AFG

2015

ANNUAL REPORT

ABN 11 066 385 822

CONTENTS

OUR PERFORMANCE

PROFORMA NPAT

$19.3 MILLION
FOR THE 2015 FINANCIAL YEAR

AN INCREASE OF

20% COMPARED WITH **$16.1 MILLION**
IN FY2014

OUR REVENUE

REVENUE FOR FY 2015 WAS
$526 MILLION
AN INCREASE OF
16%
FROM THE PREVIOUS CORRESPONDING PERIOD ($453M)

OUR RESIDENTIAL SETTLEMENTS

$31.24 BILLION
AN INCREASE OF
19%
FROM FY2014

OUR COMMERCIAL SETTLEMENTS

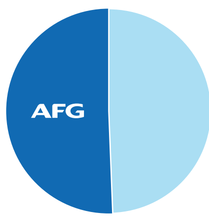
RECORD COMMERCIAL SETTLEMENTS
$2.39 BILLION
AN INCREASE OF **23%**

AFG HOME LOANS SETTLEMENTS OF OUR EDGE PRODUCT ALONE
$460 MILLION
VERSUS A FORECAST OF $150 MILLION

OUR BROKERS

20%
OF AUSTRALIA'S MORTGAGE BROKERS ARE AFG MEMBERS

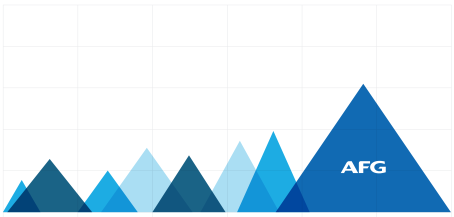
2,400+
BROKERS AROUND AUSTRALIA



OVER
51%
OF AUSTRALIAN MORTGAGES ARE WRITTEN THROUGH A BROKER AND GROWING

OUR SIZE AND SCALE

LOAN BOOK



LOAN BOOK OF OVER $107B

MARKET SHARE

ONE IN 12

OF ALL RESIDENTIAL MORTGAGES WRITTEN IN AUSTRALIA ARE ARRANGED BY AN AFG BROKER.

CUSTOMERS

2+ MILLION CUSTOMERS ON OUR BOOKS, THAT IS 16% OF THE WORKING POPULATION

THE OVERALL POPULATION AUSTRALIA OVER 18 BEING 12.6 MILLION

10,000

CUSTOMERS PER MONTH

OUR PARTNERS AND PRODUCTS

40+ THE NUMBER OF LENDERS ON THE AFG PANEL

1,450+ THE NUMBER OF FINANCIAL PRODUCTS AVAILABLE TO AFG BROKERS

OUR LENDER PANEL

AFG Home Loans, Adelaide Bank, AMP, ANZ, Commonwealth Bank, FLEXI Commercial, GE Money, Heritage Bank, Liberty Financial, Macquarie, Auswide Bank, Bank of China, bankSA, Bank of Melbourne, HomeStart Finance, ING Direct, Keystart Home Loans, La Trobe Financial, nab, pepper, BOQ, bankwest, Bluestone, citibank, me, mkmcapital, P&N bank, ROCK Building Society, st.george, Suncorp Bank, Westpac, Bank Australia, Bank of Sydney BOSbroker.com.au, QPCU

AND MORE


AFG
AWARD WINNERS
AFG is the proud 2015 winner of both 'Technology Platform of the Year' and the 'Broker Marketing Platform of the Year' awards at The Adviser Australian Broking Awards.
FLEX

TONY GILL

INDEPENDENT NON-EXECUTIVE CHAIRMAN

CHAIRMAN'S LETTER

I am delighted to present this annual report – our first as a publicly listed company. The level of activity within the company over the past twelve months has been astounding. Not only was management required to focus on an Initial Public Offering but before this could be done it needed to demerge its Property assets to ensure the company was a streamlined entity. Ordinarily, both of these projects soak up a lot of day to day management time and as such, it is testament to the strength of the business that the financial performance continued strongly during this period.

We are very pleased to report a pro forma net profit after tax (NPAT) result of $19.3 million for the 2015 financial year (FY2015), approximately 8.4 per cent ahead of Prospectus forecasts of $17.8 million, and an increase of 19.8 per cent compared with the pro forma $16.1 million in FY2014. Our total residential settlements achieved for the full year was at an all time high of $31.24 billion and on top of this, we achieved monthly mortgage applications in excess of $5 billion for the first time in May. This monthly record was subsequently eclipsed in the month of June, setting up the company for a strong start to the new financial year.

The higher-margin strategy of our branded white label products through AFG Home Loans will further increase profit. At present it represents a $2.5 billion loan book.

It was not just in the Residential mortgage market that we have experienced growth. Our Commercial mortgage business generated settlement volume over the year in excess of $2.39 billion and therefore helped grow the AFG Commercial mortgage book to in excess of $5 billion. Broker penetration of the commercial mortgage market, whilst significantly lower than the levels experienced in the residential market, continues to grow and is being seen as an increasingly important avenue for lenders looking to grow their exposure in this sector.

AFG's footprint across the country has increased. In the key housing markets of NSW and VIC we have grown market share. In WA, QLD and SA, AFG has historically had very strong market share and it is good to see the other states making some ground in this area.

Our reach into the homes of Australians in the property market is also on the rise. The past 12 months has seen some of the biggest in the business partner with AFG. We continue to be the partner of choice.

Behind the scenes of every successful company is a team of experienced and motivated professionals. AFG is no different. So to those within the executive and senior management team, on behalf of the Board I extend a thank you for your contribution to a tremendous financial year. It would also be very remiss of me not to mention the ongoing hard work of all AFG staff and just importantly the AFG Brokers who continue to support us.

I would also like to take this opportunity to personally thank my fellow Director John Atkins for his contribution to AFG over many years. John leaves AFG to take up his appointment to the role of Western Australia's Agent General, based in London. He has been a tireless non-executive director and his support of senior management has been invaluable.

Our IPO came at a time when some of the industry regulators expressed concern around the Australian housing market. Knock on impacts, were in many ways inevitable. Whilst we believe that the APRA initiated changes to the Australian mortgage market did have an impact on our initial public offering, we remain confident that AFG is well placed to provide valuable services to all participants in the market be they lenders, brokers or our broker's customers. The ongoing changes to the market, particularly with the investor market does add another level of complexity to the residential mortgage market making the services that a broker provides their customer even more relevant.

And the key drivers of long-term growth for the mortgage market are positive – population growth, low interest rates, good employment numbers, broker penetration and commission rates are all strong.

Capturing underlying market growth by adapting quickly to the changing landscape of the residential mortgage market is the core strength of AFG, proven time and again over the past 22 years. AFG is well placed to continue on this path.

Yours sincerely,

Tony Gill
Chairman


GREAT
FINANCE
FLEX CONTACTS
LENDERS
PRODUCT SEARCH
CALCULATORS
BROKER HQ

BRETT MCKEON

CEO

CEO'S REPORT

Our proposition has always been providing a win four ways: A win for our brokers, a win for their customers, a win for our lender partners and a win for AFG's shareholders. This proposition has enabled AFG to grow over the past 22 years to the business it is today. The final validation of our business philosophy was the successful listing of AFG on the Australian Securities Exchange on 22 May 2015.

Coupled with the significance of the IPO, it has been a watershed year across the business. We have set new benchmarks with lodgements and settlements in our core residential business. The 2015 financial year drew to a close with a record-breaking volume of $5.1 billion in mortgages processed for the month of June. Solid settlement numbers in the last few months of FY2015 flowed into a strong start for FY2016.

AFG enters the new financial year in a strong position with a residential and commercial loan book of more than $107 billion. The result was underpinned by another strong period of settlement growth primarily by our residential mortgage business. Our commercial arm of the business is tracking well and we have brought on new lenders in this field to further drive growth.

The Australian mortgage market continues to evolve and with the recent APRA introduced changes to lending guidelines around investment lending we would expect the consumer demand for a broker to assist them in making what is for some, their most important financial decision, to continue to increase.

Broker penetration of mortgage volumes written in the Australian market is now in excess of 51%. The value a broker delivers is recognised by consumers and they are voting with their feet. A broker provides options – options a consumer can only access through our channel.

With more liquidity in the market than ever before we have welcomed new commercial and residential lenders to our panel over the past 12 months and negotiations are well underway with a number of new lenders set to join. All of this points towards more competition in the market and a greater range of mortgage products for consumers to select from. We are also expanding our leasing offer and expect FY2016 to reflect the focus on this part of our business.

The value AFG delivers to its member brokers and their customers drives our value proposition and this has been reflected in our recruitment numbers. With more than 400 new brokers joining AFG, during FY2015, at the end of the financial year we had 2,400 active brokers.

AFG continues to leverage its technology investment for established business lines by broadening its technology offering, exploring diversified business opportunities and achieving operational efficiency through an ongoing focus on innovation and improved customer servicing.

Recent partnerships with some of the biggest businesses in the growing online segment of the market have further expanded our potential to harness the growth this channel represents.

We were above target on our white label business for FY2015. In the latter half of 2015 financial year we launched the AFG Home Loans Edge product. The support received from our brokers was exceptional and the product settled $460 million for the year. Whilst not wishing to detract from the contribution of our more traditional AFG Home Loans funders, the roll out of the Edge product represented the first time our brokers could write white label AFG mortgage products without being constrained by warehouse funding parameters or funder lending appetites and the response from our brokers reflected this. Edge however does remain a book build process and whilst initial financial returns are relatively small, as the underlying book increases, so will the contribution to our overall profitability. The planned launch of a new funding line in the first quarter of FY2016 will help drive further growth in this part of the business.

Recently at the Australian Broker Awards, AFG was recognised by winning the Best IT award as well as the Best Marketing Platform. Whilst pleasing to receive this form of external confirmation, it simply underlines what we already suspected. It is testament to the foresight and significant investment we have undertaken in this area.

Across the country our state offices recently celebrated our annual broker awards. These are important events in our calendar as it provides us with an opportunity recognise the contribution of all of our brokers and to congratulate those who have had sensational years.

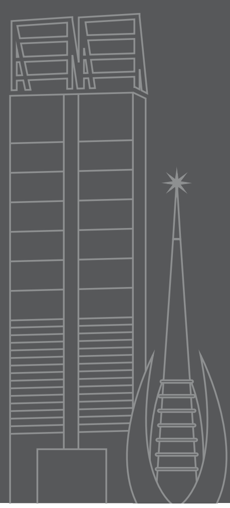
Finally I would like to close by thanking all AFG staff and brokers for a fantastic year and for their continued support.

Yours sincerely,

Brett McKeon
CEO

DIRECTORS' REPORT

The Directors present their report together with the financial report on the consolidated entity consisting of Australian Finance Group Limited ('the Company' or 'AFG'), and its controlled entities ('the Group'), for the financial year ended 30 June 2015 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 (Non-executive Chairman)

Mr Gill has been the Chairman of the Board since 2008. Mr Gill has extensive experience across Australia's finance industry including Macquarie Bank for more than 16 years, most recently as Group Head of the Banking and Securitisation Group (BSG). Mr Gill is also a director of First Mortgage Services, First American Title Insurance, Genworth Australia and also sits on the board of the Butterfly Foundation for Eating Disorders. Mr Gill holds a Bachelor of Commerce and is a Chartered Accountant (retired).

Brett McKeon (Managing Director and Chief Executive Officer)

Mr McKeon is a founding director of the Group and is the Company's Managing Director/Chief Executive Officer. He is responsible for the Group's strategy, corporate governance and for driving future growth. Mr McKeon has worked for over 30 years in the finance industry and brings considerable management, capital raising, public company and sales experience to the board of AFG. Mr McKeon is a licensed finance broker and in 2006 he was awarded The Ernst & Young Entrepreneur of the year for WA.

