AFG

ANNUAL REPORT 2022

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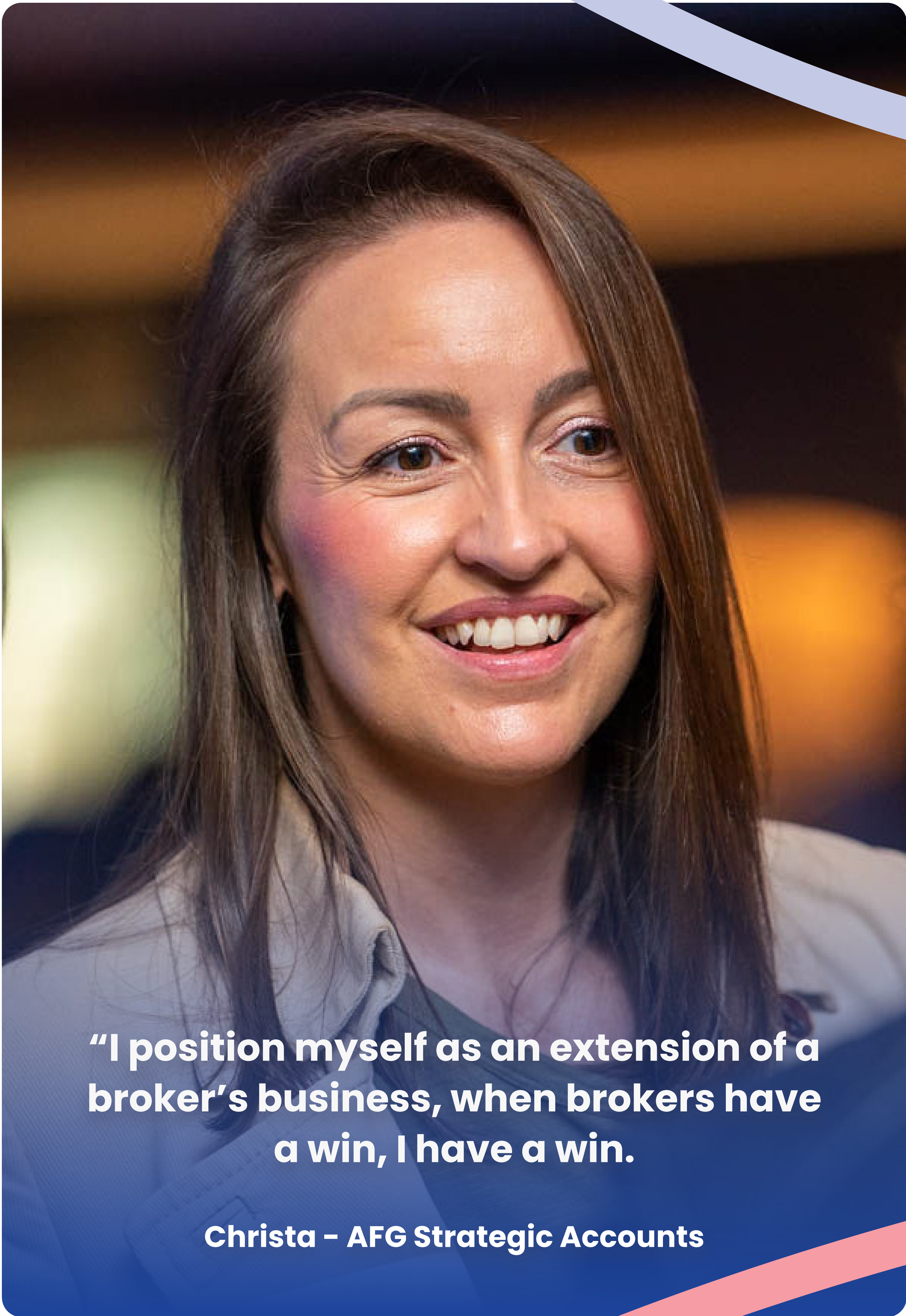
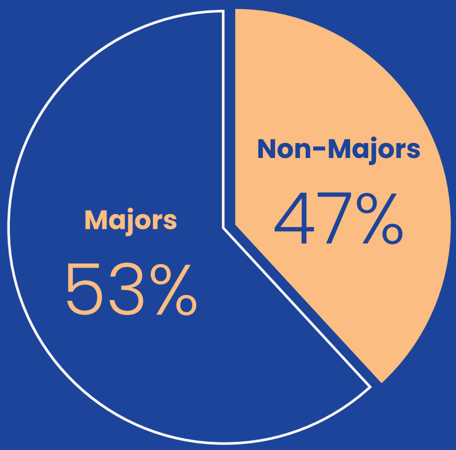

"I position myself as an extension of a broker's business, when brokers have a win, I have a win.
Christa - AFG Strategic Accounts



Lender market share

47%

of flows in H2 FY22

Current BrokerEngine subscribers

1,650+

AFG Broker numbers including Fintelligence and non-residential brokers sit at

3,700+

AFG Home Loans Customers serviced

32,300

nationally increased from 28,500 at FY21

Individual products

7,000+

Lenders

75+

Customers

500K+

1 in 10

Australian residential mortgages are arranged by an AFG broker

69.5%

of Australian mortgages are written through a broker[1]

FY22	69.5%
FY21	59%

1 Mortgage and Finance Association of Australia (MFAA) - March 2022 Qtr

Normalised NPATA up 20% to

$61.3M FY22

Reported NPATA

$40M FY22

	Reported	Normalised
FY22 NPAT	$38.8M	$60.1M
FY22 NPATA	$40.0M	$61.3M
FY21	$51.3M	
FY20	$38.1M	

Reported Normalised

AFG underlying NPATA has increased to

$55.8M FY22

from $49.6M FY21

FY22	$55.8M
FY21	$49.6M
FY20	$36.3M

FY22 AFGS RMBS term transactions

$1.7B

AFG remains well capitalised, with net unrestricted cash, trail book assets, financial assets and sub-ordinated capital totaling

$217M

FY22 Residential Settlements of

$59.4B

up 36% from FY21

FY22 Commercial Settlements of

$3.9B

up 67% from FY21

FY22 AFGHL Settlements of

$5.6B

up 62% from FY21

FY22 Leasing/Consumer Asset Finance Settlements of

$1.5B

including Fintelligence volumes from 1 January 2022

Thinktank profit contributions of

$6.1M

up 16% from FY21

Thinktank settlement volumes of

$239M

up 84% from FY21

We're the MFAA Aggregator of the Year 2022

FY22 Residential Trail Book of

$182.2B

up 9% from FY21

FY22 AFG Home Loans Trail book of

$13.3B

up 18% from FY21

FY22 Commercial Trail Book of

$10.9B

up 19% from FY21

AFG normalised return on equity has increased to

30%

FY22 AFGS Settlements

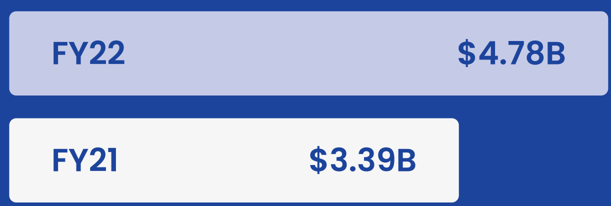
$2.72B

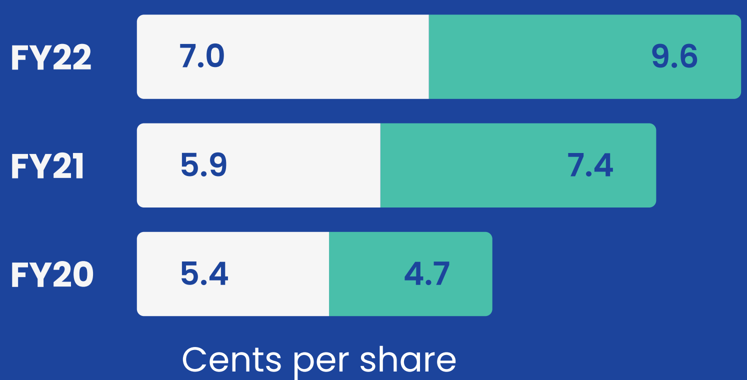
up 102% from FY21

AFGS Loan Book increased to

$4.78B FY22

up 41% from FY21





Dividends up from FY21

25%

Interim Final

Letter from the Chair

Tony Gill
Chair

On behalf of the Board and Management of AFG, I am pleased to provide the AFG Annual Report for the financial year ended 30 June 2022. AFG delivered another excellent operating performance on the back of strong demand for our mortgage broking and lending services during the year, and the Company's ongoing diversification strategy across business lines and classes. The level of activity in the business remained very strong throughout the year despite the RBA commencing much anticipated interest rate increases in the second half.

A Year of Continued Growth

Interest rates and unemployment levels remained at historically low levels during the year, supporting continued strong demand for mortgage broking and lending services. AFG continued to deliver growth in profitability and shareholder returns during the year. The combined residential and commercial loan book increased by 10% to $193B, with our core residential lending business delivering settlements of $59.4B, an increase of 36% on the prior year and another record for the company.

I again commend our management team, staff and brokers as they delivered these results while managing ongoing and new challenges posed by the COVID-19 pandemic to maintain high levels of service with minimal business disruption.

The Company has achieved a compound annual growth rate of 18% on earnings per share since 2015 and delivered 5-year Total Shareholder Returns of 185%.

Despite the positive underlying operating performance, we unfortunately had to recognise some impairments related to our technology investments. The withdrawal from the market of neobank Volt necessitated the impairment of our $15M equity investment. We also reviewed the development of our in-house technology platform and will refocus our development program to incorporate the technology platforms from recent acquisitions BrokerEngine and Fintelligence. This is expected to ultimately deliver a more cost-effective technology solution for AFG but resulted in a partial write-down of past capitalised expenditure of $6.3M (after tax). The fintech space is challenging, and we remain committed to improving technology outcomes and seizing opportunities for growth for our brokers and the customers they serve.

Dividends

For the full year to 30 June 2022 the Board resolved to pay a final ordinary dividend of 9.6 cents per share (fully franked). This decision, consistent with our dividend policy of previous periods, results in a total ordinary dividend for the year of 16.6 cents per share, up from 13.3 cents per share in the prior year and represents a yield of 9%.

Changing Market Conditions

The RBA commenced increasing the cash rate in Australia in May 2022 in response to rapidly rising inflation driven by strong demand, continued COVID-19 related supply disruptions, the war in Ukraine and the unfortunate eastern states floods putting upward pressure on food and energy prices.

The move towards a rising interest rate environment has impacted investor sentiment towards the financial services sector and contributed to Volt Bank's withdrawal from the market. This period will also present opportunities and the board will continue to look for occasion to invest into areas which will bring competition and customer benefits into a marketplace which is at risk of becoming one dimensional in terms of the customer offering.

Notwithstanding the increasing volatility in the market, it is important to note the residential mortgage broking market has historically performed strongly during periods of rising interest rates. In addition, broker market share now sits at around 69.5% of all residential mortgages applied for in the country. AFG brokers write one in ten of all residential mortgages lodged with a financial institution in Australia. With a compelling, full-service model of support, we expect to continue to grow through recruitment of new brokers to our network, and an increasing preference for the channel whose sole focus in on the customer and which by law must operate in the best interests of customers.

Sustainability

AFG remains committed to driving shareholder value by conducting business in a sustainable, ethically sound, and socially responsible manner. We have focussed on making a positive social impact through partnerships with charities, workplace giving and by supporting the communities where our customers live and work. At a national level, this has included a renewal of our support of Foyer Foundation as Principal Partner for a further three years. By partnering with Foyer Foundation we are supporting a program that helps young people into a stable and secure home from which they can find their feet and take their place in the community.

We are also proud naming rights sponsor of the AFG Interschool Numero Challenge, a program designed to lift numeracy skills for primary school students. In addition, we have supported communities and businesses affected by bushfire and flooding natural disasters in 2022.

This will be the second year AFG has worked with Carbon Neutral to carry out a detailed audit of our carbon footprint and emissions and assist us in understanding the next steps required to ensure we are an environmentally sustainable organisation. You can find more information on our ESG initiatives on our website and in the Sustainability section of this Annual Report.

Outlook

AFG has net cash, investments, and financial assets of $217M. The Company remains well positioned to continue delivering positive shareholder returns.

What has become evident in the market is that other asset classes are increasingly looking towards the broker channel as a viable, efficient, and effective method of origination. We have already seen lenders and customers embrace the channel for residential mortgages to such an extent that it is has been for some time, the dominant channel. As a broking business with an established footprint in these areas we are well positioned to maximise opportunities for growth.

This year we have been very fortunate to welcome Greg Medcraft and Annette King to the AFG board as non-executive directors. Both have extensive industry experience and Greg will be assuming the role of Deputy Chair. I look forward to their contributions to the board.

Separately I would like to acknowledge the contribution outgoing director Melanie Kiely, who will step down at the end of our Annual General Meeting, has provided to our business. Melanie has contributed positively over two full terms as a member of our board and Chair of our Remuneration & Nomination Committee. I wish her well in her future roles.

Finally, on behalf of the board I would like to thank AFG staff, brokers, our lender partners, and our shareholders for their continued support of the company.

Tony Gill, Chair

Letter from the CEO

AFG has reported strong growth and continued earnings diversification in the 2022 financial year. Normalised profit before acquisition amortisation increased by 20% to $61.3M, and EPS grew by 17% on the prior year.

David Bailey
CEO

AFG Home Loans' white label products up **36%** to

$2.9B

Commercial settlements up **67%** to

$3.9B

Residential settlements up **36%** to

$59.4B

AFG Loan book up **41%** to

$4.79B

Fintelligence network brought in an additional

350

brokers. The total number of brokers in the AFG group has grown to over

3,700

The positive operating performance has been driven by strong underlying demand for mortgages during the year, and the company's diversification strategy of expanding up the value chain with respect to lending services and products as well as our strategic investments. As Tony has mentioned, the impairment of our investment in Volt Bank, and the write down on past expenditure for parts of the redevelopment of our technology platform, whilst disappointing, reflect our ongoing commitment to offer improved digital platforms and products for our brokers and their customers. Our investments in BrokerEngine, Fintelligence and Thinktank, and the continued upgrade of our in-house platform are highly strong evidence of that commitment and is a strategy we will maintain.

Our core residential business delivered another record result with settlements up 36% to $59.4B. AFG Home Loans' white label products increased 36% to $2.9B and higher margin AFG Securities products contributed settlements of $2.7B. AFG's loan book grew by 41% to $4.79B as at 30 June.

AFG continues to grow its market share in Aggregation with Australian brokers originating 69.5% of all residential mortgages in March 2022, up from 53.6% in March 2017. Diversification and a profit mix shift from aggregation to higher-margin lending continues to drive growth, with AFG Securities contributing around 26% of gross profit in FY2022 compared to 4% in FY2015.

Following a period of historically low interest rates, the RBA commenced a program of rate increases in response to rapidly rising inflation. COVID-19 also remains a business disruption and health risk despite an easing of Government restrictions across Australia. We continue to take the necessary precautions to ensure the safety of our people and continuity of our business. We recognise the impacts COVID-19 and rising interest rates may have on the financial wellbeing of our customers and stand ready to respond and provide support if necessary.

AFG Home Loans

AFG Home Loans was again a highlight in the financial result, with a strong performance from both AFG Securities and white label products. The white label loan book increased by 8% to $8.5B, and settlements increased 36% to $2.9B. AFG Securities settlements were up 102% to $2.7B with the closing direct lending loan book growing to $4.79B, up 41%. Through the efforts of our staff in providing an exceptional lending alternative, the AFG Securities loan book continues to grow, and I am pleased to observe that this growth has not been at the expense of credit quality with industry-leading arrears performance continuing to be maintained. The quality of this book is supported by the fact that 88% of the loans in the book have an LVR below 80% as at the time of settlement.

