AFG 2018-1 Trust were deregistered during the year ended 30 June 2023.
2. AFG 2022-2 Trust was incorporated during the year ended 30 June 2023.
3. The Group acquired 75% of the Fintelligence entities during the prior year ended 30 June 2022.
4. The Group acquired 70% of the BrokerEngine entities during the prior year ended 30 June 2022.

Additional disclosures with respect to Consolidated Structured Entities

Subscription of Subordinated Notes within the Trust Structures

As part of the funding arrangement for the Group's Securitisation business the Company has subscribed for the subordinated note in each of the independent funding structures. These notes represent the first loss position for each of the securitisation vehicles. In the event that a loss is incurred in the relevant structure, then the balance of subordinated note is first applied against such losses. A loss would only be incurred within the respective Trust in the event that the sale of the underlying security was not sufficient to cover the loan balance, there was no mortgage insurance policy in existence and the loss could not be covered out of the excess spread generated by the respective Trust.

The weighted average loan to value ratio of all outstanding loans as at time of settlement was below 70% and as at year end, approximately 11% (2022: 13%) of the loans (in dollar value) have a lenders mortgage insurance policy which have been individually underwritten by a mortgage insurer. With respect to those loans which do not have mortgage insurance, the weighted average loan to value ratio for all of these loans is 63% (2022: 63%).

At no point since the inception of the Securitisation business has the subordinated note been required to be accessed to cover any lending losses within the respective Trusts.

In thousands of AUD	2023	2022
Subordinated notes held in AFG 2010-1 Trust and Series[1]	41,403	35,114
Subordinated notes held in SPE-RMBS trusts following a term transaction:		
• AFG 2017-1	-	560
• AFG 2018-1	-	700
• AFG 2019-1	2,541	3,165
• AFG 2020-1	3,325	3,325
• AFG 2020-1 NC	5,092	5,005
• AFG 2022-1 NC	-	104
• AFG 2022-1	415	-

1. The level of subordination subscribed by the company will increase or decrease over time depending upon a number of factors including the size of the warehouse or RMBS term structure as well as the ratings methodology used for these warehouse facilities.

Other

Holders of RMBS are limited in their recourse to the assets of the Securitisation Vehicle (subject to limited exceptions). AFG Group companies may however incur liabilities in connection with RMBS which are not subject to the limited recourse restrictions (for example where an AFG Group company acts as a trust manager or servicer of a Securitisation Vehicle).

31. Parent entity

Throughout the financial year ending 30 June 2023, the parent Company of the Group was Australian Finance Group Limited.

In thousands of AUD	2023	2022
Results of the parent entity		
Profit for the period		
Total comprehensive income for the period	38,419	31,040
	38,419	**31,040**

In thousands of AUD	2023	2022
Financial position of parent entity at year end		
Current assets	155,916	215,628
Total assets	**1,183,822**	**1,245,010**
Current liabilities	177,591	215,634
Total liabilities	**1,071,260**	**1,128,153**

In thousands of AUD	2023	2022
Total equity of the parent entity comprising of:		
Share capital	102,125	102,125
Reserves	(13,285)	(14,353)
Retained earnings	23,722	29,085
Total equity	**112,562**	**116,857**

See Notes 32 and 33 for the parent entity capital and other commitments, and contingencies.

32. Capital and other commitments

There are no capital commitments as at the reporting date.

33. Contingencies

Third Party Guarantees

Bank guarantees have been issued by third party financial institutions on behalf of the Group and its subsidiaries for items in the normal course of business such as operating lease contracts. The amounts involved are not considered to be material to the Group.

Other than above, no material claims against these warranties have been received by the Group at the date of this report, and the Directors are of the opinion that no material loss will be incurred.

34. Related parties

a. Other related parties

A number of key management personnel held positions in other entities that result in them having control over the financial or operating policies of these entities.