During the past three years Mr McKeon has also served as a director of listed company:

- Caravel Minerals Limited – appointed in 2012; resigned in 2015.

Malcolm Watkins (Executive Director)

Mr Watkins is a founding director of the Group. He holds strategic responsibility for the Group's technology development programs, electronic delivery systems and national marketing operations. Mr Watkins' key focus is extracting real and tangible returns on the investments made and leveraging the strengths of the Group today to further expand market share, profitability and brand awareness. Mr Watkins has recently been invited to join the board of the Mortgage and Finance Association of Australia (MFAA).

Kevin Matthews (Non-executive director)

Mr Matthews is a founding director of the Group. He previously held a role of Executive Director and was responsible for negotiating and managing key relationships with banks and lending institutions, including product development and the Commercial line of business. Mr Matthews ceased to be an Executive Director and became a non-executive director on 1 May 2015. Mr Matthews has worked in the finance industry for more than 35 years and has been a licensed finance broker for more than 25 years. He is a former director of the Mortgage and Finance Association of Australia (MFAA) and served on the MFAA's National Brokers Committee for 12 years. Mr Matthews is also a Senior Fellow of the Financial Services Institute of Australasia (FINSIA).

James (Jim) Minto (Independent non-executive director)

Mr Minto rejoined the AFG board in 2015 having retired as Group CEO and Managing Director of life insurer TAL (formerly TOWER Australia). TAL is 100% owned by Dai-ichi Life, a major global Japanese-based life insurer. Mr Minto had been in that role since November 2006 and prior to that was Group CEO of the trans-Tasman TOWER Limited Group. Mr Minto has extensive experience in the financial services sector and an intimate understanding of the AFG business having previously been a member of the AFG board from 2004 until 2013. A Chartered Accountant, Mr Minto recently retired as Chair of the Association of Superannuation Funds of Australia (ASFA) and was a panel member of the Australian Government's 2011 Review of Natural Disasters Insurance. He is also an executive officer of Dai-ichi Life of Japan, a director of Singapore-based Dai-ichi Life Asia Pacific and a member of the Superannuation Complaints Tribunal Advisory Council.

Craig Carter (Independent non-executive director)

Mr Carter has 35 years experience in stockbroking, capital markets and corporate finance. He was a founding partner of Porter Western Ltd which Macquarie Group Limited acquired in 1999. Most recently Mr Carter was Chairman and Executive Director of Macquarie Capital in Western Australia. Mr Carter has been involved in many capital raisings including initial public offerings across many industry groups. Mr Carter is Chairman of the Audit Committee and of the AFG Risk and Compliance Committee. Mr Carter is also currently a Board member of the Fremantle Football Club. Mr Carter holds a Bachelor of Business and is a Fellow of FINSIA.

John Atkins (Independent non-executive director)

Mr Atkins background is as a commercial lawyer having been a partner of leading Australian law firm Freehills and its predecessors for over 20 years. He held senior management and leadership positions with that firm prior to his retirement as a partner in 2008. Mr Atkins is a former Chairman of Lotterywest, Minotaur Exploration Ltd and BWP Trust, a former director of the Chamber of Commerce and Industry of WA and Deputy Chairman of Committee for Perth. During the past three years Mr Atkins has also served as a director of the following listed companies:

- Breakaway Resources Ltd – appointed November 2006; resigned 25 June 2014.
- Aurora oil & Gas Limited – appointed June 2003; resigned 11 June 2014.

Mr Atkins holds a Bachelor of Jurisprudence and a Bachelor of Law (Masters) and is a Fellow of the Australian Institute of Company Directors.

The above named directors held office during the whole of the financial year and since the end of the financial year except for:

- Mr James Minto – resigned 28 November 2013 and appointed 1 April 2015.
- Mr Craig Carter – appointed 25 March 2015.
- Mr John Atkins – resigned 31 August 2015.

COMPANY SECRETARY

Lisa Bevan (Company Secretary)

Ms Bevan joined AFG in 1998 and was appointed to the position of Company Secretary in 2001. Lisa is a Chartered Accountant, holds a Bachelor of Commerce degree and has a Diploma of Corporate Governance with the Institute of Chartered Secretaries. Ms Bevan is responsible for managing AFG's secretariat, compliance, governance and risk management programs. Ms Bevan also oversees the legal and human resources functions.

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	2,250,000	-
Brett McKeon	21,179,773	125,000
Malcolm Watkins	21,102,689	41,667
Kevin Matthews	16,882,151	-
Craig Carter	500,000	-
James Minto	166,666	-
John Atkins	136,364	-

CHANGES IN STATE OF AFFAIRS

The Company listed on the Australian Securities Exchange on 22 May 2015, with 214,812,671 of shares at a price of $1.20 per share. As part of this listing, existing shareholders sold down some of their existing holdings in the Group and additional capital was raised from new shareholders. Upon listing and the related capital raising, approximately 52% of issued capital in the company was retained by existing shareholders of the Company.

Prior to the listing, but linked to the overall strategy of listing a Company which was focussed on the financial services industry, the Property-related assets previously forming part of the Group were de-merged. As part of the de-merger, the Company incorporated Establish Property Group Ltd on 20 December 2014 as a wholly owned subsidiary. Subsequently, a sale agreement between the Company and Establish Property Group Ltd was executed whereby the Group agreed, amongst other things, to transfer the Group's property development interests to Establish Property Group Ltd in consideration for the issue of Establish Property Group Ltd shares to the Company. On 20 April 2015 an ordinary resolution was passed by the members at a General Meeting to make a pro-rata distribution

CHANGES IN STATE OF AFFAIRS (CONT...)

of all of its shares in Establish Property Group Ltd to the members of the Company and to approve the subsequent share capital reduction by divesting its property development interests to Establish Property Group Ltd. The demerger became effective on 22 April 2015.

Total equity decreased to $72,230 thousand from $85,470 thousand, a decrease of 15%. The movement was largely the result of the property business demerger. There were no other significant changes in the state of affairs of the Group, other than as outlined above.

At a general meeting of shareholders held on 24 April 2015, shareholders approved a two for one share split of all issued capital. Under the terms of the share split, shareholders received an additional share for every Company share they formerly held, and as such the issued capital of the Company post 24 April 2015 became comprised of 187,680,000 shares.

DIVIDENDS

Total dividends paid during the financial year ended 30 June 2015 were $38,000 thousand (2014: $11,500 thousand), which included:

- A final fully franked ordinary dividend of $10,000 thousand (10.71 cents per fully paid share) was declared out of profits of the Company for the year ended 30 June 2014 and paid in October 2014.
- An interim fully franked ordinary dividend of $10,000 thousand (10.71 cents per fully paid share) was declared out of profits of the Company for 2015 and paid in February 2015.
- An interim fully franked ordinary dividend of $10,000 thousand (5.33 cents per fully paid share) was declared out of profits of the Company for 2015 and paid on 4 May 2015.
- An interim fully franked ordinary dividend of $8,000 thousand (4.26 cents per fully paid share) was declared out of profits of the Company for 2015 and paid on 29 May 2015.

As part of the demerger discussed in the Change in State of Affairs section of this Report, on 22 April 2015 a pro-rata distribution of all of the Company's shares in Establish Property Group Ltd was made to the shareholders of the Company. The distribution is in part a return of capital and in part a dividend to the shareholders, $1,187 thousand and $27,709 thousand respectively.

As disclosed in the prospectus prepared for the IPO, no further dividend is proposed for the 2015 financial year.

Total dividends paid during the financial year ended 30 June 2014 were $11,500 thousand (2013: $12,000 thousand), which included:

- A final fully franked ordinary dividend of $3,000 thousand (3.21 cents per fully paid share) was declared out of profits of the Company for the year ended 30 June 2013 and paid in July 2013.
- An interim fully franked ordinary dividend of $4,500 thousand (4.82 cents per fully paid share) was declared out of profits of the Company for 2014 and paid in November 2013.
- An interim fully franked ordinary dividend of $4,000 thousand (4.29 cents per fully paid share) was declared out of profits of the Company for 2014 and paid in May 2014.

PRINCIPAL ACTIVITIES

The Group's principal activities in the course of the financial year continued to be mortgage origination and management. The principal activities during the year of entities within the Group were:

- Mortgage origination and management of home loans and commercial loans;
- Securitisation of mortgages through special purpose entities used to issue residential mortgage backed securities; and
- Property development and investment prior to the demerger of the property business. The demerger took effect from 22 April 2015.

CORPORATE GOVERNANCE STATEMENT

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

REVIEW OF OPERATIONS

The 2015 financial year result across a number of indicators represents AFG's best ever result.

The Group's net profit after income tax for the year ended 30 June 2015 was $20,374 thousand (2014: $17,869 thousand); after an income tax expense of $6,806 thousand (2014: $8,095 thousand).

Total revenues surpassed the $526,000 thousand mark which represents a 16% increase on the prior financial year. Excluding the pro forma impact of the costs and incomes related to the IPO, together with the demerger of the former Property Business, discussed below, the Pro forma Net Profit After Tax result of $19,256 thousand is 8.4% ahead of the FY2015 IPO forecast. A comparison of the pro forma result against the forecast included in the Company's prospectus is as follows:

In thousands of AUD	**2015**
Statutory Profit Before Tax	**27,180**
Add/(Less) Pro Forma Adjustments:	
Capital Raising Costs	5,636
Other	(5,262)
Pro forma Net Profit Before Tax	27,554
Statutory Taxation	(6,806)
Taxation on Pro Forma Adjustments	(1,491)
Pro forma Net Profit After Tax	19,256

The major item within the Other Pro Forma adjustment relates to the gain arising from the de-merger of the Property assets to Establish Property Group Limited described in Note 7. Prior to the de-merger the company obtained roll over relief from the Australian Taxation Office with respect to these assets and as a consequence no tax is payable (and as such no franking credits arise) from the gain which has been realised.

Australian Accounting Standards require us to reflect the fair value of our residential trail book, which is influenced amongst other things by the runoff and discount rates that are applied to this valuation. The change in assumptions for 2015 has increased the earnings beyond the underlying earnings generated by the Group. Excluding the non cash entries to recognise the present value of the future trailing commission receivable and payable, the underlying profit before tax is $18,478 thousand (2014: $23,619 thousand). The assessment of the trail loan book and the associated assumptions was assisted by independent actuaries.