Commercial

The Commercial lending market has improved following the removal of COVID restrictions that impacted the FY2021 performance. AFG Business and Commercial volumes have rebounded as confidence in this sector returns. Commercial settlements were up 67% to $3.9B during FY2022.

AFG's strategic investment in Thinktank further increased its contribution to earnings by 16% to be $6.1M on the back of strong settlements across its own distribution channels.

Investments in technology and distribution

AFG successfully completed two acquisitions of a controlling interest in Fintelligence and BrokerEngine in FY2022. These strategic investments position AFG for future growth and provide capability to develop new financial products.

Fintelligence has a proprietary technology platform and significantly increased the scale of AFG's asset finance distribution network through the addition of 350 brokers, bringing the total number of brokers in the AFG group to over 3,525 at the time of acquisition. After a strong year of recruitment across the network that number is now more than 3,700. In addition, Fintelligence is providing an ever-growing in-house referral service for AFG's residential brokers and a direct to-consumer web presence.

BrokerEngine is a fintech specialising in advanced automation and the design of bespoke customer journeys- tailored at a business level to optimise data and workflow. BrokerEngine will integrate with AFG's technology platform and will retain its brand and product offering to the broader Australian broker market. BrokerEngine currently has 1,650+ users of its platform, an increase of 41% since 31 December 2021 when we invested in the business.

The acquisitions of BrokerEngine and Fintelligence have provided the opportunity to examine our technology strategy and ensure our broadening digital ecosystem is well positioned for where the market is headed. We are committed to remaining nimble in an environment where the pace of technological change in the financial sector is rapid.

Industry

The year also saw the then- Australian Government recognise the importance of the role mortgage brokers play and the positive impact Best Interests Duty (BID) has had by announcing that they will no longer undertake the review they had indicated they would conduct leading into the previous election. Subsequent to this, ASIC also affirmed they had determined they would no longer undertake a review of BID. With this news, on a regulatory front the channel enters the new financial year with a degree of regulatory clear air that it has not enjoyed for some time.

Reaffirming what has been an excellent trading year for the business, the 2022 financial year was closed with AFG winning the Mortgage & Finance Association of Australia's award for best aggregation business. Industry recognition, coupled with AFG's best year in over a decade in terms of recruitment of broking groups positions the company well as we enter a different set of economic conditions.

Looking ahead

As we enter a new period of rising interest rates in Australia and globally, AFG remains very well positioned to continue delivering strong shareholder returns. We remain optimistic about the outlook for our business. Key positive drivers include:

- Increased refinancing activity during times of change in the market as borrowers seek to lessen the impact of rising rates
- The very high levels of fixed rate mortgages written in the past 2 years will reach term and drive future inquiry from customers for their brokers to examine their options and find the right product to meet their needs
- Continued diversification and growth in our securitised lending division
- Open international and interstate borders will continue to drive net migration and activity in the Australian residential mortgage market
- Broker market share is expected to continue to increase as recognition of the choice, competition, and convenience they provide to customers continues to grow
- Ongoing recruitment of broker groups to the AFG network.

AFG's business is capital light with a robust balance sheet supported by strong reliable cashflow. With over 3,700 member brokers in our network and more than 75 lenders on our panel, we have the scale to provide competitive services to our clients, and to continue to leverage this scale to drive positive returns for our shareholders and competitive products and services to our customers.

I would like to thank AFG staff across the country who remain committed and engaged to ensure great outcomes for AFG brokers and their customers.

David Bailey, CEO

Sustainability at AFG

Sustainability highlights

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

Tony Gill
Chair

AFG Carbon footprint

982.7
(t CO2-e) gross

674.9
(t CO2-e) net

Foyer Foundation, principal partner

Diversity & Inclusion % of women in positions (as at 31 July 2022)

Board
37.5%

Senior Managers
37%

All Managers
41.07%

Total Workforce
52.3%

Our approach

AFG makes decisions and takes actions to ensure we maintain our position as a successful company and a trusted business partner and employer.

That includes taking steps to protect our business, stakeholders and broader community from the changing climate.

During FY2022, we intensified our focus and accelerated efforts to address this serious risk facing our planet.

We have committed to becoming carbon neutral in scope 1 and scope 2 emissions by 2030, while continuing to drive down scope 3 emissions where possible.

To help achieve this, AFG is looking to identify and implement measures to reduce our carbon footprint.

We are proud to have recently become a participant in the United Nation's Global Compact, a voluntary initiative to implement universal sustainability principles. Our participation formalises our alignment with the UN's Sustainable Development Goals.

These goals will help drive sustainable business practices across the environment, human rights, labour, and anticorruption, supporting our mission to have a positive impact on our business, stakeholders and the community.

AFG's board has oversight for our ESG risks and matters. Reporting to the board is AFG's Management Sustainability Committee, established in FY2021 and comprising representatives from across the business.

The committee was formed to strengthen management's sustainability policies, principles and practices.

Board

AFG Management Sustainability Committee
Operations, AFG Securities, Risk, IT, Legal, HR, Marketing, Lender & Industry Partnerships, Finance and Communication

To help support our ESG agenda, during the year we established a Staff Sustainability Committee, known internally as the 'Green Team'.

The AFG Green Team comprises nine passionate individuals from across the business, with representation from four of our state offices.

The Green Team reports to the Management Sustainability Committee and complements the leadership team's efforts through a grass roots approach.

AFG Staff Sustainability Committee/Green Team

AFG Management Sustainability Committee

AFG Staff Sustainability Committee
Marketing, Communications, Revenue, Credit and Operations, Partnerships, IT, AFG Securities, Credit Assessment

AFG's approach to the mortgage industry was recently recognised through our winning of the Aggregator of the Year award in the Mortgage and Finance Association of Australia's National Excellence Awards, held in Sydney on 17 July, 2022. The Aggregator Award recognises excellence across broker support, professional development, ethics, technology, lender panel value proposition, advocacy and business results. The prestigious award is assessed by a panel of judges including an independent audit by Hall Chadwick.

In the same awards, AFG was a finalist in the Diversity and Inclusion and Professional Development categories.

Our promise: We are committed to becoming carbon neutral in scope 1 and scope 2 emissions by 2030, while continuing to drive down scope 3 emissions where possible.

Sustainability highlights in FY2022			
Climate/Environment	Became a participant in UN Global Compact	Commitment to be carbon neutral in scope 1 and 2 emissions by 2030 and to drive down scope 3 emissions where possible	Launched permanent hybrid working arrangements
Diversity and Inclusion	Named Aggregator of the Year in 2022 MFAA awards and finalist in Diversity and Inclusion category	Met June 2022 target of minimum 40% women in management positions (including KMP, senior managers and other managers)	Created prayer room at Perth head office, enabling staff of all faiths to pray in private and meet religious duties
Talent attraction, growth and retention	Finalist in 2022 MFAA Excellence Awards, Professional Development category	Winner Australian Broking Awards in Training & Education in 2021 and finalist again in 2022	Average length of service from employees - 5 years
Social	Extended partnership with Foyer Foundation for further three years	Continued donating to natural disaster relief, this year focusing on floods	Expanded number of internal mental health first aiders and expanded Employee Assistance Program to brokers
Governance	Expanded board members and increased female representation	37.5% of directors are female (as at 31 July 2022)	Code of conduct and full suite of governance policies in place compliant with the 4th Edition of the ASX Corporate Governance Council's Principles and Recommendations. Issued second Modern Slavery Statement

Environment

Our own emissions

AFG is dedicated to being part of the solution to a changing climate.

To understand our impact on the environment (our 'climate footprint'), our greenhouse gas ('GHG') emissions have been measured by independent consultant Carbon Neutral Pty Ltd. The FY2022 analysis marks our second year of measurement.

Scope 1, 2 and 3 GHG emissions in AFG's operations and value chain have been included in the analysis for the year 1 July 2021 to 30 June 2022.

Emissions from brokers and lenders utilising AFG products and services are outside the boundary of the carbon footprint assessment. Emissions associated with facilities or projects financed by AFG are excluded.

The analysis estimated our business had gross GHG emissions of 982.7 tonnes of carbon dioxide equivalent (t CO2-e) for FY2022.

This marked an increase on our gross FY2021 GHG emissions of 880.7 t CO2-e.

Our FY2022 net GHG emissions – after allowances for the use of carbon neutral products and services – was estimated at 674.9 t CO2-e for the FY22 period.

Gross Emissions	FY2021 t CO2-e	FY2022 t CO2-e
Scope 1	1.17	0.7
Scope 2	98.88	97.6
Scope 3	780.63	884.4
Total	880.68	982.8

	Staff *	Emissions per employee (gross)
FY2021	224	3.9t Co2-e
FY2022	277 *	3.5t Co2-e

*staff surveyed in April 2022.

A key reason for the increased GHG emissions in FY2022 is the resumption of travel as a consequence of transitioning back to normal business activities following the interruptions caused by the COVID 19 pandemic.

An increase in emissions from staff commuting also increased, partially due to a 19 per cent increase in staff numbers between the two measurement dates.

In FY2022 a new category of measurement also emerged – upstream leased assets. This new category was associated with the use of a temporary office in Victoria in April and May 2022 whilst a new Victorian office was being sourced.

AFG is actively looking to identify and reduce carbon emissions, and during FY2022 we started taking action in this regard.

Included was the introduction of a hybrid work policy, enabling staff to work from home for up to two days per week, depending upon the operating model of their departments.

To reduce our paper use, we have implemented access to paperless documents across loan processing and administrative tasks.

Our recently-formed Green Team will introduce an office wide recycling and waste reduction program in the Perth head office and will evaluate our procurement to ensure sustainable consumable options.

This team will also support AFG's bid to raise awareness about sustainability and is responsible for putting in place a series of climate-focused events, including a community tree planting day.

AFG operates out of leased offices which limits measures such as the installation of solar panels. However, we look to ensure our energy use is as efficient as possible with timed lights and carefully tuned air conditioning systems.

Our head office in Perth, where most staff are based, has received a five-star NABERS energy rating – considered "excellent performance".

Our new proposed Melbourne office has also received a five-star NABERS energy rating while our Sydney office has four stars. Our Brisbane office is in the process of being evaluated, while our Adelaide office is yet to be assessed.

We also focus on reducing business travel where possible through the use of virtual meeting technology, and from FY2023 will offset flights and hotel accommodation through a GHG offset program.

AFG will continue to look for ways to continuously reduce its impact on the environment, considering even the smallest changes will make a difference.

Breakdown of GHG emissions by activity (t CO2-e)

Impact on business

We recognise the serious threats resulting from a changing climate and consider the risks this presents 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 higher defaults and delinquency.

Therefore, since October 2021 we have been integrating climate change into our risk management framework.

On a monthly basis we prepare detailed reports on climate risk, utilising the National Disaster Risk Framework. This data forms an important part of AFG Securities' business credit risk metrics.

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.

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

Social

Partnerships and community

AFG is committed to managing social risks and contributing to the community.

Foyer Foundation

One of the social issues close to our hearts is that of homelessness and disadvantage. In June 2021, we became a Principal Partner of Foyer Foundation, an independent charitable organisation that works with young Australians at-risk of, or experiencing, homelessness.

In May 2022 AFG and Foyer Foundation agreed to extend that partnership for a further three years.

As a result of this agreement, AFG will provide $600,000 in funding to the Foyer Foundation over 36 months, building on our initial $200,000 sponsorship.

A key part of our sponsorship with Foyer Foundation is the AFG Independence Fund, enabling up to $1,000 grants to young persons who are Foyer residents to buy much needed resources to help their education or employment, such as laptop computers, tools or driving lessons.

We are proud that by partnering with Foyer Foundation, we are supporting a program that helps young people with the foundation and security to enable meaningful study or work, and to take their place in the community.

Community

AFG also continues to support those people, businesses and communities affected by natural disasters. Following on from donations made for fire relief in 2021, in 2022 AFG and its staff members donated to help people affected by the recent floods in Queensland and New South Wales.

As part of our commitment to our customers, we provided tailored solutions to our AFG Securities customers experiencing hardship due to the 2022 flooding.

Options included payment deferral or the ability to move to interest only payments. Fortunately, only a small number of customers needed these solutions and we are happy to provide ongoing support.

Supporting financial literacy is also important, and AFG is now in the 24th year of sponsoring the AFG Interschool Numero® Challenge. Numero is an educational maths game designed to improve mental maths, with teams of primary school students competing against each other at an interschool level.

Helping underserved

An area of focus for our AFG Securities business is providing access to those currently under-served in the lending market.

Current credit scoring methodologies employed by the majority of lenders - particularly large ADIs - are favourably weighted to the depth of credit records and repayment history which can be biased against borrowers with changeable employment profiles.

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

AFG Securities employs a manual, "traditional" approach to credit assessment, focusing on the individual borrower.

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

Diversity and Inclusion

AFG champions a diverse and inclusive culture, where all are welcomed and recognised for their unique ability and identity.

We believe that when people from different backgrounds and points of view work together, it creates and generates more ideas and perspectives, leading to greater innovation and better business performance.

To help frame our approach, we conduct an employee survey every year to gather information and feedback. Diversity and Inclusion objectives are in place to continuously improve on AFG's work environment - and we are making good progress against these metrics.

Gender equality is an important driver across our business, which operates in a traditionally male-dominated industry.

In addition to having strong female representation on our Board (37.5 per cent of Board members are women), AFG is pleased to report it has met its 2022 target of achieving a minimum of 40 per cent of women in management positions (figures as at 31 July, 2022).

We have now set a new target of a minimum 45 per cent women in management positions by 2025 (including KMP, senior managers and other managers), with increased year-on-year representation.

As part of our efforts to encourage senior female leadership, the AFG Women in Leadership mentor program, launched March 2021, provides positive development opportunities for both mentors and the staff they are supporting.

Our Industry

More broadly, AFG is committed to equality across the mortgage broking industry and championing the important role women play.

Our AFG Winning Women program seeks to empower female brokers to connect, grow and celebrate their achievements through initiatives, including a scholarship, state-based events, the provision of coaching courses, and mentoring opportunities with highly successful female brokers from the AFG network.

From this program, five women each year are awarded Winning Women Scholarships to take part in our AFG Academy program. AFG Academy, delivered by Harvard University professors is an annual custom-designed three-day course made available to AFG's top performing brokers, is designed to provide best-in-class business strategies.

During 2022 we became a corporate member of Women in Technology WA ('WiTWA'), which has the goal of creating more opportunities and actively improving the under-representation of women in the technology sector.

Cultural Diversity

Efforts to develop cultural awareness across AFG have also proven a success, with 92 per cent of respondents agreeing in our 2022 Employee Survey that AFG supports cultural diversity.

Whilst not subject to compulsory reporting, we conduct an ethnicity survey, to gain a better understanding of the cultural and ethnic makeup of AFG and to provide ourselves with the insight needed to develop initiatives and policies that encourage a supportive and welcoming environment to people coming from diverse backgrounds.

Among new initiatives to support cultural diversity, AFG has established a prayer room at head office. By converting a small meeting room for two hours a day, employees of all faiths are able to pray in private and meet religious duties with minimal disruption to work commitments.

While we support certain events such as Pride Month in June, we make equality, diversity and inclusivity a priority year-round by encouraging all employees to bring their whole selves to work and through supporting efforts to raise awareness for the struggles faced by the LGBTQIA+ community.