A number of these entities transacted with the Group in the reporting period. The terms and conditions of the transactions with the other related parties were no more favourable than those available, or which might reasonably be expected to be available, on similar transactions to non-key management personnel related entities on an arm's length basis.

The aggregate amounts recognised during the year relating to other related parties were as follows:

i. Mr T. Gill is an Independent Director of First Mortgage Services (**FMS**), one of our providers of loan settlement services for the AFG Securities business. During the year, the Group made payments to FMS. These dealings were in the ordinary course of business and were on normal terms and conditions. The payments made for the provision of the settlement services were $959k (2022: $1,323k). These payments are not considered to be material to the financial results of the Group and therefore did not impact on Mr T. Gill's independence as a Director while he was appointed.

ii. Greenlane Group Pty Ltd (formerly Establish Property Group Ltd) (**Greenlane**) was created as part of the de-merger of AFG's property business prior to listing on the ASX on 22 April 2015. Directors of Greenlane include B. McKeon, D. Bailey and L. Bevan.

    AFG's head office is located at 100 Havelock Street West Perth. AFG leases these premises at commercial arm's length rates from an investee of Greenlane, Qube Havelock Street Development Pty Ltd (**Qube**). AFG paid rent of $1,218k to Qube (2022: $1,194k) for the head office lease. These payments are not considered to be material to the financial results of the Group and therefore do did not impact on Mr B. McKeon's independence as a Director.

b. Compensation of key management personnel of the Group

	2023	2022
Short term employment benefits	1,264	1,920
Post-employment pension and medical benefits	71	103
Share based payment transactions	661	915
Other long-term benefits	17	24
Total compensation of key management personnel of the Group	**2,013**	**2,962**

The amounts disclosed in the table are the amounts recognised as an expense during the reporting period related to key management personnel.

c. Subsidiaries

Loans are made by the parent entity to wholly owned subsidiaries to fund working capital. Loans outstanding between the Company and its subsidiaries are unsecured, have no fixed date of repayment and are non-interest bearing. Interest-free loans made by the parent entity to all its subsidiaries are payable on demand.

d. Associates

	30 June 2023		30 June 2022	
In thousands of AUD	Commissions from related parties	Commissions to related parties	Commissions from related parties	Commissions to related parties
Associate				
Thinktank	3,935	-	3,568	-
MAB	-	2,341	-	2,310

The amounts disclosed in the table are the amounts recognised as commission income and commission expense during the reporting period related to associates.

35. Subsequent events

Given the strength and strategic importance of BrokerEngine on 27 July 2023, BrokerEngine and AFG agreed on a variation and payment agreement, which resulted in AFG agreeing to buyout the remaining 30% shareholding in BrokerEngine, bringing AFG to 100% ownership. AFG has agreed to pay $3m to the 30% shareholders of BrokerEngine on 31 August 2023.

On 24 August 2023, the Directors recommended the payment of a dividend of 4.1 cents per fully paid ordinary share, fully franked based on tax paid at 30%. The dividend has a record date of 5 September 2023 and a payment date of 22 September 2023. The aggregate amount of the proposed dividend expected to be paid out of retained earnings at 30 June 2023 is $11,078k. The financial effect of this dividend has not been brought to account in the financial statements for the year ended 30 June 2023.

There has not been any matter or circumstance, other than that referred to in the financial statements or notes thereto, that has arisen since 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.