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

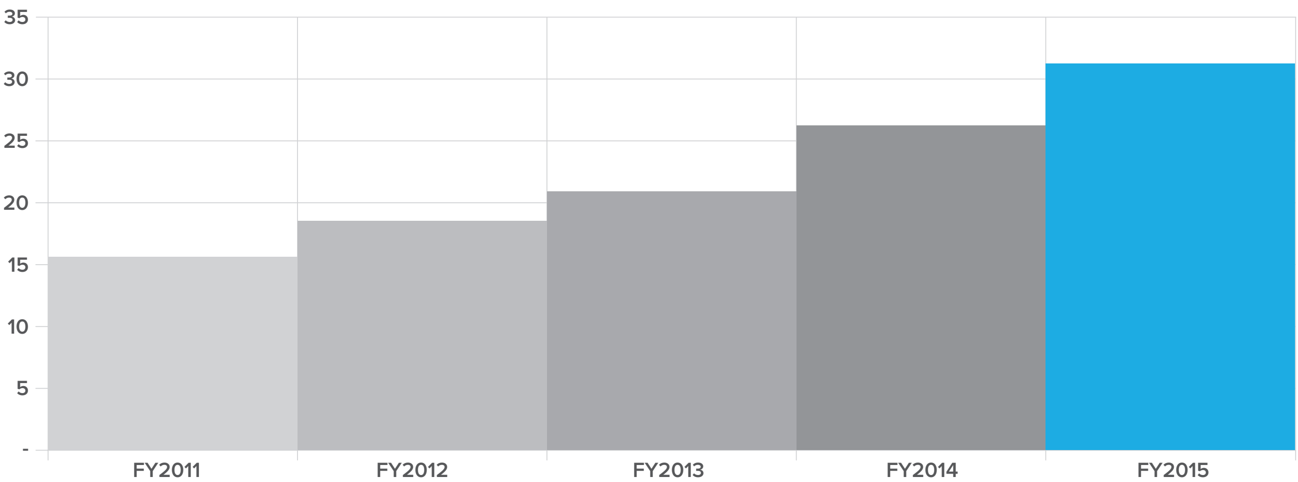
In thousands of AUD	**2015**		**2014**	
	Total Revenue	**Profit before tax**	**Total Revenue**	**Profit before tax**
Underlying results from continuing operations	447,258	18,488	391,599	22,338
Change in the present value of trailing commission receivable and payable	78,937	3,238	61,412	2,345
Total result from continuing operations	526,195	21,726	453,011	24,683

REVIEW OF OPERATIONS (CONT...)

The Group's 2015 result was underwritten by another strong year of settlement growth primarily by the residential mortgage business and supported by the commercial business. We have successfully grown our residential settlements by 19% and our commercial settlements by 23%, year on year, with both business lines setting new benchmarks for settlement volumes. Underpinning the residential settlement growth has been a record settlement experience in both New South Wales and Victoria.

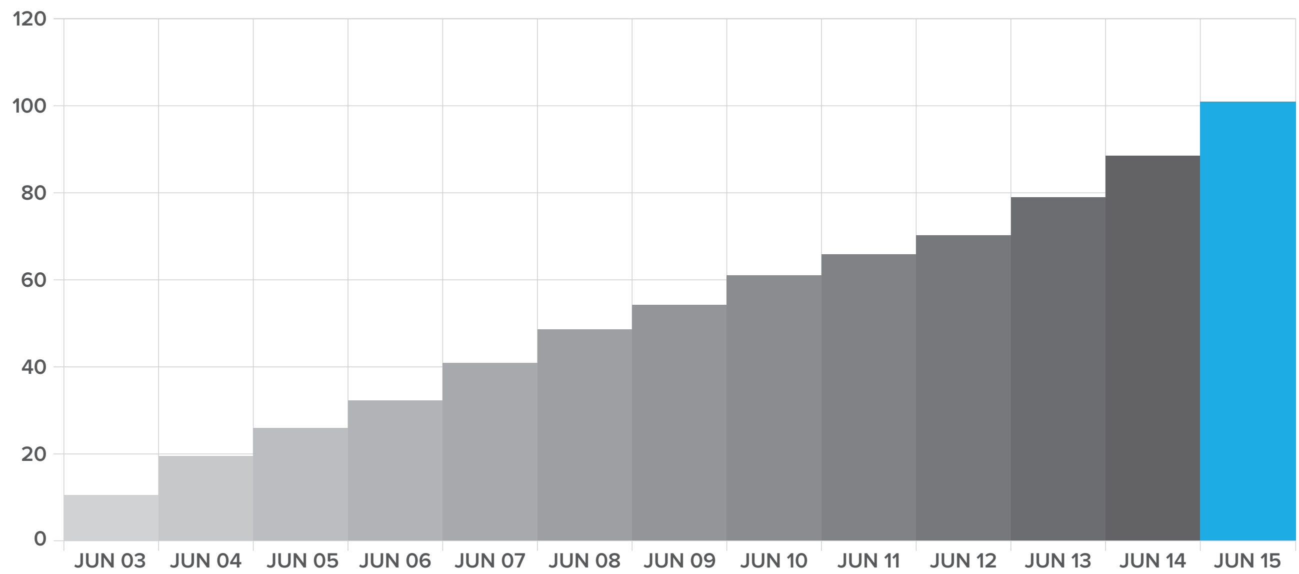
Broker recruitment and retention has continued to be a focus and as the financial year drew to a close broker numbers were slightly behind forecast with approximately 2,400 active brokers working with AFG.

Residential Settlements ($billions)



The residential trail book continued its upward momentum as a result of sustained settlement growth and low run off rates (when compared to historical averages). The company celebrated a significant milestone in May 2015 when the total of all loans generating trail income exceeded $100 billion.

Residential Loan Book ($billions)



When the residential loan book is added to the commercial loan book, which also experienced strong net growth, total loans under management as at year end was close to $107 billion. The last three months in particular were very strong in terms of settlement volumes for the commercial business, giving rise to overall year on year settlement growth of $450 million or 23%. Of this growth, around 9% was due to an increased average loan size, which grew to just over $0.8 million during the 2015 financial year. In addition to the traditional commercial broking business

AFG also experienced solid growth within the leasing and personal loans lines of the business. Leasing experienced growth of 16% and personal loans grew by 30%, with the last quarter in particular being strong for the leasing business.

The success of the AFG Home Loans Edge product is also worthy of mention. The prospectus prepared for AFG's Initial Public Offering suggested settlements of circa $150 million by the close of the 2015 financial year. The response by AFG brokers to this white label product was impressive and as at the end of the financial year, the Company has been able to achieve settlements in excess of $460 million since launch, and maintain a healthy pipeline leading into the new financial year. The launch was influenced by some very competitive pricing and industry-best practice loan processing service provided by the Edge white label partner. Longer term it is expected the growth trajectory for the product will level out as pricing realigns to the market. For AFG, the result demonstrates a strong willingness from the broker network to support an AFG branded home loan product.

The market remains competitive for AFG's own securitised loan products. The Company's ability to generate significant volumes in the owner occupier segment was limited given the desire to write home loan business at margins that align with longer term profit benchmarks. There was however some relief in terms of the cost of funds towards the end of the financial year which generated additional margin, and this is expected to continue for at least the next six months.

From a business development perspective, AFG has continued to invest in technology which has been the cornerstone of the Company's strength and a key differentiator for broker partners. AFG continues to be recognised as a partner of choice by organisations that possess a technological edge to their business and are looking to establish a presence in the mortgage market. AFG continues to evolve its technological capabilities to meet these new opportunities and has also enhanced the Company's bespoke Marketing and CRM suite (SMART) with a number of new digital initiatives. During the year the regularly awarded SMART offering has been expanded to provide a service to commercial brokers and the uptake has been strong.

There has recently been a significant level of activity and comment around the Australian mortgage market and of the role the broker plays in this market. APRA initiated changes to investor loan limits, together with increased capital adequacy requirements for banks and additional market commentary about an overheated market in some states, increases the complexity of the Australian mortgage market. This increased level of complexity translates into an environment where consumers are even more in need of a broker's assistance to ensure they are making the correct financing decision for their individual circumstances.

When preparing the prospectus for AFG's IPO, broker market share of the total Australian mortgage market sat at 50%. Since this time this share has increased to circa 51.5%. Statistics such as this demonstrate that consumers are increasingly looking to the broker channel to ensure they are provided with choice and independent advice in an increasingly complex market. AFG remains optimistic of the role the Company and our brokers play in providing choice, ease and peace of mind for Australian consumers.

Our forecasts for FY2016 are well documented, as are our existing business plans. In terms of current trading, we have experienced a strong residential lodgement month of $4.7 billion for July which was approximately 13% ahead of July 2014. Remembering that there is a seasonality aspect to July lodgement numbers, primarily related to school holidays, this number is in line with our forecast for July 2015. A further aspect of this lodgement activity is that the percentage of investment lending was steady at 37% which is more in line with historical averages. Strong recruitment activity of new brokers to AFG is expected to continue. Bank of China, AFS (Australian Financial Services), Prospa and QPCU have recently been added to AFG's lender panel and new lender agreements have been executed with Bank of Australia (MECU) & Bank of Sydney. Both will appear on the panel shortly. The Company is also at advanced stages of contract negotiation with a number of additional lenders with a view to providing more choice to AFG brokers and their customers over the next six months.

The Group's cash and cash equivalents as at 30 June 2015 amounted to $90,776 thousand, which represents an increase of 19% on 2014.

LIKELY DEVELOPMENTS AND EXPECTED RESULTS

The Group will continue to focus on its core business whilst also looking to further develop its securitisation and mortgage management business lines with a view to maximising their long term benefits.

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 3 August 2015, the Group secured an extension to the term of the NAB residential warehouse facility, until 10 February 2016 with the same funding structure in place.

On 13 August 2015, the Group secured an extension to the term of the residential warehouse facility that was due to expire on 14 August 2015.

Other than the above, 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 OPTION

There were no options issued or exercised during the financial year (2014: Nil).

INDEMNIFICATION OF INSURANCE OF OFFICERS AND AUDITORS

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.

The Group has not otherwise, during or since the financial year, indemnified or agreed to indemnify an officer or auditor of the Group or of any related body corporate against a liability incurred as such an officer or auditor.

DIRECTORS MEETINGS

The number of meetings of directors (including meetings of committees of directors) held during the year and the number of directors' meetings and number of meetings attended by each director were as follows:

			Meetings of committees					
Directors	Board Meetings		Audit		Nomination and remuneration		Risk and Compliance	
	Held	Attended	Held	Attended	Held	Attended	Held	Attended
Tony Gill	13	13	-	-	-	-	-	-
Brett McKeon	13	13	-	-	-	-	-	-
Malcolm Watkins	13	10	-	-	-	-	-	-
Kevin Matthews	13	12	-	-	1	-	-	-
John Atkins	13	13	1	1	1	1	-	-
Jim Minto	5	5	1	1	-	-	-	-
Craig Carter	5	5	1	1	1	1	-	-

All directors were eligible to attend all meetings held, except for C. Carter and J. Minto who were eligible to attend five director meetings.

*On 1 May 15 the board resolved to form two new committees: Risk and Compliance committee and Audit committee.

Prior to this date the board had the following committees:

- Remuneration and Nomination
- Audit and Risk

Meetings of the Audit and Risk committee (pre 1 May 2015)		
	Held	Attended
John Atkins	2	2
Kevin Matthews	2	2

Committee membership

As at the date of this report, the company had an audit committee, a remuneration and nomination committee and a risk and compliance committee.

Members acting on the committees of the board during the year were:

Audit	Remuneration and Nomination	Risk and Compliance
C. Carter (C)	J. Atkins (C)	C. Carter (C)
J. Minto	C. Carter	J. Minto
J. Atkins	K. Matthews	J. Atkins

Notes

(C) designates the chairman of the committee.

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 Class Order 98/0100. 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, Deloitte Touche Tohmatsu. 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 12 to the financial statements do not compromise the external auditors' 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.

Deloitte Touche Tohmatsu received or are due to receive the following amounts for the provision of non-audit services:

	$
Tax compliance services	176,458
Due diligence services	465,500
Other non-audit services	87,575
	729,533

AUDITOR'S INDEPENDENCE DECLARATION

The auditor's independence declaration is included on page 30 of this financial report for the year ended 30 June 2015.

This report is made with a resolution of the Directors.

REMUNERATION REPORT (AUDITED)

Introduction

The Remuneration and Nomination Committee is pleased to present the remuneration report for Australian Finance Group Limited for the year ended 30 June 2015. The report outlines AFGs 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 Act) and its regulations. This information has been audited as required by section 308(3C) of the Act.

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.