Objective	Result /status
Achieve a minimum of 40% women in management positions (including KMP, senior managers and other managers) by 2022 with increased year on year representation.	40% target was achieved in June 2022. A new target of 45% women by June 2025 has been set.
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.	AFG achieved a positive score of 92% against its diversity index (5 questions).
Maintain workplace diversity as one of the top three performing areas of our employee pulse surveys.	The diversity index (5 questions) was the highest scoring category in the June 2022 Employee Engagement survey.
Continue training and awareness programs to ensure employees maintain and uphold AFG's acceptable and expected behaviors and diversity and inclusion values in the workplace	The Diversity and Inclusion Committee continues to deliver a quarterly program of training and awareness initiatives. Mental health was a key focus of the committee, in response to challenges caused by COVID-19 and lockdowns.
Maintain no less than 30% of each gender in the composition of AFG's Board of Directors.	Our board comprises 37.5% female representation (as at 31 July, 2022)

We recognise the valuable role our staff play and invest in training and development. During FY2022, staff training was extended to all staff.

Healthy Workplace

Health and well being, including mental health, of our people is another priority.

Mental health has come to the forefront, particularly in light of the COVID 19 pandemic.

A survey of staff affected by prolonged lockdowns in NSW and Victoria determined they were feeling the strain, and there were potential impacts to their mental health. As a result, AFG introduced and encouraged "mental health days" – one paid day off per month for those in lockdown. We also introduced fortnightly virtual 'all staff' meetings hosted by our CEO to ensure all felt connected and had direct access to business leaders across the country, and a weekly all staff virtual social event at the end of the week to ensure those in isolation could spend time with their colleagues. Feedback has affirmed these initiatives are valued by staff and they have continued beyond lockdowns.

We also identified the need to increase the number of mental health first aiders – people across the business who have the skills and are a point of contact for those experiencing mental health issues or emotional distress. We now have eight trained mental health first aiders across the business, including four in WA and one in each office in other states.

The AFG Employee Assistance Program has operated for several years, offering staff access to a national network of professional mental health specialists for support if required. In August 2021, the program was extended to offer support to our broker network.

In addition, we are active in supporting staff against domestic violence, appointing a support ambassador, and hosting staff presentations on the topic by clinical psychologists.

A presentation, to mark White Ribbon Day in November 2021, covered the impact of domestic abuse, what to do at high-risk times (like Christmas and in extraordinary circumstances such as lockdowns caused by the COVID 19 pandemic), what to look for, and how staff can provide support to those impacted.

Other initiaties to support our staff include annual influenza vaccination clinics and the ongoing free supply of fresh fruit.

Team buidling and social events are a regular feature on our calendar, and we participate in community events, such as donating towards the "It's in the Bag" campaign, which collates essential personal items for women at Christmas time.

We are confident that AFG provides a welcoming, engaging and rewarding work environment. Although we have taken on many new staff members during FY2022 and the "Great Resignation" is making headlines – our average staff tenure is 5 years.

What our staff say

"Work culture, best I've ever experienced. AFG should be proud at how well they treat, encourage and look after their staff."
AFG 2022 Employee Survey

"AFG does well in looking after it's people and trying to build a diverse, inclusive environment."
AFG 2022 Employee Survey

"AFG has a great acceptance and respect for employees of different faiths and cultural backgrounds."
AFG 2022 Employee Survey

Governance

The board receives regular updates on a range of ESG issues, including climate change, covering progress against our commitments and goals, and any concerns raised by stakeholders.

During the year we strengthened our board by appointing two new directors: Greg Medcraft and Annette King.

The new appointments mean AFG has eight directors, all non-executive, including three women (37.5 per cent female representation as at 31 July 2022).

In compliance with the ASX Corporate Governance Council's Principles and Recommendations (4th Edition), as at 31 July 2022 the majority of our board members (75 per cent) are independent directors.

We are committed to the highest level of integrity and ethical standards in all business practices and in upholding human rights across our operations and supply chains.

AFG operates under a code of conduct and there is a full suite of human resource and governance policies, consistent with ASX 300 organisations.

Relevant policies include Workplace Health and Safety, Discrimination, Bullying and Harassment, Grievance, Anti Bribery & Corruption, and an annual Modern Slavery Statement. All staff are required to familiarise themselves with these at induction and on an ongoing basis.

Privacy and Security

We are committed to protecting our customers' privacy and consider information security a top priority.

AFG is bound by the Commonwealth Privacy Act 1988, and personal information that we collect will be used only for the purpose that a person has consented to provide that information to AFG and its related entities, or as allowed by law.

AFG is also committed to safeguarding our customers and our brokers' customers' personal information that we hold from external threats and risks.

Measures to prevent, detect and respond to any cyber threats are embedded across all systems and processes, and are a part of every business interaction we have.

To support this, we partner with recognised industry cyber security experts, whose work includes conducting regular risk reviews and penetration and vulnerability testing.

All AFG staff undertake regular compulsory cyber security awareness training and scenario testing.

We also provide training to our extensive network of brokers to assist them to ensure the highest standards of personal information protection are also upheld for their customers.

AFG will continue investing in our technology and people to ensure an ongoing, robust and multi-layered strong defence to protect the personal information of our brokers, and all stakeholders across our supply chain.

Our sound governance, risk and compliance practices, employee protections, and the support provided to our brokers and customers creates a culture across AFG that delivers value to our stakeholders and guides our interactions with customers, the industry and wider community. We are already contemplating the potential impact of International Climate Disclosure Accounting Standards.

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 2022 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:

Anthony (Tony) Gill

(Independent Non-Executive Chair)

Mr Gill has been the Chair of the Board since 2008. 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 Board of the Butterfly Foundation for Eating Disorders and the Pinchgut Opera. Mr Gill is a former member of the Board of Genworth Mortgage Insurance Limited (GMA.AX), and a former member of ASIC's External Advisory Panel. Mr Gill holds a Bachelor of Commerce and is a Chartered Accountant (retired).

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 Establish Property Group Pty Ltd (EPG), 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 27 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 32.20% stake.

He is tasked with overseeing the opportunity to blend Thinktank's commercial property lending expertise with AFG's broad distribution and securitisation 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, 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. This experience and reputation provides a platform for integrity and good governance.

Melanie Kiely

(Independent Non-Executive Director)

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 also 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. Ms Kiely joined the AFG Board as a Non-Executive Director in March 2016 and is Chair of the Remuneration and Nomination Committee, a member of the Audit Committee and a member of the Risk and Compliance Committee.

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, Chair and Non-Executive Director of HealthDirect Australia, and Non-Executive Director of Gold Corporation. She is a Graduate of the Australian Institute of Company Directors and a Fellow of Chartered Accountants Australia and New Zealand, where she is a member of the Australian and New Zealand Corporate Sector and Advisory Committee. Ms Muirsmith is also 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 Risk and Compliance Committee, a member of the Audit Committee and a member of the Remuneration and Nomination Committee.

Greg Medcraft

(appointed 15 September 2021)
(Independent Non-Executive Director)

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 Washington-based think tank Salzburg Global Seminar Inc, 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 London-based LendInvest Ltd and Washington-based Infraclear Inc. Mr Medcraft holds a Bachelor of Commerce from the University of Melbourne.

Annette King

(appointed 1 February 2022)
(Independent Non-Executive Director)

Ms King is an experienced company director, 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 Swiss Re, U Ethical Investors, Galileo Platforms and is President and chair of the Actuaries Institute. She was previously 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, and is a Fellow of the Actuaries Institute of Australia.

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.

Company Secretary

Lisa Bevan (Company Secretary)

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. Ms Bevan is responsible for managing AFG's secretariat, governance and ASX requirements. Ms Bevan also oversees the legal and human resources functions of the Company.

Interests in the shares and rights of the Company

As at the date of this report, the interests of the Directors in the shares of the Group were:

Director	Number of ordinary shares	Number of rights over ordinary shares
Tony Gill	1,239,546	-
Brett McKeon	16,332,632	-
Malcolm Watkins	16,515,594	45,265
Craig Carter	1,400,000	-
Melanie Kiely	89,376	-
Jane Muirsmith	126,819	-
Greg Medcraft	60,000	
Annette King	60,000	

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.


“I work with many brokers, some for more than 7 years. Great customer experience is not something that’s delivered in one interaction, it’s built on consistently over time.”
Melissa – AFG Revenue Team

Dividends

Total dividends paid during the financial year ended 30 June 2022 were $38,755k (2021: $28,449k), which included:

- A final fully franked ordinary dividend of $19,916k (7.4 cents per fully paid share) was declared out of profits of the Company for 2021 and paid on 23 September 2021.
- An interim fully franked ordinary dividend of $18,839k (7.0 cents per fully paid share) was declared out of profits of the Company for 2022 and paid on 24 March 2022.

A final fully franked ordinary dividend of $25,836k (9.6 cents per fully paid share) has been declared out of profits of the Company for the financial year ended 30 June 2022 and is to be paid on 22 September 2022.

Principal activities

The Group's principal activities in the course of the financial year continued to be:

- Mortgage origination and management 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

Normalised net profit for the year ended 30 June 2022 after tax and before amortization and excluding significant items attributable to equity holders was $61,310k, which is 19.5% above the prior period (2021: $51,304k). Revenue from operating activities was up 24.4% to $928,980k (2021: $747,043k).

For the year ended 30 June 2022 the Group recorded a net profit after tax attributable to equity holders of $38,777k, which is 24.4% below the prior period (2021: $51,304k).

The Group recognised a $6.3M (after tax) partial impairment of past capitalised expenditure relating to elements of the technology platform and a $15M impairment from Volt Bank's recently announced cessation of its banking licence, bringing total impairments in FY2022 to approximately $21.3M (after tax).

The increase in profit was attributable to the following:

- AFG Securities (AFGS) loan book growing by 41% to $4.79B (2021: $3.39B);
- AFG Securities settlements increasing 102% to $2.72B (2021: $1.35B);
- Increased residential settlements of 36% to $59.39B (2021: $43.63B);
- Increased AFGHL settlements of 62% to $5.59B (2021: $3.45B);
- Increased Commercial settlements of 67% to $3.89B (2021: $2.32B); and
- Thinktank contribution to profit $6,120k up 16.1% (2021: $5,271k).

Net cashflows from operating activities decreased 11.4% to $51,903k (2021: $58,602k). This was mainly due to a tax refund due in FY23 which when received will normalise operating cashflows. Adjusting for the underlying NPATA excluding significant items converted to operating cashflows at over 95%.

The increased AFGS loan book provides a solid platform to generate further ongoing cashflow and earnings in future years. AFG continues to generate strong cash flows and this will provide a platform for AFG to continue to invest to generate future growth.

During the year ended 30 June 2022, AFGS (wholly owned subsidiary of Australian Finance Group Ltd) successfully priced three Residential Mortgage-Backed Securities (RMBS) issuances:

- A$500M RMBS issue in October 2021;
- A$450M Non-conforming RMBS issue in February 2022; and
- A$750M RMBS issue in March 2022.

The Group has considered the impact of COVID-19 and other market volatility in preparing the financial statements. The 30 June results include a provision for Expected Credit Losses (ECL). Recoveries in COVID hardship cases, property price performances and relatively low unemployment have been considered in the ECL model which has seen the provision reduce at 30 June 2022 to $2,877k (2021: $3,272k).

Impairment charges are discussed further in Note 29 of the 2022 Annual Report. Changes to the estimates and outcomes that have been applied in the measurement of the Group's assets and liabilities may arise in the future.

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 2022		30 June 2021	
In thousands of AUD	Operating income	Profit after tax	Operating income	Profit after tax
Underlying NPATA from continuing operations excluding significant items	832,668	55,755	671,029	49,586
Change in the carrying value of trailing commissions contract asset and payable	96,312	5,555	76,014	1,718
Normalised NPATA from continuing operations excluding significant items	928,980	61,310	747,043	51,304

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 2022	30 June 2021
Net profit after tax for the period attributable to equity holders	38,777	51,304
Amortisation of acquired intangible assets	1,181	-
NPATA	39,958	51,304

Likely developments and expected results

The Group will continue to provide choice and lead the market by building on the strengths of our traditional wholesale mortgage broking business while developing 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

On 29 July 2022, the CBA warehouse facility capacity limit was increased by $535M and on 1 August 2022, the ANZ warehouse facility capacity limit was increased by $250M.

On 25 August 2022, the Directors recommended the payment of a dividend of 9.6 cents per fully paid ordinary share, fully franked based on tax paid at 30%. The dividend has a record date of 6 September 2022 and a payment date of 22 September 2022. The aggregate amount of the proposed dividend expected to be paid out of retained earnings at 30 June 2022 is $25,836k. The financial effect of this dividend has not been brought to account in the financial statements for the year ended 30 June 2022.

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 (2021: 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 below.

The Directors met as a Board 12 times during the year. 11 meetings were main meetings, and 1 meeting was convened to consider special business. 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. Apologies were received from Directors in all instances where they were unable to attend a meeting.

Director's Board Meetings

	Main Meetings Held	Main Meetings Attended	Special Meetings Held	Special Meetings Attended
Tony Gill	11	11	1	1
Brett McKeon	11	11	1	1
Malcolm Watkins	11	10	1	1
Craig Carter	11	11	1	1
Melanie Kiely	11	11	1	1
Jane Muirsmith	11	11	1	1
Greg Medcraft	9	9	1	1
Annette King	5	5	0	0

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)	Jane Muirsmith (C) [1]	Jane Muirsmith (C)
Melanie Kiely	Craig Carter	Craig Carter	Annette King
Jane Muirsmith[3]	Jane Muirsmith	Melanie Kiely	Malcolm Watkins
Greg Medcraft	Greg Medcraft	Greg Medcraft (c) [1]	
Annette King	Annette King	Annette King	

1. Jane Muirsmith was the Chair of the Risk and Compliance Committee during the period of 01 July 2021 – 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.

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	
	Maximum Possible Meetings	Attended	Maximum Possible Meetings	Attended	Maximum Possible Meetings	Attended
Craig Carter	5	5	5	5	5	5
Melanie Kiely	5	5	5	5	5	5
Jane Muirsmith	5	5	5	5	5	5
Greg Medcraft	4	4	4	4	4	4
Annette King	2	2	3	3	2	2

The Technology and Data Committee was established by the Board on 1 August 2022. There were no meetings of this Committee held during the year to the date of this report.

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

The following non-audit services were provided by the entity's auditor, Ernst & Young. 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 37 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 42 of this financial report for the year ended 30 June 2022. This report is made in accordance with a resolution of the Directors.

Remuneration Report

Dear Shareholder,

On behalf of the Board, I am pleased to present AFG's Remuneration Report for FY22.

In line with our approach since listing, the AFG Board remains committed to an Executive Remuneration structure that aligns performance and key person retention with shareholder returns in the short and longer term.

Critically, good conduct, adherence to responsible lending obligations and ensuring positive customer outcomes remains a pre-condition as an effective eligibility 'gateway' to any incentive payment.

In setting our remuneration structure and targets, we value and seek 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 strive to adapt our remuneration to the economic environment to ensure our executives aren't benefiting or being disadvantaged by pressures out of their control. This was evidenced during the last 2 years of COVID-19 related pressures.

In line with this, for FY22, we returned to a structure more aligned with pre-COVID times. The modifications made to the Group's Short-Term Incentive (STI) and Long-Term Incentive (LTI) structures for FY22 were as follows:

- Reverted to a STI award with 50% NPAT and 50% strategic targets. FY21 was 100% NPAT. Importantly, in FY22 NPAT remained as a gate opener (80%) for the payment of strategic targets as did conduct.
- With respect to the LTI, due to the difficulty in forecasting longer term earnings results as a consequence of the unknown impact of COVID-19, a greater weighting of the LTI award was allocated to Total Shareholder Return (TSR). Historically, the split of the dollar value of an executive's LTI award has been 65% Earnings Per Share (EPS) and 35% TSR. In FY21 this changed to 65% TSR and 35% EPS. The TSR target continues to include a positive absolute TSR and conduct gateways for payment to occur.