36. Auditors' remuneration

	2023	2022
Fees to Ernst & Young (Australia – Amount in AUD)		
Fees for auditing the statutory financial report of the parent covering the Group and auditing the statutory financial reports of any controlled entities	546,144	556,930
Fees for assurance services that are required by legislation provided by the auditor – AFSL & APRA	60,115	55,000
Fees for other services – Agreed upon procedures	37,500	-
Total fees to Ernst & Young (Australia)	643,759	611,930
Fees to other overseas member firms of Ernst & Young (Australia)	-	-
Total fees to Ernst & Young	643,759	611,930

Director's Declaration

In accordance with a resolution of the Directors of Australian Finance Group Ltd, I state that:

In the opinion of the Directors:

a. The Financial Statements and Notes to the Financial Statements of Australian Finance Group Ltd are in accordance with the Corporations Act 2001, including:

   i. Giving a true and fair view of the Consolidated entity's financial position as at 30 June 2023 and of its performance for the year ended on that date

   ii. Complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001

b. The Financial Statements and Notes to the Financial Statements also comply with International Financial Reporting Standards as disclosed in Note 2(a)

c. There are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

The Directors have been given the declarations by the Chief Executive Officer required by Section 295A of the Corporations Act 2001.

On behalf of the Board

Greg Medcraft
Chair

Dated at Perth, Western Australia on 24 August 2023

Independent Audit Report to the members of Australian Finance Group Ltd

Building a better working world

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Independent auditor's report to the members of Australian Finance Group Limited

Report on the audit of the financial report

Opinion

We have audited the financial report of Australian Finance Group Limited (the Company) and its subsidiaries (collectively the Group), which comprises the consolidated statement of financial position as at 30 June 2023, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

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

a. giving a true and fair view of the consolidated financial position of the Group as at 30 June 2023 and of its consolidated financial performance for the year ended on that date; and

b. complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial report of the current year. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, but we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial report. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial report.

Provision for expected credit loss

Why significant	How our audit addressed the key audit matter

As disclosed in Note 3 *Significant accounting policies*, Note 5 *Financial risk management* and Note 28 *Financial Instruments*, the provision for expected credit losses (ECL) is determined in accordance with Australian Accounting Standards - AASB 9 *Financial Instruments* (AASB 9).
 	
This was a key audit matter due to the size and timing of the recognition of the provision, and the degree of judgement and estimation uncertainty associated with the calculations.
 	
Key areas of judgement included:
► the application of the impairment requirements within AASB 9, which is reflected in the Group's expected credit loss model;
► the identification of exposures with a significant deterioration in credit quality;
► assumptions used in the expected credit loss model (for exposures assessed on an individual and collective basis) such as the financial condition of the counter party, expected future cashflows, and forward-looking macroeconomic factors (e.g. unemployment rates, interest rates, gross domestic product growth rates, and property prices) as disclosed in Note 3;
► the incorporation of forward-looking information to reflect current or future external factors, specifically judgements related to the actual or expected adverse changes in business, financial or economic conditions that are expected to cause a significant change to the borrower's ability to meet its obligations as disclosed in Note 3.
	Our audit procedures included the following:
	
	We assessed:
	► the alignment of the Group's expected credit loss model and its underlying methodology with the requirements of AASB 9;
	► the approach determined by the Group for the incorporation of forward-looking macroeconomic factors;
	► the effectiveness of relevant controls relating to the:
	  ► capture of data used to determine the provision for credit impairment, including transactional data captured at loan origination, ongoing internal credit quality assessments, storage of data and interfaces to the expected credit loss model;
	  ► expected credit loss model, including functionality, ongoing monitoring/validation and model governance.
	
	On a sample of individual exposures, we assessed the reasonableness of provisions adopted.
	
	We assessed the significant modelling assumptions for exposures evaluated on a collective basis and overlays, with a focus on the:
	► basis for and data used to determine management overlays;
	► sensitivity of the collective provisions to changes in modelling assumptions; and
	► reasonableness of macroeconomic scenarios at balance date.
	
	We also involved our Actuarial and IT specialists in the performance of these procedures where required.
	
	We assessed the adequacy and appropriateness of the disclosures related to measurement of the expected credit loss provision in the financial statements.