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

Current Non-Executive Directors		
Anthony Gill	Chairman	Appointed 28 August 2008
Kevin Matthews	Non Executive Director	Appointed 20 January 1995
Craig Carter	Non Executive Director	Appointed 25 March 2015
James Minto	Non Executive Director	Appointed 1 April 2015
John Atkins	Non Executive Director	Appointed 20 December 2007

Current Executive Directors		
Brett McKeon	Managing Director/CEO	Appointed 19 June 2006
Malcolm Watkins	Executive Director	Appointed 8 December 1997

Current Executives		
David Bailey	Chief Financial Officer	Appointed 8 March 2004
Lisa Bevan	Company Secretary	Appointed 9 March 1998
* Craig Carter is Chairman of the Audit Committee and the Risk and Compliance Committee		
* John Atkins is Chairman of the Remuneration and Nomination Committee		
* John Atkins resigned as a Non Executive Director effective 31 August 2015		
* Other than Kevin Matthews, all Non Executive Directors listed above are Independent Directors.		

REMUNERATION REPORT (AUDITED) (CONT...)

The structure of the remuneration report is as follows:

Section	Details
1	Remuneration Governance
2	Executive Remuneration Structure
3	Executive Remuneration Outcomes for 2015
4	Executive Service Agreements
5	Non Executive Director Remuneration
6	Additional disclosures relating to rights and shares
7	Loans to KMP and their related parties
8	Other transactions and balances with KMP and their relate parties

1. REMUNERATION GOVERNANCE

1.1 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 2015 the Committee comprised independent non executive director John Atkins (Chair), independent non executive director Craig Carter and non executive director Kevin Matthews. Following John Atkins' resignation, effective 31 August 2015, independent non-executive director Jim Minto was appointed to Chair this Committee.

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

1.2 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;
- The relationship between performance and remuneration of executives is clear and transparent.

1.3 Use of independent consultants

In performing their 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, free from undue influence of management.

Prior to AFGs listing, and during the financial period ended 30 June 2015 the Company sought advice from 3 Degree consulting to provide comparable listed company remuneration data and assist them to design a post listing remuneration framework. They did not provide any "remuneration recommendations" for the purposes of the Corporations Act.

1.4 Policy for dealing in securities

AFG has a policy for dealing in securities to establish best practice procedures that protects AFG, Directors and employees against the misuse of unpublished information that could materially affect the value of securities. Directors, executives and their connected persons are restricted by trading windows.

1.5 Remuneration report approval at 2014 AGM

The Company listed on the ASX on 22 May 2015. As a consequence, no remuneration report was presented (or required to be presented) to the shareholders at the 2014 Annual General Meeting.

2. EXECUTIVE REMUNERTATION STRUCTURES

The Company 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.

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 measures based on the operational performance of the business.

Remuneration component	Vehicle	Purpose	Link to performance
Fixed remuneration	Comprises base salary, superannuation contributions and other benefits	To provide competitive fixed remuneration set with reference to role, market and experience	Company and individual performance are considered during the annual remuneration review
Short-term incentive	Paid in cash	Rewards executives for their contribution to achievement of Group outcome	Profit after tax of the Group
Long-term incentive	Awards are made in the form of share rights	Rewards executives for their contribution to the creation of shareholder value over the longer term	Vesting of the awards is dependent on an absolute total shareholder return (TSR) in addition to continuous service vesting conditions

2.1 Remuneration structure prior to listing on the Australian stock exchange (ASX)

2.1.1 Executive Directors

In FY2015 Executive Directors were awarded the following types of remuneration:

- cash salary and superannuation contributions (based on legislative requirements)
- non-monetary benefits in the form of car parking and associated fringe benefit tax, and additional annual leave allocations

No short term or long term incentives were awarded or paid as all Executive Directors were substantial shareholders in the business and were rewarded via dividends and share price growth.

2.1.2 Other KMP (excluding directors)

In FY2015, the Executive team was awarded with the following types of remuneration:

- cash salary and superannuation contributions (based on legislative requirements)
- non monetary benefits in the form of car parking (and FBT)
- short term incentives paid in cash with performance measures aligned to the performance of the company
- long term incentives with performance measures aligned to the performance of AFG Home Loans and the company as a whole. For FY2015 (and previous financial years), the company's LTI plan consisted of a cash payment, with payment split equally over a two year period provided the employee had not tendered their resignation prior to payment being made at the end of Year 1 and Year 2.

2.2 Remuneration structure subsequent to listing on ASX

The listing of the company necessitated a review of the Remuneration structure commencing operation from listing to 30 June 2016. As part of this review, it became a requirement to wind up all existing LTI and STI plans which ultimately necessitated the early payout of all existing entitlements. The financial impact of this early wind up of the pre IPO remuneration structure is disclosed in Section 3 of this report.

New short and long term incentive plans with performance hurdles set to align and link shareholder value have been put in place for the Executive team. NPAT and TSR measures have been chosen as the performance hurdles that members of the executive team are required to meet to ensure alignment with shareholders objectives.

The targeted remuneration mix for:

- The MD/CEO is 56% fixed and 44% variable (at risk); and
- Other members of the executive team are in the range of 58% to 76% fixed and 42% to 24% variable (at risk).

REMUNERATION REPORT (AUDITED) (CONT...)

2.2.1 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.

Each year performance will be measured for the 12-month period ended 30 June. Any STI which is awarded will be delivered in cash around the end of September each year after specific performance targets have been measured.

Participants will need to be employed and not under notice of resignation or termination until at least 30 June of the relevant year to be eligible for an STI award, except in good leaver cases including retirement or bona fide redundancy where some or all of the payment may be made at the discretion of the Board.

2.2.2 STI opportunity

Offers to participate in STI awards for 2016 have been made to executives under the STI Plan on the terms set out below. The Executive will be entitled to an STI award up to a maximum percentage of the annual fixed remuneration (the maximum amount will differ between individuals, but not exceed 50% of annual fixed remuneration).

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 set out in the AFG Prospectus.

In order for an STI award to be payable, a threshold target must be satisfied, being 100% of NPAT achievement to forecast set out in the AFG Prospectus.

The percentage of the STI award that will become payable, if any, will be determined over the performance period by reference to the following schedule:

NPAT achievement to forecast	STI award payable
Less than 100%	$0
100%	100%
100% - 120%	Straight line between 100% - 120%

The Board has discretion to take into account unbudgeted extraordinary items approved by the Board. From time to time bonuses may be paid outside this structure in relation to a special project or special circumstances subject to approval from the Remuneration and Nomination Committee.

2.2.3 The LTI Plan

AFG has established the LTI Plan to assist in the motivation, retention and reward of senior executives. 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.

The Plan Rules provide the framework under which the LTI Plan and individual grants will operate.

The key features of the LTI Plan are outlined below.

Eligibility	Offers may be made at the Board's discretion to employees of AFG or its related bodies corporate or any other person that the Board determines to be eligible to receive a grant under the LTI Plan.
Grant of performance rights	The Plan Rules provide flexibility for AFG to grant one or more of the following securities as incentives, subject to the terms of individual offers: ▪ performance rights ▪ options ▪ restricted shares Options are an entitlement to receive a Share upon satisfaction of applicable conditions and payment of an applicable exercise price. Performance rights and restricted shares are an entitlement to receive a Share for no consideration upon satisfaction of applicable conditions. Unless otherwise specified in an offer document, the Board has the discretion to settle performance rights or options with a cash equivalent payment.
Offers under the LTI Plans	The Board may make offers at its discretion and any offer documents must contain the information required by the Plan Rules. The Board has the discretion to set the terms and conditions on which it will offer performance rights, options and restricted shares in individual offer documents. Offers must be accepted by the employee and can be made on an opt-in or opt-out basis. AFG intends to make opt-out offers.
Issue price	Unless the Board determines otherwise, no payment is required for a grant of a performance right, option or restricted share under the LTI Plan.
Vesting	Vesting of performance rights, options or restricted shares under the LTI Plan is subject to any vesting or performance conditions determined by the Board and specified in the offer document. Options must be exercised by the employee and the employee is required to pay the exercise price before Shares are allocated. Subject to the Plan Rules and the terms of the specific offer document, any performance rights, options or restricted shares will either lapse or be forfeited if the relevant vesting and performance conditions are not satisfied.
Cessation of employment	Under the Plan Rules, the Board has a broad discretion in relation to the treatment of entitlements on cessation of employment. It is intended that individual offer documents will provide more specific information on how the entitlements will be treated if the participating employee ceases employment.
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, or 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	The Board may determine that all or a specified number of a participant's performance rights, options or restricted shares will vest or cease to be subject to restrictions on a change of control event in accordance with the Plan Rules.
Other terms	The LTI Plan contains customary and usual terms for dealing with administration, variation, suspension and termination of the LTI Plan.

REMUNERATION REPORT (AUDITED) (CONT...)

2.2.4 The 2016 LTI award

The key terms of the 2016 LTI award are summarised in the table below:

Participants	Awards have been granted to the Executive of AFG who were invited by the Board to participate.
Grant date and timing of future offers	The LTI award was made just prior to the initial listing of AFG. Any future grants will be at the discretion of the Board and subject to any requirements for shareholder approval.
Grant of Performance Rights	The LTI award will comprise Performance Rights. The value of Performance Rights granted was a percentage of the participant's total fixed remuneration. The number of Performance Rights issued was that value divided by the Final Listing Price ($1.20). Rights were issued to the participant for nil consideration.
Performance conditions, performance period and vesting	Performance Rights will vest subject to the satisfaction of performance conditions. The performance rights will vest one third each year for three years. The vesting conditions must be satisfied in order for the Performance Rights to vest. The Performance Rights for the first year only will be subject to a performance condition based on the total shareholder return as at 30 June 2016 as set out in the table below. For the first year and subsequent years the Performance Rights will also be subject to continuation of employment. If the total shareholder return vesting condition is not satisfied in relation to the Performance Rights for the first year, the Performance Rights for the subsequent years will lapse.

Year	Vesting	Performance Conditions	
1st year – listing to 30 June 2016	One third	Total shareholder return	% of LTI payable
		10%	50%
		10% - 15%	Straight line vesting between 50% - 100%
2nd Year – 1 July 2016 – 30 June 2017	One third	Continuation of employment	
3rd Year – 1 July 2017 – 30 June 2018	One third	Continuation of employment	

Rights associated with Performance Rights	The Performance Rights do not carry dividends or voting rights prior to vesting.
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.
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.
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.
Reconstructions, corporate action, rights issues, bonus issues, etc	A participant cannot participate in new issues of securities by AFG prior to vesting of the Performance Rights. However, 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.