For FY23, as we continue to look to align our remuneration framework with the economic outlook, shareholder expectations and the employment market , the following modifications have been made to the remuneration structure:

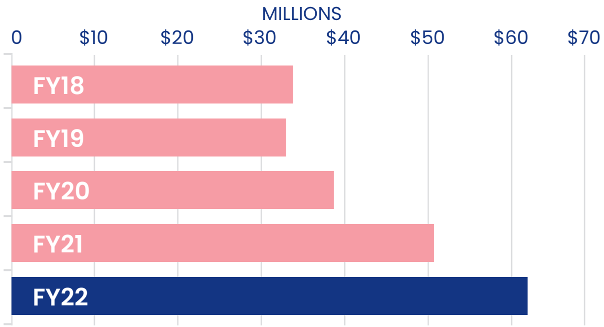
- LTI targets will move to an even weighting between TSR and EPS to reflect the more stable environment.
- EPS targets will increase from 5% to 7.5% with the gateway increasing from 2.5% to 5% reflecting our outlook.

FY22 Performance & remuneration outcomes summary

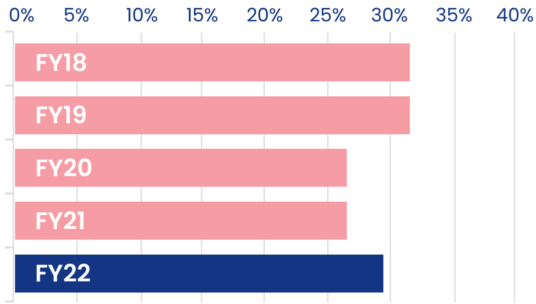
Looking back over FY22, the results and the commensurate remuneration reflects a good year for shareholders:

- Excluding one-off items, the Group delivered another record result in FY22, with continued strong growth in the AFG Securities business, residential aggregation business and contributions from our investments in Thinktank and Fintelligence. The business achieved normalised NPATA of $61.3m, representing growth of 20% from $51.3 million in FY21 and representing EPS Compound Annual Growth Rate (CAGR) of 14% since FY19.
- Over the TSR LTI performance period of 1 July 2019 to 1 July 2022, AFG has delivered TSR performance at the 69th and 62nd percentile of the Diversified Financials and Small Industrials Indexes respectively. It is worth noting that this was when the financial sector more broadly and particularly non-bank lenders suffered from poor market sentiment in the second half of FY22.
- Residential volumes were up 36% to a record $59.4 billion over the year and the AFG Securities loan book grew strongly to be $4.8 billion, up 41% on 30 June 2021.
- The number of active brokers grew during the year, up from 3,525+ at 31 December to 3,700+ (including Fintelligence).
- These strong results will drive an increased final dividend of 9.6 cents per share. When combined with the interim dividend this represents a yield of 9% (share price at 3 August 2022). A 5-year history of AFG's NPATA, Residential, AFGHL and AFG Securities' loan books, AFG Securities Settlements, Return on Equity (ROE) and Dividends is provided below:

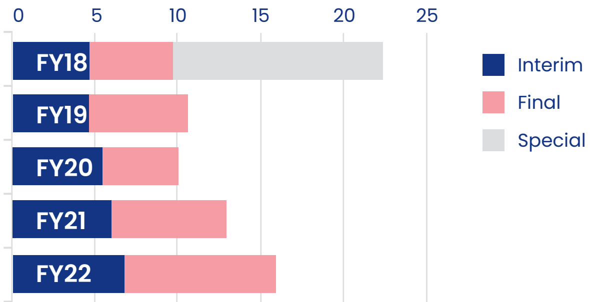
Normalised NPATA



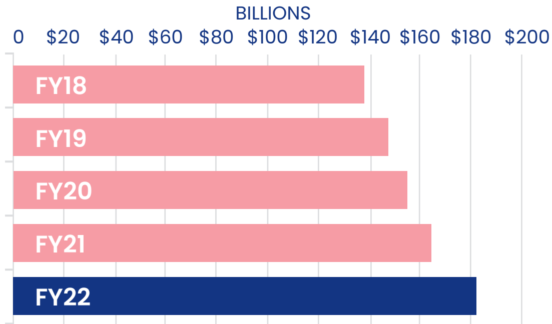
Normalised ROE



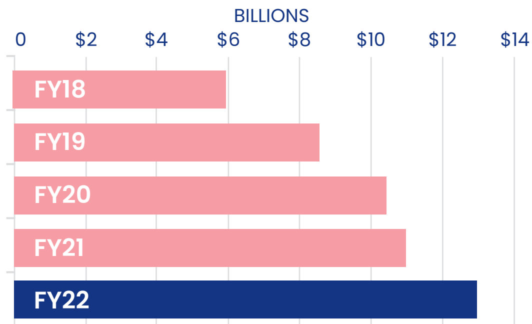
Dividends (cents per share)



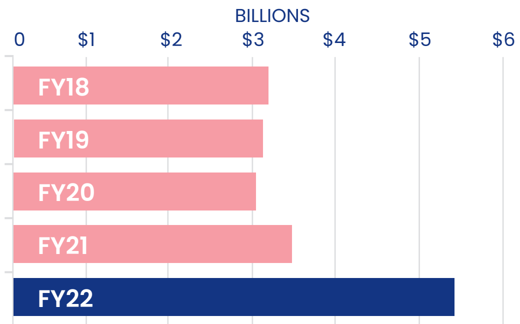
Residential Loan Book



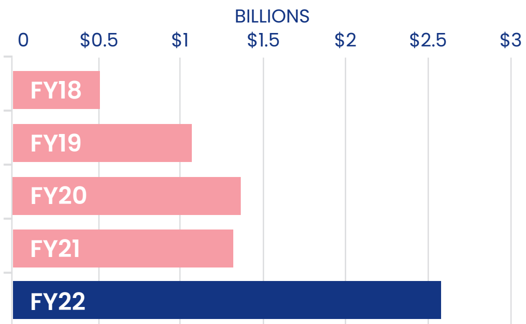
AFG Home Loans Portfolio



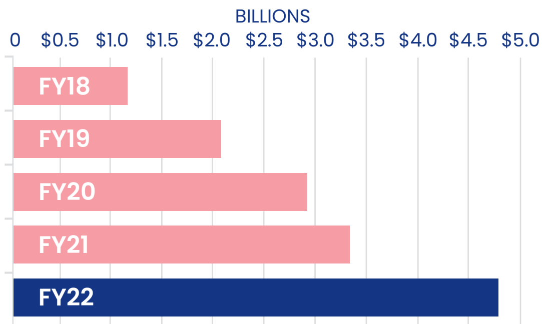
AFGS Home Loans Settlements



AFG Securities Settlements



AFG Securities Loan Book



In line with this performance, the key remuneration outcomes as recommended by the Board and which are detailed further in the Remuneration Report include:

- Total FY22 STI NPAT payments made at 101%, notwithstanding the record normalised NPATA of $61.3m which would have resulted in a payment of 112.5%. This outcome reflects the partial write-down of $6.35m (after tax) of core AFG technology assets. Resulting in normalised NPATA of $61.3m being reduced to $54.95m for assessment purposes. While further progress has been made in the Group's IT development programme and a clear path forward has been established, the required targets have not been met and as such the entire technology STI award for that KPI (20%) has been forfeited. The amounts retained from the COO and CEO's FY21 award have also now been forfeited.
- It is worth noting AFG's investment in Volt Corporation Ltd (Volt) was fully written down following the handing back of their banking license. The Board used its discretion to exclude the Volt impairment from the STI assessment given that AFG had met all due diligence and execution requirements with the end result outside the control of our KMP's.
- For FY22 LTI payments, the gateway was calculated using the same rationale as for STI, with the technology write-down included and the Volt impairment excluded. As a result:
    - performance rights associated with TSR targets vested at 88% (Diversified Financials – 69th percentile) and 74% (Small Industrials – 62nd percentile).
    - Normalised NPATA including the technology write-down but excluding the Volt write-down (delivered an EPS CAGR of 9.9%, above the stretch target of 7.5%).
- Both of these would have resulted in shares vesting at 150% for EPS in this scenario. However, the Board did not feel this was appropriate given the write-downs and as such has elected to use its discretion to reduce the overall LTI award (including TSR) allocated to KMP by 25%.

We are pleased with the outcome for our executive team as, notwithstanding one-off impacts to the FY22 results which have not impacted dividend policy or growth prospects, it reflects the excellent business performance over the past three financial years and the foundations built for the long-term growth of the company. It also aligns with our shareholder returns for the period and builds the foundation for potential returns into the future. It is worth noting that in FY17 the AFG Board applied discretion in a consistent manner, when the AFG Home Loans white label trail book was first recognised as an asset and the large profit uplift that resulted was excluded from the STI NPAT assessment to ensure there was not a windfall gain from a one-off item. We will continue to ensure our discretion aligns with the impact on shareholders and items within the control of our executive team.

We continue to believe the Group's remuneration structure delivers outcomes that reflect an appropriate balance between shareholder returns and the ability to attract, retain and incentivise a high performing management team. We recognise that the economic environment is continuing to change, and remuneration practices are continually evolving and as such we will continue to review and improve our remuneration structures into the future.

With regard to Board succession planning in line with our strategy, we have added Greg Medcraft and Annette King to the Board, who bring strong securitization skills and financial skills respectively to the Board. We continue to focus on renewal for the future and building the skills required to support the future strategy.

As I will be standing down at the 2022 AGM after over six years chairing the Remuneration & Nomination Committee, I have been working closely with Annette King who will take over as Chair, to ensure a smooth handover. I look forward to seeing how the Committee and the Board of AFG continue to evolve in line with the strategy of the business and expectations of shareholders.

Further detail on these remuneration results is provided in section 3 of the annual report. These results, fittingly reflect the outcomes of a very successful year for AFG and I applaud management for their hard work and contribution.

Melanie Kiely
Chair, Remuneration & Nomination Committee

1. Introduction

The Remuneration Report outlines AFG's remuneration philosophy, framework and outcomes for all Non-Executive Directors, Executive Directors and other Key Management Personnel (collectively KMP). The report is written in accordance with the requirements of the Corporations Act 2001 (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			
Anthony Gill	Non-Executive Chair	Appointed 28 August 2008	14 years
Craig Carter[1]	Non-Executive Director	Appointed 25 March 2015	7 years
Melanie Kiely[2]	Non-Executive Director	Appointed 31 March 2016	6 years
Jane Muirsmith[3]	Non-Executive Director	Appointed 31 March 2016	6 years
Brett McKeon[4]	Non-Executive Director	Transitioned 1 July 2019	26 years
Greg Medcraft	Non-Executive Director	Appointed 15 September 2021	1 year
Annette King	Non-Executive Director	Appointed 1 February 2022	1 year
Malcolm Watkins[5]	Non-Executive Director	Transitioned 1 July 2022	25 years
Executives			
David Bailey	Chief Executive Officer	Appointed 16 June 2017	
Lisa Bevan	Company Secretary	Appointed 9 March 1998	
Ben Jenkins[6]	Chief Financial Officer	Appointed 14 December 2015	
John Sanger[7]	Chief Operating Officer	Appointed 6 March 2018	

(1) Craig Carter is Chair of the Audit Committee.

(2) Melanie Kiely is Chair of the Remuneration and Nomination Committee.

(3) Jane Muirsmith is Chair of the Risk and Compliance Committee.

(4) Brett McKeon was appointed to the Board 19 June 1996 and transitioned to Non-Executive Director effective 1 July 2019.

(5) Malcolm Watkins was appointed to the Board 8 December 1997 and transitioned to Non-Executive Director effective 1 July 2022

Other than Brett McKeon, all Non-Executive Directors listed above are Independent Directors.

The average tenure for the AFG Board is 13 years.

(6) Ben Jenkins resigned 12 August 2022.

(7) John Sanger resigned 22 December 2021.

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. As is appropriate, conduct continues to be an absolute gateway for incentive payment.

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 measure**	**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 FY22: 50% allocation to NPAT, 30% to AFGS book growth and 20% to KPI's linked to broker technology project. Group Financial Measures FY23: 50% allocation to NPAT, 25% to AFGS book growth and 25% to KPI's linked to broker technology project.	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
	FY22 grant:
	• 35% of a KMP's entitlement allocated to a 3-year CAGR EPS target.
	• 65% 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.
	
	FY23 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 given to 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 FY22

The combined cash bonus pool available to be paid to the Executives for on target performance in the 2022 financial year was $572,890 and the minimum is nil. For the 2022 financial year, as noted above the target STI NPAT bonus amount was measured including the impact of the technology impairment but excluding the impact of the Volt Impairment. This resulted in an overall STI achievement by the Executives who were employed for the full year of 82% as outlined below. In FY21, the technology measure for the Group's COO that was deferred along with 20% of the CEO's original STI entitlement pending completion of certain project milestones. During FY22, these amounts were forfeited.

Target	FY21 000's	FY22 000's	Growth/ Performance	Payment
NPATA (50%)	$51,304	$54,958	7%	101%
AFGS Book Growth	$3,393,462	$4,785,983	41%	106%
Technology Measure			Not achieved	**Nil**
Total				82%

	Target STI opportunity	As a % of fixed remuneration	STI outcome	% Achieved	% Retained	% Forfeited
D. Bailey	$240,500	40%	$197,488	82%	0%	18%
M. Watkins	$23,000	17%	$18,887	82%	0%	18%
L. Bevan[1]	$89,890	33%	$73,814	82%	0%	18%
B. Jenkins	$105,000	34%	$86,221	82%	0%	18%
J. Sanger[2]	$114,500	22%	$44,822	39%	0%	61%
Total	**$572,890**		**$421,232**			

1. L. Bevan is employed on a part time basis 4 days per week.

2. J. Sanger resigned 22 December 2021

LTI award outcomes FY22

For the 2022 financial year, 89% of the target LTI bonus (granted in FY20) was awarded to Executives as outlined below. This is inclusive of the technology impairment and following the exercise of board discretion, also includes a 25% reduction in the calculated award to reflect the impairment of Volt.

Measure	Target	Achieved	% Achieved
CAGR EPS	7.5%	9.9%	95%
TSR Small Industrials	75th Percentile	95th Percentile	74.2%
TRS Diversified Industrials	75th Percentile	90th Percentile	88.4%

Performance Rights	Target LTI opportunity	LTI outcome	% Achieved	% Forfeited[1]
D. Bailey	531,894	473,447	89%	11%
M. Watkins	17,108	15,229	89%	11%
L. Bevan	166,338	148,061	89%	11%
B. Jenkins	170,661	151,909	89%	11%
J. Sanger	185,831	133,518	72%	28%
Total	1,071,832	922,164	86%	

1. Forfeiture due to TSR hurdles not passing are still fully expensed as at 30 June 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 38% fixed and 62% variable (at risk): and
- Other members of the Executive team are in the range of 47% to 75% fixed and 25% to 53% 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 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 FY22 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 FY23 50% of the STI target for all KMPs will be allocated to NPAT, 25% to AFGS book growth and 25% to KPI's linked to the broker technology project. 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. In order for any STI award to be payable, a conduct gateway including leadership qualities must also be achieved.
Assessment of performance	The Board reviews and approves the performance assessment and STI payments for the CEO and all other Executives. The Board has a broad discretion to apply qualitative factors such as risk (including non-financial risk), reputation, conduct, leadership kills and values to the assessment of performance achievements for an Executive.
Payment method	STI payments are delivered as cash.

3.4 FY23 STI opportunity

Offers to participate in STI awards for the 2023 financial year were made to 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 NPAT (50%), AFGS book growth (25%) and to the KPI's linked to the broker technology project (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 a NPAT target.