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Trail commission

Why significant	How our audit addressed the key audit matter
As disclosed in Note 3 *Significant accounting policies*, Note 4 *Determination of fair values* and Note *28 Financial instruments*, the Group recognised a contract assets representing the expected value of future trailing commission receivable in accordance with AASB 15 *Revenue from Contracts with Customers* (AASB 15) and a corresponding trailing commission payable was recognised under AASB 9 *Financial Instruments* (AASB 9) representing the net present value of future trailing commissions payable by the Group. This is a key audit matter due to the size of the contract assets and trailing commission payable and the degree of judgment and estimation uncertainty associated with the calculations. Key areas of judgement included: ► the estimation of the discount rate; ► the percentage of commissions paid to members; and ► loan book run-off rate assumptions.	Our audit procedures included the following: We assessed: ► the alignment of the Group's trailing commission model and its underlying methodology with the requirements of AASB 15 for the contract asset and AASB 9 for the trailing commission payable; ► the effectiveness of relevant controls relating to the approval and determination of the net present value of the future trailing commission receivable and payable; ► the reasonableness of management's assumptions applied, including the discount rate and loan run-off rates; ► the historical accuracy of management's estimates by comparing the previously forecast trailing commission income and expense to the actual results. We have tested: ► the capture of the data used in management's trail commission model for completeness; ► a sample of loans from the data used in the model to external supporting documents such as lender commission statements for accuracy; ► the mathematical accuracy of the models; and ► the expected percentage to be paid to members by recalculation based on the loan book data, and applicable remuneration structure. We also involved our Actuarial and IT specialists in the performance of these procedures where required. We assessed the adequacy and appropriateness of the disclosures related to trailing commission in the financial statements.

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Information other than the financial report and auditor's report thereon

The directors are responsible for the other information. The other information comprises the information included in the Company's 2023 Annual Report, 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 accordingly we do not express any form of assurance conclusion thereon, with the exception of the Remuneration Report and our related assurance opinion.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors for the financial report

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

In preparing the financial report, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the 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.

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

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

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From the matters communicated to the directors, we determine those matters that were of most significance in the audit of the financial report of the current year and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on the audit of the remuneration report

Opinion on the remuneration report

We have audited the Remuneration Report included in pages 41 to 54 of the directors' report for the year ended 30 June 2023.

In our opinion, the Remuneration Report of Australian Finance Group Limited for the year ended 30 June 2023, complies with section 300A of the *Corporations Act 2001*.

Responsibilities

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

Ernst & Young

Ernst & Young

Fiona Drummond
Partner
Perth

24 August 2023

Shareholder Information

Additional information required by the Australian Securities Exchange Ltd (ASX) and not disclosed elsewhere in this report is set out below.

The information is current as at 2 August 2023.

a. Number of holders of equity securities

Ordinary share capital

270,258,312 fully paid ordinary shares are held by 8,019 individual shareholders. All issued ordinary shares carry one vote per share.

b. Distribution of holders of equity securities

The number of shareholders by size of holding is set out below:

Range	Securities	%	No. of holders	%
100,001 and Over	200,556,295	74.21	111	1.38
10,001 to 100,000	51,831,031	19.18	1,934	24.12
5,001 to 10,000	9,698,055	3.59	1,254	15.64
1,001 to 5,000	7,072,903	2.62	2,560	31.92
1 to 1,000	1,100,028	0.41	2,160	26.94
Total	**270,258,312**	**100.00**	**8,019**	**100.00**
Unmarketable Parcels[1]	53,784	0.02	388	4.84

[1] An unmarketable parcel is considered to be a shareholding of 274 shares or less, being a value of $500 or less in total, based on the Company's last sale price on the ASX at 2 August 2023 of $1.82.

c. Substantial shareholders

The names and the number of shares held by substantial shareholders are set out below:

	# Shares	% of issued capital
MBM Investments ATF The Brett McKeon Family Trust	16,332,632	6.04%
MSW Investments ATF The Malcolm Stephen Watkins Family Trust	16,130,824	5.97%
Banyard Holdings Pty Ltd ATF The B&K McGougan Trust	14,788,765	5.47%

d. Twenty largest holders of quoted equity securities

The number of shareholders by size of holding is set out below:

Rank	Name	A/C designation	2 August 2023	% of issued capital
1	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED		44,115,387	16.32
2	NATIONAL NOMINEES LIMITED		25,614,439	9.48
3	CITICORP NOMINEES PTY LIMITED		24,559,952	9.09
4	J P MORGAN NOMINEES AUSTRALIA PTY LIMITED		18,130,843	6.71
5	MBM INVESTMENTS PTY LTD	THE BRETT MCKEON FAMILY	16,332,632	6.04
6	BANYARD HOLDINGS PTY LTD	B & K MCGOUGAN	14,788,765	5.47
7	PERPETUAL CORPORATE TRUST LTD	<983L AC>	12,345,025	4.57
8	OCEANCITY INVESTMENTS PTY LTD	<MATTHEWS FAMILY A/C>	7,570,000	2.80
9	BNP PARIBAS NOMINEES PTY LTD	<AGENCY LENDING DRP A/C>	5,022,821	1.86
10	INVIA CUSTODIAN PTY LIMITED	<THE B & K MCGOUGAN NO 2 A/C>	2,243,637	0.83
11	DAVID BAILEY		2,055,744	0.76
12	ASSURED FINANCIAL SERVICES PTY LTD		2,050,000	0.76
13	ADRIEN MANN (SOUTH PACIFIC) PTY LTD		1,510,000	0.56
14	PRECISION OPPORTUNITIES FUND LTD	INVESTMENT A/C	1,500,000	0.56
15	LISA BEVAN		1,421,860	0.53
16	EGMONT PTY LTD	<CRAIG CARTER SUPER FUND A/C>	1,400,000	0.51
17	BNP PARIBAS NOMS PTY LTD	HUB24 CUSTODIAL SERV LTD DRP	1,249,570	0.46
18	BNP PARIBAS NOMS PTY LTD	<DRP>	1,211,684	0.45
19	EDI NOMINEES PTY LTD	<THE BUFFALO CREEK S/F A/C>	1,060,000	0.39
20	ANGELA MIDDLETON		1,000,000	0.37

Company Secretary

Ms M. Palethorpe

Registered Office

Level 4, 100 Havelock Street,
West Perth WA 6005

Share Registry

Link Market Service - Level 12, 680
George Street, Sydney NSW 2000

Corporate Directory

Notice of AGM

The annual general meeting of Australian Finance Group Ltd will be held on Friday 24 November 2023 at 9.00am WST at Level 4, 100 Havelock Street, West Perth WA 6005 and through an online platform that allows shareholders to view proceedings of the meeting, submit questions and vote.

Corporate Office

Australian Finance Group Ltd
Level 4
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West Perth WA 6005

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Phone
08 9420 7888

Email
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Website
www.afgonline.com.au

Directors

Greg Medcraft
(Non-Executive Chair)

Malcolm Watkins
(Non-Executive Director)

Brett McKeon
(Non-Executive Director)

Craig Carter
(Non-Executive Director)

Jane Muirsmith
(Non-Executive Director)

Annette King
(Non-Executive Director)

Share Registry

Link Market Services
Level 12
680 George Street
Sydney NSW 2000

Postal Address
Locked Bag A14
Sydney South NSW 1235

Phone
1300 554 474

Email
registrars@linkmarketservices.com.au

Stock Listing
Australian Finance Group Ltd's ordinary shares are listed on the Australian Securities Exchange (ASX code: AFG).

Company Secretary

Michelle Palethorpe
(Company Secretary)

afgonline.com.au
Level 4, 100 Havelock Street
West Perth WA 6005
08 9420 7888

Australian Finance Group Ltd.
Australian Credit Licence: 389087
ABN: 11 066 385 822
ACN: 066 385 822