3. EXECUTIVE REMUNERATION OUTCOMES FOR 2015 (INCLUDING LINK TO PERFORMANCE)

Executive remuneration for the years ended 30 June 2015 and 30 June 2014

		Short-term				Post employment		Other	Long-term	Share-based payments		Termination benefits		
		Salary & fees	Cash bonus	Non monetary benefits	Total	Superannuation	Retirement benefits	Discretionary Bonuses	Long service leave	Rights	Shares	Termination/ Resignation Payments	Total	Proportion of remuneration performance related
		$	$	$	$	$	$	$	$	$	$	$	$	%
Executive Directors														
B. McKeon	2015	403,337	-	42,000	445,337	18,783	-	-	32,664	3,774	-	-	500,559	1%
	2014	382,000	-	74,029	456,029	25,000	-	-	12,084	-	-	-	493,113	-
M. Watkins	2015	222,784	-	36,340	259,124	21,165	-	-	(19,829)	755	-	-	261,215	-
	2014	223,524	-	72,992	296,516	20,676	-	-	5,073	-	-	-	322,265	-
K. Matthews*	2015	192,970	-	41,635	234,605	18,332	-	-	(62,106)	-	-	74,782	265,613	-
	2014	223,524	-	67,819	291,343	20,676	-	-	(717)	-	-	-	311,302	-
Other key management personnel														
L. Bevan	2015[1]	230,324	173,818	15,082	419,224	21,881	-	22,831	(1,306)	1,812	504,000	-	968,442	73%
	2014[1]	213,478	128,155	39,744	381,377	19,747	-	25,000	(9,024)	-	-	-	417,100	31%
D. Bailey	2015[2]	264,332	208,602	13,245	486,179	18,783	-	22,831	18,435	3,020	504,000	-	1,053,247	70%
	2014[2]	253,425	157,041	33,041	441,338	17,775	-	25,000	5,941	-	-	-	490,054	32%
Total executive KMP	**2015**	**1,313,747**	**382,420**	**148,302**	**1,844,469**	**98,944**	**-**	**45,662**	**(32,142)**	**9,361**	**1,008,000**	**74,782**	**3,049,076**	**46%**
Total executive KMP	**2014**	**1,295,951**	**283,027**	**287,625**	**1,866,603**	**103,874**	**-**	**50,000**	**13,357**	**-**	**-**	**-**	**2,033,834**	**14%**

** Mr Matthews ceased to be an Executive Director and became a Non-executive director on 1 May 2015.*

Notes:

[1] *Included in this amount is $69,350 (2014:$67,800) for 100% achievement of the FY2015 STI. In addition, there is a further $104,468 (2014: $60,355) relating to a number of items including the payment in FY2015 required to wind up the pre-existing remuneration structure so that transition to a new remuneration structure that was applicable for a company listed on the ASX could be adopted (refer to section 2.2 of this remuneration report). Deferred LTI amounts paid from prior financial years as well as the pro rata excess earned over and above the 100% of the STI payment earned and paid in the prior year are also included.*

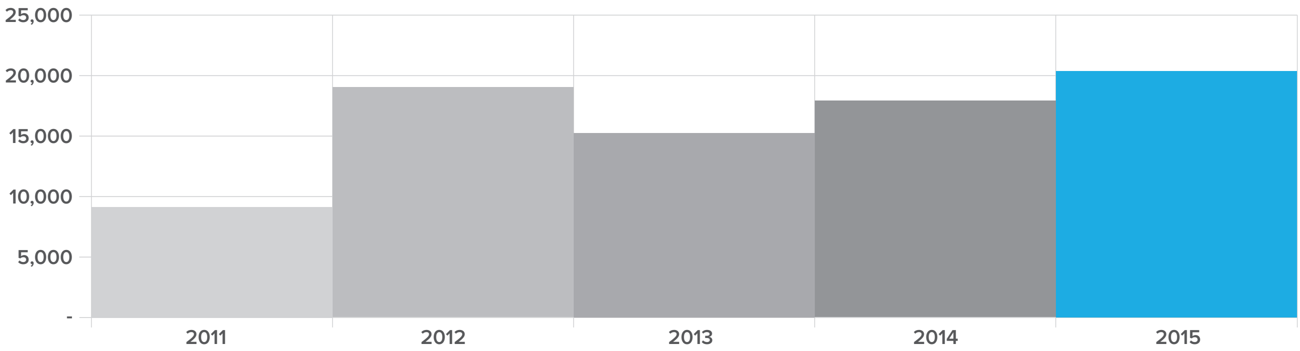
[2] *Included in this amount is $83,200 (2014: $81,360) for 100% achievement of the FY2015 STI. In addition, there is a further $125,402 (2014: $73,512) relating to a number of items including the payment in FY2015 required to wind up the pre-existing remuneration structure so that transition to a new remuneration structure that was applicable for a company listed on the ASX could be adopted (refer to section 2.2 of this remuneration report). Deferred LTI amounts paid from prior financial years as well as the pro rata excess earned over and above the 100% of the STI payment earned and paid in the prior year are also included.*

REMUNERATION REPORT (AUDITED) (CONT...)

3.1 FY2015 remuneration outcomes linked to Company Performance

AFG was admitted to the official list of ASX Limited on 22 May 2015. Prior to this date the Company did not have publicly traded securities. The short and long term incentive element of executive remuneration has historically been awarded at the discretion of the Board. The primary financial performance measure driving STI and LTI outcomes for the FY2015 was Net Profit Before Tax (NPBT). The following chart shows the Group's NPAT over the five years to 30 June 2015.

NPAT - $'000



For the financial year ended 30 June 2015, 100% of the maximum available STI and LTI were awarded to executive KMP that were eligible to participate under the 2015 plans. To facilitate the transition to a listed environment and to finalise all legacy STI and LTI plans the Board awarded 100% of the LTI in FY2015 (as opposed to 50% being deferred until the end of the 2016 financial year).

4. 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.

Managing Director and Chief Executive Officer

The MD/CEO, Mr B. McKeon, is employed under an ongoing contract which can be terminated with notice by either side.

Under the terms of the present contract:

- The MD/CEO receives annual fixed remuneration of $500,000, inclusive of superannuation.
- The MD/CEO's target STI opportunity is $250,000 per annum, subject to meeting performance targets based on NPAT.
- The MD/CEO is entitled to participate in the executive LTI Plan, having been granted Rights over ordinary shares with a total face value of $150,000, subject to the satisfaction of vesting conditions. The board retains a discretion to make equivalent value cash payment in lieu of an allocation of shares.
- Mr B. McKeon's employment may be terminated by either party with twelve months notice by the company or three months by Mr B. McKeon. Non-disclosure and non-compete restrictions apply for twelve months after termination date.

Executive Director – IT and Marketing

The Director – IT and Marketing, Mr M. Watkins, is employed under an ongoing contract which can be terminated with notice by either side.

Under the terms of the present contract he is entitled;

- to receive an annual fixed remuneration (or pro-rata equivalent), inclusive of superannuation.
- to an opportunity to earn an STI subject to meeting performance targets based on NPAT.
- to participate in the executive LTI Plan, having been granted Rights over ordinary shares subject to the satisfaction of vesting conditions. The board retains a discretion to make equivalent value cash payment in lieu of an allocation of shares.
- Mr M. Watkins' employment may be terminated by either party with twelve months notice by the company or three months by Mr M. Watkins. Non-disclosure and non-compete restrictions apply for twelve months after termination date.

REMUNERATION REPORT (AUDITED) (CONT...)

Other Key Management Personnel

Chief Financial Officer

The CFO, Mr D. Bailey, is employed under an ongoing contract which can be terminated with notice by either side.

Under the terms of the present contract he is entitled;

- to receive an annual fixed remuneration inclusive of superannuation.
- to an opportunity to earn an STI subject to meeting performance targets based on NPAT.
- to participate in LTI arrangements, having been granted Rights over ordinary shares subject to the satisfaction of vesting conditions. The board retains a discretion to make equivalent value cash payment in lieu of an allocation of shares.
- Mr D. Bailey's employment may be terminated by either party with twelve months notice by the company or three months by Mr D. Bailey. Non-disclosure and non-compete restrictions apply for six months after termination date.

Company Secretary

The Company Secretary, Ms L. Bevan, is employed under an ongoing contract which can be terminated with notice by either side.

Under the terms of the present contract she is entitled:

- to receive an annual fixed remuneration (or pro rata equivalent), inclusive of superannuation.
- to an opportunity to earn an STI subject to meeting performance targets based on NPAT.
- to participate in LTI arrangements, having been granted Performance Rights over ordinary shares which will vest if performance targets are met. The board retains a discretion to make equivalent value cash payment in lieu of an allocation of shares.
- Ms L. Bevan's employment may be terminated by either party with twelve months notice by the company or three months by Ms L. Bevan. Non-disclosure and non-compete restrictions apply for six months after termination date.

The notice and termination provisions of the employment agreement for Executives are summarised below. All payments on termination will be subject to the termination benefits cap under the Corporations Act.

Term	Who	Conditions
Duration of Agreement	CEO and all Executives	Ongoing until notice given by either party
Notice to be provided by the Company to terminate the employment agreement[1]	CEO and all Executives	12 months
Notice to be provided by the Executive to terminate the employment agreement[1]	CEO and all Executives	3 months
Termination payments to be made on termination without cause	CEO and all Executives	Deferred STI and LTI awards vest according to the applicable equity plan
Termination for cause	CEO and all Executives	Immediately for misconduct 3 months notice for poor performance
Post Employment Restraints	CEO and all Executives	12 month non-solicitation restraint

[1] Payment in lieu of notice may in certain circumstances be approved by the Board for some or all of the notice period

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.

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 considers advice from external consultants when undertaking the annual review process.

The Company's constitution and the ASX listing rules specify that the NED fee pool shall be determined from time to time by a general meeting. The latest determination was the Shareholders meeting held on 24 April 2015 when shareholders approved an aggregate fee pool of $1,000,000 per year.

The Board will not seek any increase for the NED pool at the 2015 AGM.

5.2 Structure

The remuneration of NEDs consists of directors' fees, which is inclusive of statutory superannuation and committee fees. The below summarises the NED fees from the date of AFG listing on the ASX:

- Chairman: $150,000 inclusive of superannuation
- Non Executive Directors: $90,000 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. Some of the Non Executive Directors receive non cash benefits in the form of off-shore conference entitlements. The table below outlines the NED remuneration for the years ended 30 June 2015 and 30 June 2014:

	Financial Year	Salary and Fees	Short-term benefits (non-monetary)	Post-employment Superannuation	Total $
T. Gill	2015	88,710	57,685	7,725	154,120
	2014	88,587	67,877	8,209	164,673
K. Matthews	2015	12,645	-	1,201	13,846
	2014	-	-	-	-
J. Atkins	2015	61,497	22,781	5,842	90,120
	2014	58,027	4,478	5,367	67,872
J. Minto	2015	19,916	-	1,892	21,808
	2014	-	4,478*	-	4,478
C. Carter	2015	21,496	-	2,042	23,538
	2014	-	-	-	-
FY2015 NED		204,264	80,466	18,702	303,432
FY2014 NED		146,614	76,833	13,576	237,023

** Jim Minto resigned as a director of AFG on 28 November 2013 and was reappointed on 01 April 2015. During his first appointment, due to his principal employer TAL, being a shareholder in AFG, Mr Minto elected not to receive a director's fee.*

6. ADDITIONAL DISCLOSURES RELATING TO RIGHTS AND SHARES

6.1 Rights awarded, vested and lapsed during the year

The table below discloses the number of rights granted to executives as remuneration during FY2015 as well as the number of rights that vested or lapsed 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.

Executive directors	Year / Tranches (T)	Rights awarded during the year No.	Grant date	Fair value per rights at award date $	Vesting date	Exercise price	Expiry date	No. Vested during the year
B. McKeon	2015 / T1	41,666	22 May 2015	$0.51	30 June 2016	$0.00	30 June 2016	
	2015 / T2	41,667	22 May 2015	$0.50	30 June 2017	$0.00	30 June 2017	
	2015 / T3	41,667	22 May 2015	$0.47	30 June 2018	$0.00	30 June 2018	
M. Watkins	2015 / T1	13,889	22 May 2015	$0.51	30 June 2016	$0.00	30 June 2016	
	2015 / T2	13,889	22 May 2015	$0.50	30 June 2017	$0.00	30 June 2017	
	2015 / T3	13,889	22 May 2015	$0.47	30 June 2018	$0.00	30 June 2018	
Other KMP								
L. Bevan	2015 / T1	25,000	22 May 2015	$0.51	30 June 2016	$0.00	30 June 2016	
	2015 / T2	25,000	22 May 2015	$0.50	30 June 2017	$0.00	30 June 2017	
	2015 / T3	25,000	22 May 2015	$0.47	30 June 2018	$0.00	30 June 2018	
D. Bailey	2015 / T1	33,333	22 May 2015	$0.51	30 June 2016	$0.00	30 June 2016	
	2015 / T2	33,333	22 May 2015	$0.50	30 June 2017	$0.00	30 June 2017	
	2015 / T3	33,334	22 May 2015	$0.47	30 June 2018	$0.00	30 June 2018	

No rights awarded have vested or lapsed during the year.