3.5 The LTI plan – 2021, 2022 and 2023 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.

	2021 & 2022 LTI Grant	2023 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 2020 & 2021 other than those approved at the 2020 AGM and those subject to approval at the 2021 AGM.	1 July 2022 & 2021 other than those subject to approval at the 2022 AGM.

	2021 & 2022 LTI Grant	2023 LTI Grant
Grant date fair value	**TSR** Small Industrials Index 2021 $1.153; 2022 $1.910. **TSR** Diversified Financials Index 2021 $1.149; 2022 $1.770.	**TSR** Small Industrials Index 2023 $0.800. **TSR** Diversified Financials Index 2023 $0.820.
	EPS $2.795 (being the 20-day Volume Weighted Average Price leading up to 30 June 2021) **EPS** $1.796 (being the 20-day Volume Weighted Average Price leading up to 30 June 2020)	**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**
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 2020 – 30 June 2023 (FY21 Grant) 1 July 2021 – 30 June 2024 (FY22 Grant)	1 July 2022 – 30 June 2025 (FY23 Grant)
Performance assessment	30 June 2023 and 30 June 2024 Performance period not yet complete.	30 June 2025 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 kills and values to the assessment of performance achievements for an Executive.

LTI Plan Rules & Design Considerations	
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 condition. 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.
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 2022 and 30 June 2021

		Short-term				Post employment		Other Bonuses	Long-term	Share-based payments		Other Payments	Total Remuneration	Proportion of remuneration
KMP		Salary & fees	Cash bonus	Non-monetary benefits	Total	Superannuation	Retirement benefits	Discretionary Bonuses	Long service leave	Rights	Shares	Other Payments		Performance Related
		$	$	$	$	$	$	$	$	$	$	$	$	%
D. Bailey	2022	577,432	197,488	8,115	783,035	23,568	-	-	11,164	694,627	-	-	1,512,394	59%
	2021	550,556	297,700	8,067	856,323	21,694	-	-	10,369	497,187	-	-	1,385,573	57%
M. Watkins[1]	2022	123,636	18,887	-	142,523	12,364	-	-	2,390	21,928	-	-	179,205	23%
	2021	121,618	33,834	4,628	160,080	13,525	-	-	2,340	17,378	-	-	193,323	26%
L. Bevan[2]	2022	252,432	73,814	8,115	334,361	23,568	-	-	4,880	213,319	-	-	576,128	50%
	2021	248,810	132,192	8,067	389,069	21,694	-	-	4,789	155,302	-	-	570,854	50%
B. Jenkins[3]	2022	281,432	86,221	8,115	375,768	23,568	-	-	5,441	(7,313)	-	-	397,464	20%
	2021	268,306	135,000	8,067	411,373	21,694	-	-	28,631	158,996	-	-	620,694	47%
J. Sanger[4]	2022	233,709	44,822	6,096	284,627	19,678	-	-	-	(7,963)	-	-	296,342	12%
	2021	304,706	117,810	8,067	430,583	21,694	-	-	-	172,859	-	-	625,136	46%
Total	2022	1,468,641	421,232	30,441	1,920,314	102,746	-	-	23,875	914,598	-	-	2,961,533	45%
Total	2021	1,493,996	716,536	36,896	2,247,428	100,301	-	-	46,129	1,001,722	-	-	3,395,580	51%

Notes:

1. M. Watkins is employed on a part time basis 2 days per week.
2. L. Bevan is employed on a part time basis 4 days per week
3. B. Jenkins resigned 12 August 2022.
4. J. Sanger resigned 22 December 2021. Mr Sanger's LTI and STI for FY22 were measured as per the same criteria as other KMP and paid on a pro rata basis.

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. It was approved at the 2021 AGM to increase the NED fee pool from $1m to $1.25m per annum to cover the increase in relative market pay for NED's since that date.

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 2022 and 30 June 2021:

	Year	Board and Committee Fees $	Short-term benefits (non-monetary) $	Superannuation $	Total $
T. Gill	2022	181,818	-	18,182	200,000
	2021	144,292	-	13,708	158,000
B. McKeon	2022	109,091	-	10,909	120,000
	2021	86,758	-	8,242	95,000
C. Carter	2022	109,091	-	10,909	120,000
	2021	86,758	-	8,242	95,000
M. Kiely	2022	109,091	-	10,909	120,000
	2021	86,758	-	8,242	95,000
J. Muirsmith	2022	109,091	-	10,909	120,000
	2021	86,758	-	8,242	95,000
G. Medcraft[1]	2022	83,077	-	8,308	91,385
	2021	-	-	-	-
A. King[2]	2022	41,538	-	4,154	45,692
	2021	-	-	-	-
Total	2022	742,797	-	74,280	817,077
Total	2021	491,324	-	46,676	538,000

1 Greg Medcraft commenced 15 September 2021

2 Annette King commenced 1 February 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 FY20, FY21 and FY22 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 2020 plan vested on 30 June 2022 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	2020 / T1	9,285	1-Jul-19	$1.58	30-Jun-22	-	30-Jun-22	434	8,851
	2020 / T2	4,028	1-Jul-19	$0.98	30-Jun-22	-	30-Jun-22	467	3,561
	2020 / T3	3,795	1-Jul-19	$1.04	30-Jun-22	-	30-Jun-22	979	2,816
	2021 / T1	4,396	1-Jul-20	$1.80	30-Jun-23	-	30-Jun-23	-	-
	2021 / T2	6,386	1-Jul-20	$1.15	30-Jun-23	-	30-Jun-23	-	-
	2021 / T3	6,358	1-Jul-20	$1.15	30-Jun-23	-	30-Jun-23	-	-
	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	2020 / T1	90,276	1-Jul-19	$1.58	30-Jun-22	-	30-Jun-22	4,216	86,060
	2020 / T2	39,161	1-Jul-19	$0.98	30-Jun-22	-	30-Jun-22	4,543	34,618
	2020 / T3	36,901	1-Jul-19	$1.04	30-Jun-22	-	30-Jun-22	9,520	27,381
	2021 / T1	42,737	1-Jul-20	$1.80	30-Jun-23	-	30-Jun-23	-	-
	2021 / T2	62,084	1-Jul-20	$1.15	30-Jun-23	-	30-Jun-23	-	-
	2021 / T3	61,815	1-Jul-20	$1.15	30-Jun-23	-	30-Jun-23	-	-
	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	-	-
D. Bailey	2020 / T1	288,672	1-Jul-19	$1.58	30-Jun-22	-	30-Jun-22	13,480	275,192
	2020 / T2	125,223	1-Jul-19	$0.98	30-Jun-22	-	30-Jun-22	14,526	110,697
	2020 / T3	117,999	1-Jul-19	$1.04	30-Jun-22	-	30-Jun-22	30,444	87,555
	2021 / T1	136,658	1-Jul-20	$1.80	30-Jun-23	-	30-Jun-23	-	-
	2021 / T2	198,525	1-Jul-20	$1.15	30-Jun-23	-	30-Jun-23	-	-
	2021 / T3	197,664	1-Jul-20	$1.15	30-Jun-23	-	30-Jun-23	-	-
	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	-	-
B. Jenkins[2]	2020 / T1	92,622	1-Jul-19	$1.58	30-Jun-22	-	30-Jun-22	4,325	88,297
	2020 / T2	40,178	1-Jul-19	$0.98	30-Jun-22	-	30-Jun-22	4,661	35,517
	2020 / T3	37,861	1-Jul-19	$1.04	30-Jun-22	-	30-Jun-22	9,768	28,093
	2021 / T1	43,847	1-Jul-20	$1.80	30-Jun-23	-	30-Jun-23	43,847	-
	2021 / T2	63,698	1-Jul-20	$1.15	30-Jun-23	-	30-Jun-23	63,698	-
	2021 / T3	63,422	1-Jul-20	$1.15	30-Jun-23	-	30-Jun-23	63,422	-
	2022 / T1	30,054	1-Jul-21	$2.795	30-Jun-24	-	30-Jun-24	30,054	-
	2022 / T2	44,068	1-Jul-21	$1.77	30-Jun-24	-	30-Jun-24	44,068	-
	2022 / T3	40,838	1-Jul-21	$1.91	30-Jun-24	-	30-Jun-24	40,838	-

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]
J. Sanger[3]	2020 / T1	100,855	1-Jul-19	$1.58	30-Jun-22	-	30-Jun-22	23,248	77,607
	2020 / T2	43,750	1-Jul-19	$0.98	30-Jun-22	-	30-Jun-22	12,532	31,218
	2020 / T3	41,226	1-Jul-19	$1.04	30-Jun-22	-	30-Jun-22	16,534	24,692
	2021 / T1	47,745	1-Jul-20	$1.80	30-Jun-23	-	30-Jun-23	47,745	-
	2021 / T2	69,360	1-Jul-20	$1.15	30-Jun-23	-	30-Jun-23	69,360	-
	2021 / T3	69,059	1-Jul-20	$1.15	30-Jun-23	-	30-Jun-23	69,059	-
	2022 / T1	31,306	1-Jul-21	$2.795	30-Jun-24	-	30-Jun-24	31,306	-
	2022 / T2	45,904	1-Jul-21	$1.77	30-Jun-24	-	30-Jun-24	45,904	-
	2022 / T3	42,539	1-Jul-21	$1.91	30-Jun-24	-	30-Jun-24	42,539	-

* 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 95%, T2 88% and T3 74%
2 FY20 plan kept on foot. FY21 and FY22 plans forfeited on resignation.
3 FY20 plan kept on foot on a pro-rata basis. FY21 and FY22 plans forfeited on resignation.

5.4 Shareholdings of KMP

Ordinary shares held in Australian Finance Group Ltd ASX:AFG

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
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						
L. Bevan	1,098,485	85,314	-	90,000	1,273,799	98,485
D. Bailey	1,304,037	278,260	-	-	1,582,297	609,334
B. Jenkins	93,902	84,320	(80,000)	-	98,222	-
J. Sanger	98,632	89,281	-	-	187,913	-

1 Includes shares held directly, indirectly and beneficially by the KMP
2 Direct market purchase

30 June 2021	Balance 1 July 2020	Shares issued on vesting of rights	Sold during the period	Net change other [2]	Balance 30 June 2021[1]	Held normally
Directors						
T. Gill	1,329,546	-	-	-	1,329,546	1,152,274
B. McKeon	16,289,779	20,915	-	-	16,310,694	16,310,694
M. Watkins	17,462,284	31,372	-	-	17,493,656	17,414,195
C. Carter	960,714	-	-	-	960,714	960,714
M. Kiely	89,376	-	-	-	89,376	89,376
J. Muirsmith	86,819	-	-	-	86,819	86,819
Executives						
L. Bevan	1,280,304	81,035	(262,854)	-	1,098,485	98,485
D. Bailey	1,198,744	265,293	(160,000)	-	1,304,037	609,334
B. Jenkins	50,403	81,999	(38,500)	-	93,902	-
J. Sanger	35,081	63,551	-	-	98,632	-

1 Includes shares held directly, indirectly and beneficially by the KMP

2 Direct market purchase

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
M. Watkins	No expiry, continuous agreement	12 months (or payment in lieu of notice)	12 weeks
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
B. Jenkins[1]	No expiry, continuous agreement	6 months (or payment in lieu of notice)	12 weeks

1 B. Jenkins resigned 12 August 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 2022 the Committee comprised independent Non-Executive Director Melanie Kiely (Chair), and independent Non-Executive Directors Craig Carter, Jane Muirsmith, Greg Medcraft and Annette King.

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 advice or recommendations from independent consultants was received during the financial period ended 30 June 2022.

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 2021 AGM

The 30 June 2021 Remuneration Report was presented to shareholders and was approved at the 2021 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. 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 $1,323k (2021: $837k). These payments are not considered to be material to the financial results of the Group and therefore do not impact on Mr T. Gill's independence as a Director.

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

The Group's head office is located at 100 Havelock Street West Perth. The Group leases these premises at commercial arm's length rates from an investee of EPG, Qube Havelock Street Development Pty Ltd (Qube). AFG paid rent of $1,194k which has been paid to Qube (2021: $1,150k). In addition to the above McCabe Street Ltd has paid the loan owing to AFG amounting to $232k in full during the financial year. This loan was on commercial terms at arms-length. Directors of McCabe Street Ltd include B. McKeon, D. Bailey and L. Bevan.

End of Audited Remuneration Report

9. Independent Audit of Remuneration Report

The Remuneration Report has been audited by Ernst & Young. Please see page 96 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.

Tony Gill
Chair

Sydney
25 August 2022

Independence declaration under Section 307C of the Corporations Act 2001

Ernst & Young
11 Mounts Bay Road
Perth WA 6000 Australia
GPO Box M939 Perth WA 6843

Tel: +61 8 9429 2222
Fax: +61 8 9429 2436
ey.com/au

Building a better working world

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 2022, 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

25 August 2022

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 30 June 2022

In thousands of AUD	Note	2022	2021
Commission and other income	7	820,133	656,801
Securitisation interest income		108,847	90,242
Operating income		**928,980**	**747,043**
Commission and other cost of sales		(741,032)	(598,108)
Securitisation interest expense		(57,722)	(46,520)
Gross profit		**130,226**	**102,415**
Other income	8	20,357	14,423
Impairment expenses	9(a)	(23,679)	-
Administration expenses		(9,008)	(7,383)
Other expenses	9(b)	(62,625)	(44,175)
Results from operating activities		**55,271**	**65,280**
Finance income	10	259	753
Finance expenses	10	(1,089)	(187)
Share of profit of associates	18	5,937	4,919
Net finance and investing income		5,107	5,485
Profit before tax from continuing operations		**60,378**	**70,765**
Income tax expense	11(a)	(20,666)	(19,461)
Profit for the period		**39,712**	**51,304**
Attributable to:			
Equity holders of the Company		38,777	51,304
Non-controlling interests		935	-
		39,712	**51,304**
Other comprehensive profit for the year, net of income tax		-	(15)
Total comprehensive income for the period attributable to:			
Equity holders of the Company		38,777	51,289
Non-controlling interests		935	-
Total comprehensive income for the year		**39,712**	**51,289**
Earnings per share			
Basic earnings per share (cents per share)	27	14.41	19.12
Diluted earnings per share (cents per share)	27	14.22	18.88

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 2022

In thousands of AUD	Note	2022	2021
Assets			
Cash unrestricted	12(a)	84,681	106,930
Cash restricted	12(a)	183,904	119,118
Trade and other receivables	13	11,766	5,645
Current tax receivable	11(b)	1,674	-
Other asset	14	-	15,000
Contract assets	15	1,146,926	1,050,613
Loans and advances	17	4,802,575	3,403,102
Investment in associates	18	31,421	25,999
Property, plant and equipment		884	693
Right of use assets	19	5,113	4,979
Deferred tax asset	11(c)	32	-
Intangible assets	16	31,945	9,506
Goodwill	16	60,748	-
Total assets		**6,361,669**	**4,741,585**
Liabilities			
Trade and other payables	20	1,138,239	1,036,275
Non-interest-bearing liabilities	22	20,180	-
Employee benefits	23	7,203	6,283
Current tax payable	11(b)	-	3,260
Provisions	24	2,729	3,327
Contract liability	25	6,908	8,681
Lease Liability	19	5,581	5,362
Interest-bearing liabilities	21	4,949,315	3,457,712
Deferred tax liability	11(c)	26,079	17,704
Total liabilities		**6,156,234**	**4,538,604**
Net assets		**205,435**	**202,981**
Equity			
Share capital	26(a)	102,125	102,125
Share-based payment reserve		6,067	4,572
Retained earnings		96,337	96,313
Other capital reserves		(29)	(29)
Equity reserves	22	(20,180)	-
Total equity attributable to equity holders of the Company		**184,320**	**202,981**
Non-controlling interest	30	21,115	-
Total equity		**205,435**	**202,981**