REMUNERATION REPORT (AUDITED) (CONT...)

6.2 Shareholdings of key management personnel*

Ordinary shares held in Australian Finance Group Limited (number)

30 June 2015	Balance 1 July 2014	Granted as remuneration	On exercise of rights	Net change other#	Balance 30 June 2015	Held nominally
Directors						
T. Gill	2,250,000	-	-	-	2,250,000	2,250,000
B. McKeon	33,887,636	-	-	(12,187,863)	21,179,773	21,179,773
M. Watkins	33,764,302	-	-	(12,661,613)	21,102,689	21,102,689
K. Matthews	33,764,302	-	-	(16,882,151)	16,882,151	16,882,151
J. Atkins	136,364	-	-	-	136,364	136,364
J. Minto	-	-	-	166,666	166,666	-
C. Carter	-	-	-	500,000	500,000	500,000
Executives						
L. Bevan	1,050,000	400,000	-	83,333	1,533,333	83,333
D. Bailey	650,000	400,000	-	-	1,050,000	530,000

** Includes shares held directly, indirectly and beneficially by the KMP.*

 # All equity transactions with KMP other that those arising from the vesting of remuneration rights have been entered into under terms and conditions no more favourable than those the Group would have adopted if dealing at arm's length.

** Prior to IPO, a one-off Key Executive pre-offer share issue in recognition of the contribution of certain executives was made.*

7. OTHERS TRANSACTIONS AND BALANCES WITH KMP AND THEIR RELATED PARTIES

(i) During the year the Group made payments to Genworth Financial, one of our providers of Lenders Mortgage Insurance (LMI). Tony Gill is a non-executive director of Genworth Australia. These dealings were in the ordinary course of business and were on normal terms and conditions. The payments made for the provision of LMI products were $1,538 thousand (2014:$ 2,633 thousand).

(ii) Tony 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 $191,840 (2014: $404,417).

(iii) Establish

As part of the demerger of the property business on 22 April, the Group entered into a a shared services agreement with Establish Property Group Ltd (EPG). Mr B. McKeon, Ms L. Bevan and Mr D. Bailey, Chief Financial Officer, are directors of EPG. Under the terms of the shared services agreement the Group provides premises, administration, accounting and some company secretarial services to EPG at an agreed arms length rate. During 2015 a total of $38,510 was paid by EPG to the Group for these services (2014: Nil). In addition to the above, the Group's head office is located at 100 Havelock Street West Perth. The Group leases these premises from an investee of EPG, Qube Havelock Street Development Pty Ltd (Qube), that was held by the Group prior to the demerger transaction see note 20. During the 2015 financial year a rent of $1,633 thousand has been paid to Qube (2014: $1,625 thousand).

This directors' report is signed in accordance with a resolution of directors made pursuant to the s.298(2) of the Corporations Act 2001.

On behalf of the Directors

B M McKeon

Managing Director

Dated at Perth, this 16 September 2015

AUDITOR'S INDEPENDENCE DECLARATION

Independence declaration under Section 307C of the Corporations Act 2001

Deloitte.

Deloitte Touche Tohmatsu
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The Board of Directors
Australian Finance Group Ltd
Level 4, 100 Havelock Street,
West Perth WA 6005

16 September 2015

Dear Directors

Australian Finance Group Ltd

In accordance with section 307C of the Corporations Act 2001, I am pleased to provide the following declaration of independence to the directors of Australian Finance Group Ltd.

As lead audit partner for the audit of the financial statements of Australian Finance Group Ltd for the financial year ended 30 June 2015, I declare that to the best of my knowledge and belief, there have been no contraventions of:

(i) the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and

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

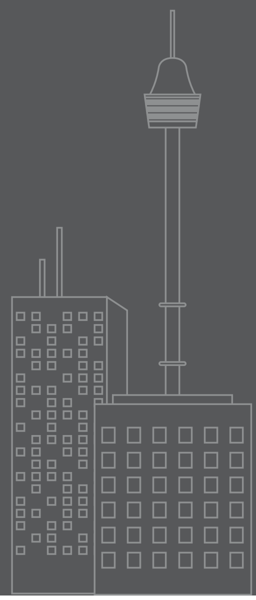
Yours sincerely

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

Leanne Karamfiles
Partner
Chartered Accountants

FINANCIAL STATEMENTS



CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2015

In thousands of AUD	Note	2015	2014
Assets			
Cash and cash equivalents	15	90,776	76,022
Trade and other receivables	16	593,931	515,741
Current tax asset	14	687	-
Loans and advances	18	1,025,344	1,025,191
Other financial assets	30(d)	49	196
Investments in equity-accounted investees	7,20	-	2,674
Inventories	7	-	24,442
Property, plant and equipment	21	2,998	3,394
Intangible assets		865	832
Total assets		1,714,649	1,648,492

Liabilities			
Interest-bearing liabilities	22	1,041,099	1,034,685
Trade and other payables	17	580,341	502,301
Employee benefits	23	3,131	2,972
Current tax payable	14	-	211
Deferred income	25	4,916	4,299
Other financial liabilities	7	-	4,690
Provisions	24	292	385
Deferred tax liability	14	12,641	13,479
Total liabilities		1,642,420	**1,563,022**

Net assets		**72,230**	**85,470**
Equity			
Share capital	27	43,541	11,434
Share-based payment reserve	29(c)	9	-
Other capital reserves	27	(76)	(61)
Retained earnings		28,757	74,093
Total equity attributable to equity holders of the Company		72,231	85,466
Non-controlling interest		(1)	4
Total equity		**72,230**	**85,470**

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

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 30 June 2015

In thousands of AUD	Note	2015	2014
Continuing Operations			
Commission and other income	8	462,820	393,190
Securitisation interest income		48,534	46,814
Operating income		**511,354**	**440,004**
Securitisation interest expense		(38,096)	(37,411)
Other cost of sales		(421,324)	(354,171)
Gross profit		**51,934**	**48,422**
Other income	9	12,296	10,876
Administration expenses		(3,209)	(2,928)
Other expenses	10	(41,757)	(33,689)
Results from operating activities		**19,264**	**22,681**
Finance income	13	2,545	2,131
Finance expenses	13	(83)	(129)
Net finance income		**2,462**	**2,002**
Profit before tax from continuing operations		21,726	24,683
Income tax expense	14	(6,430)	(8,160)
Profit from continuing operations		**15,296**	**16,523**
Discontinued operations			
Profit after tax for the year from discontinued operations		5,078	1,346
Profit for the year		**20,374**	**17,869**
Attributable to:			
Owners of the Company		20,379	17,867
Non-controlling interests		(5)	2
		20,374	**17,869**
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss			
Net change in fair value of available-for-sale financial assets		(20)	15
Income tax on other comprehensive income		5	(5)
Other comprehensive income for the year, net of income tax		(15)	10
Total comprehensive income for the year		**20,359**	**17,879**
Total comprehensive income for the year attributable to:			
Owners of the Company		20,364	17,877
Non-controlling interests		(5)	2
Total comprehensive income for the year		**20,359**	**17,879**
Earnings per share			
Basic earnings per share (dollars)	28	0.11	0.10
Diluted earnings per share (dollars)	28	0.11	0.10
Earnings per share – continuing operations			
Basic earnings per share (dollars)	28	0.08	0.09
Diluted earnings per share (dollars)	28	0.08	0.09

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

STATEMENT OF CHANGES IN EQUITY

For the year ended 30 June 2015

In thousands of AUD	Share capital	Foreign currency translation reserve	Share-based payment reserve	Fair value reserve	Retained earnings	Total	Non-controlling interest	Total equity
Balance at 1 July 2013	11,434	(15)	-	(56)	67,726	79,089	2	79,091
Total comprehensive income for the year								
Profit	-	-	-	-	17,867	17,867	2	17,869
Other comprehensive income	-	-	-	10	-	10	-	10
Total comprehensive income for the period	-	-	-	10	17,867	17,877	2	17,879
Transactions with owners, recorded directly in equity								
Dividends to equity holders	-	-	-	-	(11,500)	(11,500)	-	(11,500)
Total contributions by and distributions to owners	-	-	-	-	(11,500)	(11,500)	-	(11,500)
Total transactions with owners	-	-	-	-	(11,500)	(11,500)	-	(11,500)
Balance at 30 June 2014	**11,434**	**(15)**	-	**(46)**	**74,093**	**85,466**	**4**	**85,470**
Balance at 1 July 2014	11,434	(15)	-	(46)	74,093	85,466	4	85,470
Total comprehensive income for the year								
Profit /(loss)					20,374	20,374	(5)	20,369
Other comprehensive income	-	-	-	(15)	-	(15)	-	(15)
Total comprehensive income for the year	-	-	-	(15)	-	(15)	-	(15)
Transactions with owners, recorded directly in equity								
Contributions by and distributions to owners								
Dividends to equity holders	-	-	-	-	(38,000)	(38,000)	-	(38,000)
Issue of share capital (Note 27)	32,035	-	-	-	-	32,035	-	32,035
Capital reduction (Note 27)	(1,188)	-	-	-	-	(1,188)	-	(1.188)
Non-cash distribution to owners (Note 7)	-	-	-	-	(27,710)	(27,710)	-	(27,710)
Share-based payment transactions (Note 29 (c))	1,260	-	9	-	-	1,269	-	1,269
Total contributions by and distributions to owners	32,107	-	9	-	(65,710)	(33,594)	-	(33,594)
Total transactions with owners	32,107	-	9	-	(65,710)	(33,594)	-	(33,594)
Balance at 30 June 2015	**43,541**	**(15)**	**9**	**(61)**	**28,757**	**72,231**	**(1)**	**72,230**

The Statement of Changes in Equity should be read in conjunction with the Notes to the financial statements.

STATEMENT OF CASH FLOWS

For the year ended 30 June 2015

In thousands of AUD	Note	2015	2014
Cash flows from operating activities			
Cash receipts from customers		399,849	345,220
Cash paid to suppliers and employees		(397,454)	(338,454)
Repayments/(Advances) of customer borrowings		34,025	(167,662)
(Repayments)/Proceeds from securitisation		(19,687)	185,900
Interest paid		(7)	-
Income taxes paid		(8,328)	(7,576)
Net cash generated by operating activities	15(b)	8,398	17,428
Cash flows from investing activities			
Purchase of investments		-	(128)
Interest received		2,423	2,114
Interest paid		(76)	(123)
Acquisition of property, plant and equipment		(530)	(379)
Investment in intangible assets		(242)	(286)
Dividend received from equity-accounted investees		459	340
Proceeds from equity-accounted investees	20	-	465
Purchase of preference shares		-	(4,500)
Increase in other loans and advances		(113)	(622)
Net cash outflow on disposal of discontinued operations		(2,689)	-
Net cash used in investing activities		(768)	(3,119)
Cash flows used in financing activities			
Proceeds from borrowings		13,805	4,932
Proceeds from issuance of share capital		32,558	-
Decrease in loans from funders		(716)	(764)
Transaction costs on issue of shares, net of tax		(523)	-
Proceeds from issuance of preference shares		-	3,900
Dividends paid to equity holders of the parent	27	(38,000)	(11,500)
Net cash generated/(used in) financing activities		7,124	(3,432)
Net increase in cash and cash equivalents		14,754	10,877
Cash and cash equivalents at 1 July		76,022	65,145
Cash and cash equivalents at 30 June	15(a)	**90,776**	**76,022**

The Statement of Cash Flows should be read in conjunction with the Notes to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

Contents

1. REPORTING ENTITY

The consolidated financial statements for the financial year ended 30 June 2015 comprise Australian Finance Group Limited (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 management, and property development. However it is noted that effective 22 April the Group's property assets were demerged. 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.

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 Australian Finance Group Limited Group of companies.

Certain comparative information within the statement of financial position has been reclassified to be comparable to current year presentation.

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 16 September, 2015.

(b) Basis of measurement

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

- Receivables and payables relating to trailing commission are initially measured at fair value and subsequently at amortised cost;
- Financial instruments at fair value through profit or loss are measured at fair value;
- Available-for-sale financial assets are measured at fair value except for equity instruments that do not have a quoted price in an active market and whose fair value cannot be reliably measured.

(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 Class Order 98/100 dated 10 July 1998 and in accordance with that Class Order, 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 AASBs 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:

- Notes 16 and 17 - Net present value of future trailing commissions: recognition of future trailing commissions receivable and payable.
- Note 3(ii) - Consolidation of special purpose entities.

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 4 - Determination of fair values: key assumptions used in forecasting and discounting future trailing commissions.
- Note 29 - Measurement of share-based payments.
- Note 24 - Provisions.
- Note 30 - Valuation of financial instruments.
- *Taxation*

  The Group's accounting for taxation requires management's judgment 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. Judgments 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.
- *Long service leave provision*

  The liability for long service leave is recognised and measured at the present value of the estimated future payments to be made in respect of services provided by employees up to the reporting date. In determining the present value of the liability, consideration is given to the expected future wage and salary levels, experience of employee departures, and period of service. Expected future payments are discounted using market yields at the reporting date on national government bonds with terms to maturity that match, as closely as possible, the estimated future cash outflows.

2. BASIS OF PREPARATION (CONT...)

(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

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.

The adoption of these amendments has not resulted in any significant changes to the Group's accounting policies nor any significant effect on the measurement or disclosure of the amounts reported for the current or prior periods.

The Group has early adopted AASB 2015-2 'Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 101'.

The early adoption of this amendment has not resulted in any significant changes to the Group's accounting policies nor any significant effect on the measurement or disclosure of the amounts reported for the current or prior periods.

(ii) Accounting Standards and Interpretations issued but not yet effective

A project team exists to assess the impact of new standards and interpretations. Assessment of the expected impacts of these standards and interpretations is ongoing, however, it is expected that that there will be no significant changes in the Group's accounting policies.

At the date of authorization of the financial statements, the Standards and Interpretations that were issued but not yet effective, which have not been early adopted are listed below:

Affected Standards and Interpretations	Application date (reporting period commences on or after)	Application date for Group
AASB 9 'Financial instruments' and the relevant amending standards	1 January 2018	30 June 2019
AASB 15 'Revenue from Contracts with Customers' and AASB 2014-5 'Amendments to Australian Accounting Standards, arising from AASB 15'	1 January 2017	30 June 2018
AASB 2014-3 'Amendments to Australian Accounting Standards – Accounting for Acquisitions of Interests in Joint Operations'	1 January 2016	30 June 2017
AASB 2014-4 'Amendments to Australian Accounting Standards – Clarification of Acceptable Methods of Depreciation and Amortisation'	1 January 2016	30 June 2017
AASB 2015-1 'Amendments to Australian Accounting Standards – Annual Improvements to Australian Accounting Standards 2012-2014 Cycle'	1 January 2016	30 June 2017
AASB 2015-3 'Amendments to Australian Accounting Standards arising from the Withdrawal of AASB 1031 Materiality'	1 July 2015	30 June 2016

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

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. The financial results of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

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

Non-controlling interest is determined as the non-controlling interest's proportion of the fair value of the recognised identifiable assets, liabilities and contingent liabilities at the date of the original acquisition. Post acquisition of non-controlling interest in the identifiable assets and liabilities of a subsidiary comprises the non-controlling interest's share of movements in equity since the date of the original controlling acquisition, after eliminating intra-group transactions.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

All Intragroup 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 pair 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 or 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 139, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

(i) Special purpose entities

Special purpose entities 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 so as to obtain the majority of the benefits from its operation.

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 reputable lenders.
- AFG 2013-1 Trust, AFG 2013-2 Trust and AFG 2014-1 Trust (SPE-RMBS) to hold securitised assets and issue Residential Mortgage Backed Securities (RMBS).

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

The elements indicating control include, but not limited to, the 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.
- The Group has the ability to direct decision making accompanied by the objective of obtaining benefits from the special purpose entities' activities.

The Group continues to retain control over the financial assets, for which some but not substantially all the risks and rewards have been transferred to the warehouse facilities providers and the bondholders. The securitised assets and the corresponding liabilities are recorded in the Statement of Financial Position and the interest earned and paid recognised in the Consolidated Statement of Profit or Loss and Other Comprehensive.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT...)

(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.

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.

On 22 April 2015 the Group divested its property development interests to Establish Property Group Ltd, including its investment in associates (See Discontinued Operations Note 7).

(b) Foreign currency

(i) Foreign currency transactions

Transactions in foreign currencies are translated to the functional currency of the Group at exchange rates at the date of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the foreign exchange rate at that date. The foreign exchange gain or loss on monetary items is the difference between amortised cost in the functional currency at the beginning of the period, adjusted for effective interest and payments during the period, and the amortised cost in the foreign currency translated at the exchange rate at the end of the period.

(ii) Foreign operations

The assets and liabilities of foreign operations are translated to Australian dollars at exchange rates at the reporting date. The income and expenses of foreign operations are translated to Australian dollars at the average exchange rates of the relevant period.

Foreign currency differences are recognised in other comprehensive income. Since 1 July 2004, the Group's date of transition to AASBs, such differences have been recognised in the foreign currency translation reserve ("FCTR") in equity.

Foreign exchange gains and losses arising from a monetary item receivable from or payable to a foreign operation, the settlement of which is neither planned nor likely in the foreseeable future, are considered to form part of a net investment in a foreign operation and are recognised directly in equity in the FCTR.

(c) Financial instruments

(i) Non-derivative financial assets

Initial recognition and measurement

Financial assets within the scope of AASB 139 are classified as financial assets at fair value through profit or loss, loans and receivables, held to maturity investments, or available-for-sale financial assets. The Group determines the classification of its financial assets at initial recognition. All financial assets are recognised initially at fair value plus transaction costs, except in the case of financial assets recorded at fair value through profit or loss.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as described below:

Financial assets at fair value through profit or loss

The Group's investments in equity securities are classified as financial assets at fair value through profit or loss. An instrument is classified as at fair value through profit or loss if it is held for trading or is designated as such upon initial recognition. Financial instruments are designated at fair value through profit or loss if the Group manages such instruments and makes purchase and sale decisions based on their fair value in accordance with the Group's risk management and investment strategy. Upon initial recognition, attributable transaction costs are recognised in profit or loss when incurred. Financial instruments at fair value through profit or loss are subsequently measured at fair value, and changes therein are recognised in the profit or loss.

Loans and receivables

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition loans and receivables are measured at amortised cost using the effective interest method, less impairment losses.

Loans and receivables comprise trade and other receivables, redeemable preference shares and loans and advances which relate mainly to residential mortgages issued under the securitisation programme.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are designated as available-for-sale and that are not classified in any of the previous categories. Subsequent to initial recognition, available-for-sale financial assets are measured at fair value and changes therein, other than impairment losses (see note 3(c)(ii)), are recognised in other comprehensive income and presented within equity in the fair value reserve. When an investment is derecognised, the cumulative gain or loss is transferred to profit or loss.

Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- The rights to receive cash flows from the asset have expired.
- The Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the asset is recognised to the extent of the Group's continuing involvement in the asset. In that case, the Group also recognises an associate liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

The Group utilises SPE-RMBS to hold securitised assets (financial assets) and issue residential mortgage asset backed securities to investors. After the securitisation transaction, the Group continues to retain control of the financial assets for which some but not substantially all the risks and rewards have been transferred to the investors. Consequently, the securitised assets do not meet the requirements of AASB 139 - Financial Instruments: Recognition and Measurement in respect of the derecognition of financial instruments. The securitised assets have been recorded in the Statement of Financial Position with the related interest recognised through the Consolidated Statement of Profit or Loss and Other Comprehensive Income.

(ii) Impairment of financial assets

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, that has a negative effect on the estimated future cash flows of that asset.

Objective evidence that financial assets are impaired can include failure to meet repayment of principal and interest in accordance with the terms of the governing agreement (loans and advances within the SPE), indications that a debtor or issuer will enter bankruptcy, disappearance of an active market for a security, or wider economic and financial market indicators pertaining to a particular industry sector or local economy. In addition, for an investment in an equity security, a significant or prolonged decline in its fair value below its cost is objective evidence of impairment.

Significant financial assets and loans and advances within the special purpose entities are individually assessed and regularly tested for impairment. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics. In assessing collective impairment the Group uses historical trends of the probability of default, timing of recoveries and the amount of loss incurred, adjusted for management's judgement as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than suggested by historical trends.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at the original effective interest rate. Losses are recognised in profit or loss and reflected in an allowance account against receivables. For the SPE loans and advances the present value of estimated cash flows recoverable is determined after taking into account net realisable value from sale, of collateral held. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through the profit or loss.

An impairment loss in respect of an available-for-sale financial asset is recognised by transferring the cumulative loss that has been recognised previously in equity to profit or loss. When a subsequent event causes the fair value of an impaired available-for-sale asset to increase and the increase can be related objectively to an event occurring after the impairment loss was recognised in profit or loss, then the impairment loss is reversed with the amount of the reversal recognised in profit or loss. However, any subsequent recovery in the fair value is recognised in other comprehensive income.

(iii) Non-Derivative financial liabilities

Initial recognition and measurement

Financial liabilities within the scope of AASB 139 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 (including liabilities designated at fair value through profit or loss) 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, interest – bearing liabilities are measured at amortised cost using the effective interest rate method.

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.

(iv) Fair value of financial instruments

The fair value of financial instruments that are traded in active markets at each reporting date is determined by reference to quoted market prices (bid price for long positions and ask price for short positions), without any deduction for transaction costs.

For financial instruments that are not traded in an active market, the Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data is available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs. Refer to notes 4 and 30 for further information on the determination of fair value of financial instruments.

(v) Share capital

Ordinary shares

Ordinary shares are classified as equity. Incremental costs directly attributable to 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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT...)

(d) Cash and short term-deposits

Cash and short-term deposits in the Statement of Financial Position comprise cash at banks and on hand, short term deposits with a maturity of three months or less, as well as restricted cash such as proceeds and collections in the special purpose entities' 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.

(e) Property, plant and equipment

(i) Recognition and measurement

Items of property, plant and equipment are measured at cost less accumulated depreciation (see (iii) below) and impairment losses (see accounting policy 3(g)).

Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment. Borrowing costs related to the acquisition or construction of qualifying assets are capitalised as part of the cost of the assets.

Where parts of an item of property, plant and equipment have different useful lives, they are accounted for separately.

Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount and are recognised net within "other income" in profit or loss.

(ii) Subsequent costs

The cost of replacing part of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Group and its costs can be measured reliably. The costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred.

(iii) Depreciation

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment. Leased assets are depreciated over the shorter of the lease term and their useful life unless it is reasonably certain that the Group will obtain ownership by the end of the lease term. Land is not depreciated.

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

(i) plant and equipment	2 - 5 years
(ii) fixtures and fittings	5 - 20 years

Depreciation methods, useful lives and residual values are reassessed at each reporting date.