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 2022

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**

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 2020	102,157	(14)	-	2,604	73,466	178,213	-	**178,213**
Total comprehensive income for the period								
Movement in reserve	-	(15)	-	-	-	(15)	-	**(15)**
Profit	-	-	-	-	51,304	51,304	-	**51,304**
Total comprehensive income for the period	-	(15)	-	-	51,304	51,289	-	**51,289**
Transactions with owners, recorded directly in equity								
Share issue costs (net of tax)	(32)	-	-	-	(8)	(40)	-	**(40)**
Dividends to equity holders	-	-	-	-	(28,449)	(28,449)	-	**(28,449)**
Share-based payment transactions	-	-	-	1,968	-	1,968	-	**1,968**
Total transactions with owners	(32)	-	-	1,968	(28,457)	(26,521)	-	**(26,521)**
Balance at 30 June 2021	102,125	(29)	-	4,572	96,313	202,981	-	**202,981**

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 2022

In thousands of AUD	Note	2022	2021
Cash flows from operating activities			
Cash receipts from customers		734,035	597,068
Cash paid to suppliers and employees		(706,965)	(558,825)
Interest received		108,847	90,242
Interest paid		(58,635)	(46,520)
Income taxes paid		(25,379)	(23,363)
Net cash generated by operating activities	12(b)	**51,903**	**58,602**
Cash flows from investing activities			
Net interest received		259	753
Acquisition of property, plant and equipment		(551)	(455)
Purchase of intangible assets		(12,120)	(6,522)
Dividend from Thinktank		515	-
Additional Investment in Thinktank		-	(215)
Acquisition of Fintelligence (net of cash acquired)	30	(50,509)	-
Acquisition of BrokerEngine (net of cash acquired)	30	(3,602)	-
Investment in MAB Broker Services Pty Ltd		-	(3,700)
Investment in Volt Corporation Ltd		-	(15,000)
Decrease in broker loans and advances		325	581
Net loans and advances to borrowers		(1,391,823)	(481,388)
Net cash used in investing activities		**(1,457,506)**	**(505,946)**
Cash flows used in financing activities			
Proceeds from warehouse facility		2,686,044	-
Repayments of warehouse facility		(1,759,000)	(729,500)
Proceeds from securitised funding facilities		1,565,909	1,672,390
Repayments to securitised funding facilities		(1,056,120)	(400,795)
Proceeds from Debt facility		52,500	-
Payment for acquisition of debt facility		(451)	-
Proceeds from issue of ordinary shares, net of issue costs		-	(40)
Payment of principal portion of lease liability		(1,987)	(1,742)
Dividends paid	26(b)	(38,755)	(28,449)
Net cash generated by financing activities		**1,448,140**	**511,864**
Net increase in cash and cash equivalents		42,537	64,520
Cash and cash equivalents at 1 July		226,048	161,528
Cash and cash equivalents at 30 June	12(a)	**268,585**	**226,048**

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

Notes to the Financial Statements

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1. Reporting entity

The Consolidated Financial Statements for the financial year ended 30 June 2022 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 International 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 25 August 2022. 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 29(d) - Determination of assumptions used in forecasting and discounting future trail commissions
- Note 28 - Measurement of share-based payments
- Note 29 - 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 un-recouped 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 2020-8 Amendments to Australian Accounting Standards – Interest Rate Benchmark Reform – Phase 2;
- AASB 2021-3 Amendments to Australian Accounting Standards – COVID-19 related rent concessions beyond 30 June 2021;
- AASB 2020-7 Amendments to Australian Accounting Standards – COVID-19 Related Rent Concessions: Tier 2 Disclosures;
- AASB 2020-9 Amendments to Australian Accounting Standards – Tier 2 Disclosures: Interest Rate Benchmark Reform (Phase 2) and Other Amendments; and
- 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 (the 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	30 June 2024
AASB 2020-1 Amendments to AASs – Classification of Liabilities as Current or Non-current	1 January 2023	30 June 2024
AASB 2021-2 Amendments to AASs – Disclosure of Accounting Policies and Definition of Accounting Estimates	1 January 2023	30 June 2024
AASB 2021-5 Amendments to Australian Accounting Standards – Deferred Tax related to Assets and Liabilities arising from a single transaction	1 January 2023	30 June 2024
AASB 2021-6 Amendments to AASs – Disclosure of Accounting Policies: Tier 2 and Other Australian Accounting Standards	1 January 2023	30 June 2024
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	30 June 2026

* Reporting period commences on or after the application date.

In addition, the Group has considered the tentative agenda decision of the International Accounting Standards Board (IASB) in relation to the cash received via electronic transfers as settlement for a Financial Asset. The IASB has not yet finalise the decision in relation to this interpretation. The Group is still currently assessing the impact of this tentative agenda decision.

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 2017-1 Trust, AFG 2018-1 Trust, 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 and AFG 2022-1 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 18).

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 25) 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.

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.

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 29(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.
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 homebuyer, occupancy, employment type, geographical concentration, principal and interest and interest only.

In addition to the above, the Group has considered the impact of COVID-19 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 29 of the 2022 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:

(i) Capitalised software development costs 2.5 - 5 years

(iv) 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 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 29(d) for details on the key assumptions.

(o) Other assets

Other assets relates to amounts held in escrow at year end, pertaining to an investment. Once the specified conditions are satisfied this amount will be reclassified to Investments.

(p) 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 30 for more details on the Group's business combinations.

(q) Reclassification of comparative numbers

Professional indemnity insurance, fees for services and software licence fees have been reclassified in the segment results from "point in time" to "over time" as the revenue recognition is recognised over time. Refer to note 3(b) for further details. Comparative figures have been reclassified to ensure consistency in presentation with current year numbers. Total segment revenue at a point in time for the financial year ended 30 June 2022 was $742,076k (2021: $590,941k). Total segment revenue over time for the financial year ended 30 June 2022 was $213,457k (2021: $176,197k).

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. 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 29(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, and the exception of the put/call liability that are initially recognised at the present value of the expected future payments and subsequently measured at fair value through the P&L.

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 29(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. Subsequent to June 2014 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 29(a)(ii) for details. Reduced COVID hardship cases, property price performances and relatively low unemployment have been considered in the ECL model which has seen the provision reduce at 30 June 2022 to $2,877k (2021: $3,272k).

(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 22.

(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 don't 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 2022 *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 inluding 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)

Year ended 30 June 2021 *In thousands of AUD*	Aggregation	AFG Home Loans	Other / Unallocated / Eliminations	Total
Income				
Operating income	614,048	131,401	1,594	747,043
Inter-segment[1]	37,066	-	(37,066)	-
Other income	2,497	-	11,926	14,423
Finance income	-	166	587	753
Share of profit of an associate	-	-	4,919	4,919
Total segment income	**653,611**	**131,567**	**(18,040)**	**767,138**
Timing of revenue recognition				
At a point in time	587,448	38,378	(34,885)	590,941
Over time	66,163	93,189	16,845	176,197
Results				
Segment results	**31,478**	**38,657**	**630**	**70,765**
Income tax expense				(19,461)
Net profit after tax				**51,304**
Assets and liabilities				
Total segment assets	**1,036,349**	**3,750,915**	**(45,679)**	**4,741,585**
Total segment liabilities	**1,032,717**	**3,621,012**	**(115,125)**	**4,538,604**
Other segment information				
Depreciation and amortisation	(66)	(28)	(1,971)	(2,065)

1. Relate to Intercompany transactions
2. Volt and technology impairment. Refer to Note 14 & 16.

7. Commissions and other income

In thousands of AUD	2022	2021
Timing of revenue recognition		
At a point in time		
Commissions	730,119	585,758
Securitisation transaction fees	3,487	2,373
Over time		
Interest on commission income receivable	82,219	67,491
Mortgage management services	488	254
Securitisation transaction fees	1,177	925
Subscription income	1,689	-
Other income	954	-
Total commissions and other income	**820,133**	**656,801**

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	2022	2021
Timing of revenue recognition		
At a point in time		
Sponsorship and incentive income	6,162	1,833
Performance bonus income	900	390
Over time		
Professional indemnity insurance(i)	2,922	2,580
Software licence fees(ii)	3,088	3,104
Fees for services	6,534	5,923
Other(iii)	751	593
Total Other income	**20,357**	**14,423**

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	2022	2021
Impairment of Volt investment [1]		15,000	-
Impairment of software intangibles [2]		9,074	-
Impairment release on loans and advances		(395)	-
		23,679	**-**

1. Refer to note 14 for further details on impairment.
2. Refer to note 16 for further details on impairment.

(b) Other expenses

In thousands of AUD	Note	2022	2021
Advertising and promotion		4,685	1,848
Consultancy and professional fees		5,541	3,441
Information technology		6,885	4,697
Occupancy costs		450	431
Employee costs	9(c)	40,946	31,693
Depreciation and amortisation		4,118	2,065
		62,625	**44,175**

(c) Employee costs

In thousands of AUD	2022	2021
Wages and salaries	28,249	21,990
Other associated personnel expenses	7,631	5,868
Change in liabilities for employee benefits	702	416
Share-based payment transactions	1,360	1,168
Superannuation	3,004	2,251
	40,946	**31,693**

10. Finance income and expenses

Recognised in profit or loss

In thousands of AUD	2022	2021
Interest income on broker loans and receivables	233	273
Interest income on cash and cash equivalents	26	480
Finance income	**259**	**753**
Interest expense on debt facility	913	-
Interest expense on lease liability	176	187
Finance expense	**1,089**	**187**

11. Income tax

(a) Current tax expense

In thousands of AUD	2022	2021
Income tax recognised in profit or loss		
Current tax expense		
Current period	19,354	21,141
Other adjustments	(163)	25
Deferred tax expense		
Origination and reversal of temporary differences	1,475	(1,705)
Income tax expense reported in the statement of profit or loss	20,666	19,461

Income tax recognised in other comprehensive income	2022	2021
Deferred tax movements recognised in other comprehensive income	(135)	(418)
Income tax benefit arising from a previously unrecognised tax credit	-	(517)

Numerical reconciliation between tax expense and pre-tax accounting profit

In thousands of AUD	2022	2021
Profit before tax from continuing operations	60,378	70,765
Income tax using the Company's domestic tax rate of 30% (2021: 30%)	18,113	21,229
Non-assessable income	(1,498)	(1,676)
Non deductible expenses	4,513	-
(Under)/over provision in prior periods	(163)	25

In thousands of AUD	2022	2021
Other adjustments	(299)	(117)
	20,666	19,461

(b) Current tax assets and liabilities

The current tax asset for the Group of $1,674k (2021: current tax liability $3,260k) 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	2022	2021	2022	2021	2022	2021
Property, plant and equipment and intangibles	(1,017)	(447)	7,007	-	5,990	(447)
Contract asset	-	-	335,859	307,497	335,859	307,497
Employee benefits	(1,352)	(2,109)	-	-	(1,352)	(2,109)
Trade and other payables	(308,413)	(282,425)	-	-	(308,413)	(282,425)
Other items	(6,037)	(4,812)	-	-	(6,037)	(4,812)
Tax (assets) / liabilities	(316,819)	(289,793)	342,866	307,497	26,047	17,704
Set off of tax	316,787	289,793	(316,787)	(289,793)	-	-
Net deferred tax (assets)/liabilities	(32)	-	26,079	17,704	26,047	17,704

12. Cash and cash equivalents

(a) Cash and cash equivalents

In thousands of AUD	2022	2021
Cash at bank	83,431	105,700
Short term deposits	1,250	1,230
Unrestricted cash	84,681	106,930
Cash collections accounts[1]	152,637	111,500
Restricted cash[2]	31,267	7,618
Restricted cash	183,904	119,118
Cash and cash equivalents	268,585	226,048
Cash and cash equivalents in the Statement of Cash Flows	268,585	226,048

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 2022 was 0.55% (2021: 0.42%). The deposits had an average maturity of 69 days (2021: 72 days).

The Group's exposure to interest rate risk and a sensitivity analysis for financial assets and liabilities are disclosed in Note 29.

(b) Reconciliation of cash flows from operating activities

In thousands of AUD	2022	2021
Cash flows from operating activities		
Profit for the period from continuing operations	39,712	51,304
Adjustments to reconcile the profit to net cash flows:		
Income tax expense from continuing operations	20,666	19,461
Depreciation and amortisation	4,118	2,065
Interest on leases	276	295
Term out cost amortisation	2,260	1,055
Impairment and writedown of other assets	24,074	-
Net interest income from investing activities	(259)	(753)
Expense recognised in respect of equity-settled share-based payments	1,360	1,032
Share of profit in associates	(5,937)	(4,919)
Present value of future trail commission income	(96,313)	(76,014)
Present value of future trail commission expense	88,377	73,559
Provision for ECL	(395)	-
Other non-cash movements	-	2
	77,939	67,087
Working capital adjustments:		
Changes in assets and liabilities		
Increase in receivables and prepayments	(10,425)	(1,099)
Increase in trade and other payables	10,611	11,539
(Decrease)/Increase in contract liability	(1,773)	2,943
Increase in employee entitlements	779	1,087
Increase in provisions	151	408
Cash generated from operations	77,282	81,965
Income tax paid	(25,379)	(23,363)
Net cash generated by operating activities	51,903	58,602

13. Trade and other receivables

In thousands of AUD	2022	2021
Current		
Trade and other receivables [1]	1,761	147
Other receivables[2]	240	1,173
Accrued income	3,681	398
	5,682	1,718
Prepayments	6,084	3,927
	11,766	5,645

1. Includes Fintelligence and BrokerEngine trade and other receivables.
2. Prior period included the Thinktank contingent payment held in a term deposit $992k.

14. Other asset

In thousands of AUD	2022	2021
Current		
Other Asset[1]	-	15,000
	-	15,000

1. Other asset in the prior period related to the investment in Volt Corporation Limited ("Volt"). As at 30 June 2021 this amount was held in escrow, with the investment subsequently completing in July 2021.

On 12 July 2021 AFG completed a strategic alliance with neobank, Volt, including a $15M investment providing AFG with an 7.07% shareholding in Volt Corporation Limited ("Volt"). On 29 June 2022, Volt announced the ceasation of the business effective immediately. The Group has recognised an impairment of $15M on the investment as at 30 June 2022.

15. Contract assets

In thousands of AUD	2022	2021
Current		
Net present value of future trail commissions contract asset	231,212	209,355
Non-current		
Net present value of future trail commissions contract asset	915,714	841,258
	1,146,926	1,050,613

The Group's exposure to credit and currency risks and impairment losses related to contract assets are disclosed in Note 29.

16. 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 2020	-	3,242	-	76	-	3,318
Additions	-	6,541[1]	-	-	-	6,541
Amortisation	-	(353)	-	-	-	(353)
Balance at 30 June 2021	-	9,430	-	76	-	9,506
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
Write-offs	-	(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

1. The software acquisitions relate to work in progress.
2. The $17.3M acquisitions relate to broker network acquired through business combinations during the year ended 30 June 2022. Refer to Note 30.
3. The $60.7M goodwill relates to the Fintelligence and BrokerEngine acquisitions. Refer to Note 30.
4. An impairment of $9M was recognised on software intangibles where the recoverable amount was determined to be lower than its carrying amount.

The Group tests whether goodwill has suffered any impairment on an annual basis. Goodwill relates to the acquisition of Fintelligence and BrokerEngine which occurred during the financial year, 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 30). The Group's accounting of the business combination for the acquisitions during the year is still provisional. It is still provisional as Goodwill remains unallocated as the Group is yet to finalise the allocation of the Goodwill to CGU's (Cash Generating Unit). Goodwill impairment testing will be completed on finalisation of the provisional business combination accounting.

17. Loans and advances

In thousands of AUD	2022	2021
Current		
Securitised assets[1]	1,452,527	841,490
Other secured loans[2]	862	1,299
	1,453,389	842,789
Non-current		
Securitised assets[1]	3,350,407	2,562,041
Other secured loans[2]	1,656	1,544
Less: Provision for expected credit loss[3]	(2,877)	(3,272)
	3,349,186	2,560,313
	4,802,575	3,403,102

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 9.89% p.a. (2021: 9.58% p.a.).
   b) Loan and advances to McCabe St Limited (related party) was repaid during the year ended 30 June 2022 (2021: $230k).
3. Refer to Note 29(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 $2,877k (2021: $3,272k).

During the financial year, new loans issued in the Group's securitisation programme were $2,719,683k (2021: $1,345,534k). The Group's exposure to credit, currency and interest rate risks related to loans and advances is disclosed in Note 29.

18. Investment in associates

In thousands of AUD	2022	2021
Non-current		
Thinktank		
Cost of investment[1]	12,629	12,629
Share of post-acquisition profit	15,417	9,297
Dividends received	(515)	-
Purchase additional shares	725	725
	28,256	22,651
MAB Broker Services Pty Ltd		
Cost of investment[2]	3,700	3,700
Share of post-acquisition losses	(535)	(352)
	3,165	3,348
Total Investment in associates	**31,421**	**25,999**

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 32.20% 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 the next evolutionary step for AFG to diversify its earnings base. The ongoing success of AFGHL and the introduction of AFG Business 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	2022	2021
Thinktank's summarised financial information		
Balance Sheet		
Current assets	257,716	154,844
Non-current assets	4,125,087	2,351,348
Total Assets	4,382,803	2,506,192
Current liabilities	1,615,050	1,606,362
Non-current liabilities	2,712,281	862,082
Total Liabilities	4,327,331	2,468,444
Net assets	55,472	37,748
Income Statement		
Revenue	156,748	115,724
Profit after tax	18,913	16,519
Reconciliation to carrying amounts:		
Carrying amount of investment	28,256	22,651
Group's share of profit after tax for the period	15,417	9,297
Acquisition costs	12,629	12,629
Purchase additional shares	725	725
Dividends received	(515)	-
	28,256	22,651

In thousands of AUD	2022	2021
MAB summarised financial information		
Balance Sheet		
Current assets	2,108	2,603
Non-current assets	75	148
Total Assets	2,183	2,751
Current liabilities	132	306
Non-current liabilities	193	183
Total Liabilities	325	489
Net assets	1,858	2,262
Income Statement		
Revenue	758	540
Loss after tax	(381)	(632)
Reconciliation to carrying amounts:		
Carrying amount of investment	3,165	3,348
Group's share of loss after tax for the period	(535)	(352)
Acquisition costs	3,700	3,700
	3,165	3,348

19. 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.

Lease Assets *In thousands of AUD*	2022	2021
At 1 July	4,979	6,323
Additions	1,367	125
Acquisition of controlled entities	365	-
Depreciation	(1,598)	(1,469)
Carrying amount at 30 June	**5,113**	**4,979**

Lease Liabilties *In thousands of AUD*	2022	2021
At 1 July	5,362	6,559
Additions	1,367	125
Acquisition of controlled entities	367	-
Repayments	(1,791)	(1,616)
Accretion of interest	276	294
Carrying amount at 30 June	**5,581**	**5,362**

In thousands of AUD	2022	2021
Current	1,551	1,298
Non-current	4,030	4,064
Carrying amount at 30 June	**5,581**	**5,362**

Maturity profile of lease liabilities. 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*	2022	2021
1 year or less	1,551	1,298
1-2 years	1,647	1,275
2-3 years	1,463	1,348
3-4 years	393	1,239
4-5 years	207	202
More than 5 years	320	-
	5,581	**5,362**

20. Trade and other payables

In thousands of AUD	Note	2022	2021
Current			
Present value of future trail commissions payable	4	208,546	187,309
Other trade payables		89,853	77,863
Non-trade payables and accrued expenses		7,353	5,756
		305,752	270,928
Non-current			
Net present value of future trail commissions payable		832,487	765,347
		832,487	765,347
		1,138,239	1,036,275

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 29.

21. 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 29.

In thousands of AUD	2022	2021
Current		
Securitisation warehouse facilities	1,598,339	886,000
Securitised funding facilities[1]	995,159	637,920
Debt facility [2]	4,847	-
	2,598,345	1,523,920
Non-current		
Securitisation warehouse facilities	214,689	-
Securitised funding facilities[1]	2,088,602	1,933,792
Debt facility [2]	47,679	-
	2,350,970	1,933,792
	4,949,315	3,457,712

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:

	2022				2021			
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	1.43%	2023	1,813,028	1,813,028	1.83%	2022	886,000	886,000
Securitised funding facilities	1.42%	2023-2027	3,088,491	3,083,761	1.43%	2022-2026	2,575,245	2,571,712
Debt Facility	2.75% + BBSW	2023-2026	52,526	52,526	-	-	-	-
			4,954,045	4,949,315			3,461,245	3,457,712

(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 $488,800k (2021: $363,500k). The interest is recognised at an effective rate of 1.43% (2021: 1.83%). As at the reporting date we have three securitisation warehouse facilities, expiring on the 12 December 2022, 11 April 2023 and 13 November 2023.

(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 1.42% (2021: 1.43%).

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 $12,500k (2021: $13,715k). 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 2022 was $144,186k (2021: $109,234k).

(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	2022	2021
Standby facility	300	200
Bank guarantee facility	473	230
	773	430
Facilities utilised at reporting date		
Standby facility	36	71
Bank guarantee facility	473	230
	509	301
Facilities not utilised at reporting date		
Standby facility	264	129
	264	129

The facilities are subject to annual review.

22. Non-interest-bearing liabilities

In thousands of AUD	2022	2021
Put/call liability Fintelligence	18,200	-
Put/call liability BrokerEngine	1,980	-
	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 three 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. There has been no changes in the fair value of the liability during the year ended 30 June 2022. The call or put will be settled through an EBITDA multiple when call or put is exercised, and that gives rise to potential pricing risk.

BrokerEngine

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 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. There has been no changes in the fair value of the liability during the year ended 30 June 2022. The call or put will be settled through revenue multiple (revenue and profit gateway conditions) when call or put is exercised, and that gives rise to potential pricing risk.

23. Employee benefits

In thousands of AUD	2022	2021
Current		
Salaries and wages accrued	3,224	3,094
Liability for long service leave	1,681	1,449
Liability for annual leave	2,195	1,620
	7,100	6,163
Non-Current		
Liability for long-service leave	103	120
	103	120
	7,203	6,283

24. Provisions

In thousands of AUD	2022	2021
Provision for Clawbacks[1]	1,627	1,508
Provision for make good	178	199
Provision for contingent payment[2]	924	-
Provision other	-	1,620
	2,729	3,327

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 30). The contingent payment relates to the contingent consideration payable for the remaining initial consideration for a 70% stake in BrokerEngine payable in FY23.

25. Contract liability

Contract Liability *In thousands of AUD*	2022	2021
Current		
Sponsorship income	6,657	8,400
Unearned income	251	281
	6,908	8,681

26. Capital and reserves

(a) Share capital

The Company	Share Capital ($'000)		Number of Ordinary shares ('000)	
	2022	2021	2022	2021
On issue at 1 July	102,125	102,157	268,382	267,741
Issued for cash	-	-	-	641
Share issue costs	-	(32)	-	-
On issue at 30 June – fully paid	102,125	102,125	268,382	268,382

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
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		
2021				
Final 2020 ordinary	4.7	12,614	100%	29/09/2020
1st interim 2021 ordinary	5.9	15,835	100%	18/03/2021
		28,449		
Declared but not recognised as a liability:				
2022				
Final 2022 ordinary	9.6	25,836	100%	22/09/2022
		25,836		

Dividends declared or paid during the year or after 30 June 2022 were franked at the rate of 30%.

In thousands of AUD	2022	2021
Dividend franking account	36,969	29,550
30 per cent franking credits available to shareholders of Australian Finance Group Limited for subsequent financial years	86,260	68,950
	123,229	98,500

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 $123,229k (2021: $98,500k) franking credits.

27. 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	2022	2021
Profit attributable to ordinary equity holders of the Company	38,777	51,304
	Thousands	Thousands
Weighted average number of ordinary shares for basic EPS (thousands)	269,021	268,286
Effect of dilution: Performance rights	3,692	3,427
Weighted average number of ordinary shares adjusted for the effect of dilution	272,713	271,713

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.

28. 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 (OTAA 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
1/07/2016	30/06/2019	-	593,136	-	-	-	593,136
1/07/2017	30/06/2020	593,136	695,396	-	-	31,291	1,257,241
1/07/2018	30/06/2021	1,257,241	752,309	755,176	-	91,953	1,363,398
1/07/2019	30/06/2022	1,363,398	1,325,215	640,635	-	146,753	1,987,804
1/07/2020	30/06/2023	1,987,804	1,349,079	746,487	-	99,789	2,652,246
1/07/2021	30/06/2024	2,652,246	1,017,543	1,129,428[1]	-	792,489	2,877,300

1. Number vested during the year is calculated on T1 95%, T2 88% and T3 74%.

29. 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	**2022**	**2022**	**2021**	**2021**
AA-	109,759	434,702	145,687	585,419
A+	71,641	283,736	28,617	114,993
A	4	14	2,087	8,388
A-	9,341	36,994	3,718	14,940
BBB+	7,777	30,799	6,841	27,490
BBB	9,772	38,703	7,911	31,790
BBB-	3,383	13,398	2,595	10,429
Not rated	19,535	77,368	11,899	47,809
	231,212	915,714	209,355	841,258

(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	**2022**	**2021**
Customer type		
Residential mortgage borrowers	4,785,285	3,393,462
Mortgage Brokers	2,518	2,613
Other	14,772	7,027
	4,802,575	3,403,102

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 $8,804,875k (2021: $6,150,469k). During the year ended 30 June 2022 the Group took possession of 1 residential security. During the financial year 3 securities were sold as mortgagee in possession, 1 did not experience a shortfall, as sales proceeds exceeded the outstanding loan balance. The other 2 had a combined shortfall of $30k, both did not have Lenders Mortgage Insurance.

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	2022	2021
Loan to value ratio		
Greater than 95% [1]	-	395
Between 90%-95% [1]	13,888	17,417
Between 80%-90% [1]	574,693	498,752
Less than 80%	4,197,402	2,876,898
	4,785,983	3,393,462

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 reduced to $2,877k for the year ended 30 June 2022 (2021: $3,272k). This reduction is mainly driven from reduced COVID hardship cases and property price performances and relatively low unemployment.

A summary of the Groups ECL provision is as follows:

30 June 2021

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	0.09%	12 month expected losses	3,373,469	3,370,552	Gross carrying amount
Underperforming	0.71%	Lifetime expected losses	8,305	8,247	Gross carrying amount
Non-performing	2.54%	Lifetime expected losses	11,688	11,391	Amortised cost
Write off	-	Asset is written off	-	-	None
Total Loans			3,393,462	3,390,190	

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	

In thousands of AUD	Performing	Under performing	Non-performing	Write off	Total
Opening loss allowance as at 1 July 2020	1,326	1,379	567	-	3,272
Individual financial assets transferred to under-performing (lifetime expected credit losses)	(4)	4	-	-	-
Individual financial assets transferred to non-performing (credit-impaired financial assets)	(2)	(25)	27	-	-
New financial assets originated or purchased	852	-	-	-	852
Write-offs	-	-	-	-	-
Recoveries	771	(607)	(106)	-	58
Other changes	(26)	(692)	(192)	-	(910)
Closing loss allowance as at 30 June 2021	2,917	59	296	-	3,272

In thousands of AUD	Performing	Under performing	Non-performing	Write off	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	30 June 2022	30 June 2021
Performing	4,594,261	3,373,469
Underperforming	184,700	8,305
Non-performing	7,022	11,688
Loans written off	-	-
Total gross loans and advances	**4,785,983**	**3,393,462**
Less Loan loss allowance	(2,877)	(3,272)
Less Write off	-	-
Loans and advances net of ECL as at 30 June	**4,783,106**	**3,390,190**

In thousands of AUD	30 June 2021	Movement	30 June 2022
Stage 1	2,917	(99)	2,818
Stage 2	59	(234)	(175)
Stage 3	296	(62)	234
Total Provision for ECL	3,272	(395)	2,877

In thousands of AUD	30 June 2022	30 June 2021
Opening loss allowance as at 1 July	3,272	3,272
Stage 1	(99)	1,591
Stage 2	(234)	(1,320)
Stage 3	(62)	(271)
Closing loss allowance as at 30 June	2,877	3,272

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 2022 (2021: Nil).

Other secured loans

The Group has minimal exposure to credit risk for loans made during the year. No impairment loss was recognised during 2022 (2021: 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.

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[1]	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[2]	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. Excludes set up costs amortisation
2. Refer to note 22.

2021 *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	886,000	908,521	757,157	151,364	-	-	-
Secured funding facilities[1]	2,571,712	2,588,960	373,775	308,304	616,892	1,289,989	-
Net present value of future trail commissions payable	952,656	1,114,848	128,927	116,890	200,338	399,233	269,460
Trade and other payables	83,619	83,619	83,619	-	-	-	-
Lease liability	5,362	5,362	649	649	1,275	2,789	-
	4,499,349	4,701,310	1,344,127	577,207	818,505	1,692,011	269,460

1. Excludes set up costs amortisation

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 excess spread, being the difference between the Group's mortgage rate and the underlying cost of funds and inability to fund new loans.

The expiry dates of the Group's warehouse facilities are 12 December 2022, 11 April 2023 and 13 November 2023. 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 20. For terms and conditions relating to debt facilities refer to Note 21.

(c) 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	2022	2021
Fixed rate instruments[1]		
Contract assets	1,146,926	1,050,613
Financial liabilities	(1,041,033)	(952,656)
	105,893	97,957
Variable rate instruments		
Cash and cash equivalents	268,585	226,048
Other secured loans	2,518	2,843
Securitised assets	4,800,057	3,400,259
Financial liabilities	(4,949,315)	(3,457,712)
	121,845	171,438

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 2021 and 2022.

	After tax profit		After tax equity	
Effect in thousands of AUD	100bp increase	100bp decrease	100bp increase	100bp decrease
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)
30 June 2021				
Variable rate financial assets	25,384	(25,384)	25,384	(25,384)
Variable rate financial liabilities	(8,860)	8,860	(8,860)	8,860
Cash flow sensitivity (net)	16,524	(16,524)	16,524	(16,524)

(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 29(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 5% positive or 5% 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:

In thousands of AUD		2022		2021
	+5%	-5%	+5%	-5%
After tax profit	(3,237)	3,421	(3,091)	3,275

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.

(d) 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 2022		30 June 2021
In thousands of AUD	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets				
Non-current loans and advances	3,352,063	3,271,098	2,563,585	2,555,880
Financial liabilities				
Future Trailing commission payable[1]	1,041,033	1,064,474	952,656	984,195
Non-current securitised funding facilities	2,307,829	2,254,921	1,933,792	1,863,255
Non-current debt facility	47,679	47,679	-	-

1 Note a 4% discount rate (2021:4%) 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 2.1% to 7.1%, (2021: 2.2% to 6.8%).

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 2022 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 2022	30 June 2021
Average loan life	Between 3.8 and 4.8 years	Between 3.1 and 5.0 years
Discount rate per annum	Between 4% and 13.5%	Between 4% and 13.5%
Percentage paid to brokers	Between 85% and 94.8%	Between 85% and 94.3%

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 1.7% to 3.1% (2021: 0.9% to 1.9%).

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.

30. Business combinations

Fintelligence

On 22 December 2021, the Group acquired a 75% stake in leading asset finance aggregator, National Finance Alliance Pty Ltd, trading as Fintelligence. The combined group has more than 3,700 brokers and delivers combined asset finance settlements of more than $1.7B per annum (unaudited), based on combined, proforma results. AFG has an exclusive call option to acquire the remaining 25% interest in Fintelligence over the next three 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 Group paid $54.6M for the purchase of 75% of Fintelligence, funded primarily by a new corporate debt facility. The transaction is expected to be EPS accretive (pre-synergies) in the first full year post integration and the proposed funding structure is expected to allow the Group to maintain its dividend policy.

From the date of acquisition Fintelligence contribute $26,321k of revenue to the Group. If the combination had taken place at the beginning of the year, revenue from continuing operations would have been $46,231k and profit before tax from continuing operations for the Group for the year to 30 June 2022, would have been $10,652k.

The fair values of the identifiable assets and liabilities of Fintelligence as at the date of acquisition, based on provisional business combination accounting were:

In thousands of AUD	**Fair value recognised on acquisition**
Assets	
Cash and cash equivalents	4,090
Trade and other receivables[1]	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

1 The fair value of the trade receivables amounts to $1,605k. The gross amount of trade receivables is $1,605k and it is expected that the full contractual amounts can be collected

In thousands of AUD	**Fair value recognised on acquisition**
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 (provisional)*	56,950
Total identifiable net assets at fair value, including goodwill	**72,799**
Non Controlling Interest	(18,200)
Purchase consideration transferred	**54,599**

*The valuations may need to be subsequently adjusted, prior to 31 December 2022 (one year after the transaction).

The Group has recognised a liability in relation to the option to acquire the remaining 25% interest in Fintillegence. This liability is recognised against an equity reserve (refer to note 22).

The fair value 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 14.5%.
- Forecasted cash flows for a five year period.
- A terminal value, calculated based on long-term susbtainable growth rates for the industry of 2% which has been used to determine income for the future years.

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.

Transaction costs amounting to $865k have been expensed and are included in Other expenses (consultancy and professional fees) in the statement of profit or loss and are part of operating cash flows in the statement of cash flows. Refer to note 9.

BrokerEngine

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.

From the date of acquisition BrokerEngine contributed $1,264k of to the Group. If the combination had taken place at the beginning of the year, revenue from continuing operations and profit before tax from continuing operations for the Group for the year to 30 June 2022, would not have been materially different from that reported.

The fair values of the identifiable assets and liabilities of BrokerEngine as at the date of acquisition, based on provisional business combination accounting were:

In thousands of AUD	Fair value recognised on acquisition
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 tax liability	(1,195)
	(1,280)
Total identifiable net assets at fair value	**2,801**
Goodwill arising on acquisition (provisional)*	3,798
Total identifiable net assets at fair value, including goodwill	**6,599**
Non Controlling Interest	(1,980)
Contingent payment	(924)
Purchase consideration transferred	**3,695**

*The valuations may need to be subsequently adjusted, prior to 1 January 2023 (one year after the transaction).

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 22). The Group has also recognised a provision for the contingent payment of $924k, for the remaining initial consideration for a 70% stake in BrokerEngine payable in FY23 (refer to note 24).

The fair value of the non-controlling interest in BrokerEngine, a non-listed company, has been determined with reference to the price paid by AFG for 70% 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 14.5%.
- Revenue target per the sale agreement.
- Forecasted cash flows for a two 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)	93
Cash paid	(3,695)
Net cash flow on acquisition	(3,602)

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.

31. Group entities

	Country of incorporation interest	Percentage Ownership 2022	2021
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 2016-1 Trust [1]	Australia	-	100
AFG 2017-1 Trust	Australia	100	100
AFG 2018-1 Trust	Australia	100	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	-
AFG 2022-1 NC Trust [2]	Australia	100	-
AFG 2022-1 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
Australian Finance Group Ltd Employee Share Trust	Australia	100	100
National Finance Alliance Pty Ltd [3]	Australia	75	-
Credit Conceirge Pty Ltd [3]	Australia	75	-
Broli Finance Pty Ltd [3]	Australia	75	-
Fintelligence Pty Ltd [3]	Australia	75	-
Mortgage Brokers Software Pty Ltd [4]	Australia	70	-
Mortgage Processing Services Pty Ltd [4]	Australia	70	
	-		
Investment in associates			
Thinktank Group Pty Ltd	Australia	32.20	32.29
MAB Broker Services Pty Ltd	Australia	48.05	48.05

1. AFG 2016-1 Trust was deregistered during the year ended 30 June 2022.
2. AFG 2021-2 Trust, AFG 2022-1 NC Trust and AFG 2022-1 Trust were incorporated during the year ended 30 June 2022.
3. The Group acquired 75% of the Fintelligence entities during the year ended 30 June 2022.
4. The Group acquired 70% of the BrokerEngine entities during the 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 13% (2021: 20%) 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% (2021: 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	2022	2021
Subordinated notes held in AFG 2010-1 Trust and Series[1]	35,114	22,521
Subordinated notes held in SPE-RMBS trusts following a term transaction:		
• AFG 2016-1	-	450
• AFG 2017-1	560	560
• AFG 2018-1	700	700
• AFG 2019-1	3,165	3,930
• AFG 2020-1	3,325	3,325
• AFG 2020-1 NC	5,005	4,750
• AFG 2022-1 NC	104	-

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).

32. Parent entity

Throughout the financial year ending 30 June 2022, the parent Company of the Group was Australian Finance Group Limited.

In thousands of AUD	2022	2021
Results of the parent entity		
Profit for the period		
Total comprehensive income for the period	31,040	34,139
	31,040	34,139

In thousands of AUD	2022	2021
Financial position of parent entity at year end		
Current assets	215,628	263,404
Total assets	1,245,010	1,146,688
Current liabilities	215,634	224,678
Total liabilities	1,128,153	1,003,340

In thousands of AUD	2022	2021
Total equity of the parent entity comprising of:		
Share capital	102,125	102,125
Reserves	(14,353)	4,423
Retained earnings	29,085	36,800
Total equity	116,857	143,348

See Notes 33 and 34 for the parent entity capital and other commitments, and contingencies.

33. Capital and other commitments

There are no capital commitments as at the reporting date.

34. 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.

35. 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. 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 $1,323k (2021: $837k). These payments are not considered to be material to the financial results of the Group and therefore do not impact on Mr T. Gill's independence as a Director.

(2) Establish Property Group Ltd (EPG) was created as part of the demerger of the property business prior to listing on the ASX on 22 April 2015. Directors of EPG include B. McKeon, D. Bailey and L. Bevan.

The Group's head office is located at 100 Havelock Street West Perth. The Group leases these premises at commercial arm's length rates from an investee of EPG, Qube Havelock Street Development Pty Ltd (Qube). AFG paid rent of $1,194k which has been paid to Qube (2021: $1,150k). In addition to the above McCabe Street Ltd repaid the loan owing to AFG amounting to $232k in full during the financial year. This loan was on commercial terms at arms-length. Directors of McCabe Street Ltd include B. McKeon, D. Bailey and L. Bevan.

(b) Compensation of key management personnel of the Group

In thousands of AUD	2022	2021
Short term employment benefits	1,920	2,248
Post-employment pension and medical benefits	103	100
Share based payment transactions	915	1,002
Other long-term benefits	24	46
Total compensation of key management personnel of the Group	2,962	3,396

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

In thousands of AUD	30 June 2022 Commissions from related parties	30 June 2022 Commissions to related parties	30 June 2021 Commissions from related parties	30 June 2021 Commissions to related parties
Associate				
Thinktank	3,568	-	2,370	-
MAB	-	2,310	-	1,383

The amounts disclosed in the table are the amounts recognised as commission income and commission expense during the reporting period related to associates.

36. Subsequent events

On 29 July 2022, the CBA warehouse facility capacity limit was increased by $535M and on 1 August 2022, the ANZ warehouse facility capacity limit was increased by $250M

On 25 August 2022, the Directors recommended the payment of a dividend of 9.6 cents per fully paid ordinary share, fully franked based on tax paid at 30%. The dividend has a record date of 6 September 2022 and a payment date of 22 September 2022. The aggregate amount of the proposed dividend expected to be paid out of retained earnings at 30 June 2022 is $25,836k. The financial effect of this dividend has not been brought to account in the financial statements for the year ended 30 June 2022.

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.

37. Auditors' remuneration

	2022	2021
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	565,430	363,946
Fees for assurance services that are required by legislation provided by the auditor – AFSL & APRA	31,000	55,500
Fees for other services – CBA lender review program	-	55,000
Fees for other services - Agreed upon procedures	-	46,594
Total fees to Ernst & Young (Australia)	596,430	521,040
Fees to other overseas member firms of Ernst & Young (Australia)	-	-
Total Fees to Ernst & Young	596,430	521,040

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 2022 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

Tony Gill

Chair

Dated at Sydney, New South Wales on 25 August 2022

Independent Audit Report

to the members of Australian Finance Group Ltd

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Ernst & Young
11 Mounts Bay Road
Perth WA 6000 Australia
GPO Box M939 Perth WA 6843

Tel: +61 8 9429 2222
Fax: +61 8 9429 2436
ey.com/au

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 2022, 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 2022 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.

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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

As disclosed in Note 3 *Significant accounting policies,* Note 5 *Financial risk management* and Note 29 *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 expected ongoing impact of COVID-19, both in the weighting determined for the downward scenarios and the staging of counterparties who have asked for a deferral of payments as disclosed in Note 3.

How our audit addressed the key audit matter

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 including specifically the consideration of the continued impacts from COVID-19;
- 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 credit impairment 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 *29 Financial instruments*, the Group recognised a contract asset 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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Accounting for the acquisitions

Why significant	How our audit addressed the key audit matter
As disclosed in Note 3 *Significant accounting policies and* Note 30 *Business Combinations*, the Group completed two acquisitions during the period that resulted in the Company acquiring controlling interests in the investees. These acquisitions were accounted for as a business combination in accordance with AASB 3 *Business Combinations* (AASB 3) using the acquisition method where the Group has performed a provisional purchase price allocation ("PPA") exercise. This is a key audit matter due to the quantitative materiality of the Fintelligence acquisition, the inherent complex nature in acquisition accounting and tax implications. Key areas of judgement included: ► the determination of the fair value of the acquired identifiable assets and liabilities assumed, including any separable intangible assets; ► allocation of purchase consideration; and ► assessment of impairment for Goodwill and intangible assets acquired.	Our audit procedures included the following: We assessed: ► the alignment of the Group's business combination accounting and the associated PPA calculations with the requirements of AASB 3; ► the reasonableness of management's methodology and assumptions applied in the valuation of the fair value of assets and liabilities acquired; ► management's calculation for the value attributable to the non-controlling interest; ► management's calculation for the fair valuation of the put/ call liability for the acquisition of the remaining 25% interest in Fintelligence; ► the accounting for tax on the acquired assets and liabilities; ► the competence, objectivity and independence of management's external specialists involved in the valuation; ► the consolidation of the acquired entity's balances into AFG financial reporting; and ► the consolidation adjustments made at the AFG level. We also involved our internal valuation specialists in the performance of these procedures where required. We assessed the adequacy and appropriateness of the disclosures related to the acquisitions 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 2022 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 27 to 41 of the directors' report for the year ended 30 June 2022.

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

Responsibilities

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

Ernst & Young

Ernst & Young

Fiona Drummond
Partner
Perth

25 August 2022

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 29 July 2022.

(a) Number of holders of equity securities

Ordinary share capital

269,128,877 fully paid ordinary shares are held by 7,449 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	207,491,692	77.10	97	1.30
10,001 to 100,000	44,928,447	16.69	1,762	23.65
5,001 to 10,000	9,048,933	3.36	1,159	15.56
1,001 to 5,000	6,626,573	2.46	2,396	32.17
1 to 1,000	1,033,232	0.38	2,035	27.32
Total	**269,128,877**	**100.00**	**7,449**	**100.00**
Unmarketable Parcels*	55,120	0.02	399	5.36

*An unmarketable parcel is considered to be a shareholding of 264 shares or less, being a value of $500 or less in total, based on the Company's last sale price on the ASX at 29 July 2022 of $1.89.

(c) Substantial shareholders

The names and the number of securities held by substantial shareholders are set out below:

	# Shares	% of issued capital
MSW Investments ATF The Malcolm Stephen Watkins Family Trust	16,515,594	6.14%
MBM Investments ATF The Brett McKeon Family Trust	16,332,632	6.07%
Lennox Capital Partners Pty Ltd	14,977,994	5.57%
Banyard Holdings Pty Ltd ATF The B&K McGougan Trust	14,788,765	5.50%

(d) Twenty largest holders of quoted equity securities

Rank	Name	A/C designation	29 Jul 2022	%IC
1	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED		38,992,445	14.49
2	NATIONAL NOMINEES LIMITED		29,913,703	11.12
3	CITICORP NOMINEES PTY LIMITED		29,524,462	10.97
4	J P MORGAN NOMINEES AUSTRALIA PTY LIMITED		18,883,465	7.02
5	MBM INVESTMENTS PTY LTD	THE BRETT MCKEON FAMILY	16,332,632	6.07
6	BANYARD HOLDINGS PTY LTD	B & K MCGOUGAN	14,788,765	5.50
7	PERPETUAL CORPORATE TRUST LTD	<983L AC>	12,345,025	4.59
8	OCEANCITY INVESTMENTS PTY LTD	<MATTHEWS FAMILY A/C>	9,000,000	3.34
9	BNP PARIBAS NOMINEES PTY LTD	<AGENCY LENDING DRP A/C>	4,784,450	1.78
10	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	<NT-COMNWLTH SUPER CORP A/C>	4,250,197	1.58
11	INVIA CUSTODIAN PTY LIMITED	<THE B & K MCGOUGAN NO 2 A/C>	2,243,637	0.83
12	ASSURED FINANCIAL SERVICES PTY LTD		2,050,000	0.76
13	BNP PARIBAS NOMS PTY LTD	<DRP>	1,921,838	0.71
14	DAVID BAILEY		1,582,297	0.59
15	ADRIEN MANN (SOUTH PACIFIC) PTY LTD		1,510,000	0.56
16	LISA BEVAN		1,273,799	0.47
17	EGMONT PTY LTD	<CRAIG CARTER SUPER FUND A/C>	1,200,000	0.45
18	EDI NOMINEES PTY LTD	<THE BUFFALO CREEK S/F A/C>	1,060,000	0.39
19	ANGELA MIDDLETON		1,000,000	0.37
20	NOLDEX PTY LTD		840,000	0.31

Company Secretary

Ms L. Bevan

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

Directors

Anthony (Tony) Gill
(Non-Executive Chair)

Melanie Kiely
(Non-Executive Director)

Malcolm Watkins
(Non-Executive Director)

Jane Muirsmith
(Non-Executive Director)

Brett McKeon
(Non-Executive Director)

Greg Medcraft
(Non-Executive Director)

Craig Carter
(Non-Executive Director)

Annette King
(Non-Executive Director)

Company Secretary

Lisa Bevan
(Company Secretary)

Notice of AGM
The annual general meeting of Australian Finance Group Ltd will be held on Friday 25 November 2022 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
100 Havelock Street West Perth WA 6005

Postal Address

PO Box 710
West Perth WA 6872

Phone

08 9420 7888

Email

investors@afgonline.com.au

Website

www.afgonline.com.au

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).

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