(f) 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 beyond reasonable doubt, to provide future economic benefits. Any deferred development costs are amortised over the estimated useful lives of the relevant 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) Other intangible assets

Other intangible assets that are acquired by the Group, which have finite useful lives, are measured at cost less accumulated amortisation (see above (i)) and impairment losses (see accounting policy 3(g)).

(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
(ii) Software licenses	2.5 - 5 years

(g) Impairment of Non-financial assets

The carrying amounts of the Group's non-financial assets, other than inventories and 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 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.

(h) Inventories

Inventories are measured at the lower of cost and net realisable value. The cost of inventories includes the costs of acquisition, development and holding costs, including such costs as borrowing costs, rates and taxes. Holding costs incurred post completion of development are expensed.

Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

(i) 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 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, annual leave and sick 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.

(j) 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.

(k) Revenue

(i) Commission revenues

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 are recognised upon the loans being settled and receipt of commission.
- Trailing commissions: The Group receives trailing commissions from lenders on loans they have settled that were originated by the Group. The trailing commissions are received over the life of the loans based on the individual loan balance outstanding. The Group also makes trailing commission payments to authorised mortgage originators (brokers) based on the individual loan balance outstanding.

  On initial recognition, trailing commission revenue and receivables are recognised at fair value, being the expected future trailing commission receivables discounted to their net present value. In addition, an associated payable and expense to the members are also recognised, initially measured at fair value being the future trailing commission payable to members discounted to their net present value.

  Subsequent to initial recognition and measurement both the trailing commission asset and trailing commission payable are measured at amortised cost. The carrying amount of the trailing commission asset and trailing commission payable are adjusted to reflect actual and revised estimated cash flows by recalculating the carrying amount by computing the present value of estimated future cash flows at the original effective interest rate. The resulting adjustment is recognised as income or expense in the Consolidated Statement of Profit or Loss and Other Comprehensive Income.

(ii) Mortgage management revenues

The Group provides mortgage management services to its clients as an alternative to traditional bank home loans. Revenue generated includes origination commission, trailing commission and fees associated with loans' settlement and management. Origination commissions are recognised upon the loans being settled and receipt of the commission. Trailing commissions are recognised over the contract of service. Other fees are recognised in the Consolidated Statement of Profit or Loss and Other Comprehensive Income in proportion to the stage of completion of the transaction at the reporting date.

(iii) Property development services

The Group provides project management services for property syndication projects. The Group receives an ongoing management fee for providing these services. Revenue is recognised by reference to the stage of completion of the contract.

The fee earned on the property development services has been discontinued subsequent to the Group divesting its property development interests to Establish Property Group Ltd. Refer to Discontinued Operations Note 7.

(iv) Fees for services

Revenue from contracts to provide marketing, compliance and administration services to the members is recognised with reference to the stage of completion for the contract of services.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT...)

(v) Rendering of other services

Revenue from contracts to provide other services is recognised by reference to the stage of completion of the contract.

(vi) Securitisation and residential mortgage backed securities programme

Revenue arising from issuing residential loans which are funded by the warehouse facility is initially recognised at the fair value of the consideration received or receivable when it is probable that future economic benefits will flow to the Group and these benefits can be measured reliably.

Loans and advances are initially recognised at fair value. Subsequent to initial recognition, the loans are measured at amortised cost using the effective interest method over the estimated actual (but not contractual) life of the mortgage loan, taking into account all income and expenditure directly attributable to the loan. Interest income is the key component of this revenue stream and it is recognised as it accrues using the effective interest method. 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 are also spread across the estimated life of the loan.

(vii) Sponsorship and incentive income

Sponsorship and incentive income is the income generated from sponsorship and incentive payment arrangements with Lenders. The income is brought to account when services relating to the income have been performed.

(l) Lease payments

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at inception date, whether fulfilment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset, even if that right is not explicitly specified in an arrangement.

Payments made under operating leases are recognised in the profit or loss on a straight line basis over the term of the lease. Lease incentives received are recognised as an integral part of the total lease expense, over the term of the lease.

Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

(m) Finance income and expenses

Finance income comprises interest income on funds invested, changes in the fair value of financial assets at fair value through profit or loss and foreign currency gains. Interest income is recognised as it accrues, using the effective interest method.

Finance expenses comprise interest payable on borrowings and changes in fair value of financial assets at fair value through profit or loss.

(n) 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. Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in profit or loss using the effective interest method.

(o) Capital raising costs

Capital raising costs are accounted for as follows:

- Costs directly associated with the sale of existing shares are expensed to the profit or loss
- Costs directly attributable to the issue of new shares, raising of additional equity, are accounted for as a deduction from equity, net of any income tax benefit
- Other costs which include elements of both are apportioned based on the proportion of existing shares and new shares, and as such are accounted for in part as an equity deduction and in part as an expense.

(p) 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.

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.

(i) 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 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 inter-entity 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.

(q) 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.

(r) Deferred income

Professional indemnity insurance income is deferred to the extent it gives rise to future economic benefits and recognised as income on the stage of completion of the contract.

Sponsorship and other deferred income are brought to account when services relating to the income have been performed.

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.

Trailing commissions

The Group receives trailing commissions from lenders on settled loans over the life of the loan based on the loan book balance outstanding. 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.

The fair value of trailing commission receivable 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 with the assistance of external actuaries. Further assumptions are disclosed in Note 30(d).

Trade and other receivables/payables

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

Investments in equity instruments

The fair value of financial assets at fair value through profit or loss and available-for-sale assets is determined by reference to their quoted closing bid price at reporting date.

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 trailing commission receivables and payables that are initially recognised at fair value and subsequently carried at amortised cost.

5. FINANCIAL RISK MANAGEMENT

(a) Overview

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

This note presents information about the Group's exposure to each of the above 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 Committee is responsible for developing and monitoring risk management policies.

5. FINANCIAL RISK MANAGEMENT (CONT...)

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 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.

(b) 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.

Receivables

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.

The Group's trade and other receivables 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 by the Group's management prior to joining the panel. The Group bears the risk of non-payment of future trailing commissions by lenders 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 trailing commissions to members.

Excluding financial institutions on the lender panel, trade and other receivables from other customers are rare given the nature of the Group's business. In the unlikely event that trade and other receivables arise, limits will be established for each customer that represents the maximum open amount without requiring approval from the Group's Directors. These limits are reviewed on an ongoing basis by management. The risk limits reflect the business strategy and market environment of the Group as well as the level of risk that the Group is willing to accept. Customers that fail to meet the Group's benchmark creditworthiness may transact with the Group only on a cash or prepayment basis. The Group does not require collateral in respect of trade and other receivables.

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 external credit agencies, which assigns each counterparty a risk rating. Risk ratings are subject to regular review.

The Group's maximum exposure is the excess of the net realisable value and the carrying amount of the loans, net of any impairment losses. Importantly, prior to July 2014 all residential mortgages were covered by a lender's mortgage insurance contract which covers 100% of the principal. Subsequent to July 2014 all loans with a loan to value ratio of greater than 70% were subject to a lenders mortgage insurance contract.

The Group has established an allowance for impairment that represents the estimate of incurred losses in respect of its receivables. The main component of this allowance is a specific loss component that relates to individually significant exposures, and a collective loss component established for groups of similar assets in respect of losses that have been incurred but not yet identified. The collective loss allowance is determined based on historical data of payment statistics and industry data for similar classes of financial assets. Throughout this financial year and the comparative year no loans that would otherwise be past due or impaired have been renegotiated.

(c) 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.

(d) 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), New Zealand dollars (NZD) and Euro. 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 term. 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 or later than expected.

The Group's key exposure relates to the net present value of future trailing commissions receivable and 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 review and report 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.

(e) 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 Group's capital management, amongst other things, aims to ensure that it meets financial covenants attached to the interest-bearing loans and borrowings that define capital structure requirements. Breaches in meeting the financial covenants would see the Group repaying the shortfall sufficient to the lenders satisfaction, or alternatively provide additional security or cash equity. There have been no breaches in the financial covenants of any interest-bearing loans and borrowings in the current period.

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 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. There was no breach of the requirements for the year ended 30 June 2015.

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.

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

AFG Wholesale Mortgage Broking

The mortgage broking segment refers to the operating activities in which the Group acts as a wholesale mortgage broker that provides its broker members 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 residential mortgages outstanding that have been originated by the Group's brokers and are generating trail income.

AFG Home Loans

AFG Home Loans 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. AFG Home Loans sits on the Group's panel of lenders alongside the other over 30 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 it securitisation programme.

Segment results that are reported to the Managing Directors include items directly attributable to the relevant segment as well as those that can be allocated on a reasonable basis. Other/unallocated items are comprised mainly of other operating activities from which the Group earns revenues 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.

6. SEGMENT INFORMATION (CONT...)

Year ended 30 June 2015	AFG Wholesale Mortgage Broking	AFG Home Loans	Other / Unallocated	Total
In thousands of AUD				
Revenue				
External customers	449,032	61,072	1,250	511,354
Inter-segment	9,239	-	(9,239)	-
Other operating income	5,639	-	6,809	12,448
Interest income	-	921	1,473	2,394
Total segment revenue	**463,910**	**61,993**	**293**	**526,196**
Results				
Segment profit before income tax	36,949	638	(15,861)	21,726
Income tax expense				(6,430)
Net profit after tax				**15,296**
Assets and liabilities				
Total segment assets	**595,480**	**1,082,555**	**36,614**	**1,714,649**
Total segment liabilities	**581,031**	**1,052,485**	**8,904**	**1,642,420**
Other segment information				
Depreciation and amortisation	(126)	(23)	(983)	(1,132)
Interest expense	-	(76)	(7)	(83)

Year ended 30 June 2014	AFG Wholesale Mortgage Broking	AFG Home Loans	Other / Unallocated	Total
In thousands of AUD				
Revenue				
External customers	380,425	57,973	1,605	440,003
Inter-segment	7,631	-	(7,631)	-
Other operating income	4,426	-	6,409	10,835
Interest income	-	798	1,375	2,172
Total segment revenue	**392,482**	**58,771**	**1,757**	**453,011**
Results				
Segment profit before income tax	31,669	331	(7,317)	24,683
Income tax expense				(8,160)
Net profit after tax				**16,523**
Assets and liabilities				
Total segment assets	**515,973**	**1,066,086**	**66,433**	**1,648,492**
Total segment liabilities	**499,938**	**1,038,054**	**25,030**	**1,563,022**
Other segment information				
Depreciation and amortisation	(105)	(30)	(1,006)	(1,141)
Interest expense		(123)	-	(123)

7. DISCONTINUED OPERATIONS

During the year, the board of directors recommended a demerger of the property business, which involved the establishment of a sale agreement between the Company and Establish Property Group Ltd pursuant to which the Group agreed, amongst other things, to transfer the Group's property development interests to Establish Property Group Ltd in consideration for the issue of Establish Property Group Ltd shares to the Company.

On 26 March 2015 the Group called a General Meeting to pass an ordinary resolution to make a pro-rata distribution of all of its shares in Establish Property Group Ltd to the members of the Company and to approve the subsequent share capital reduction from divesting its property development interests to Establish Property Group Ltd.

On 20 April 2015 the ordinary resolution was passed by the members and the demerger became effective on 22 April 2015.

As part of this demerger the Group has also agreed to continue in its role as guarantor under the debt funding arrangements of AFG Developments 2 Pty Ltd and a former joint venture arrangement in relation to Richmond Quarter development project.

The results of the property development operations for the year are presented below:

In thousands of AUD	1 July 2014 to 22 April 2015	2014
Results of discontinued operation		
Revenue	-	1,555
Expenses	(59)	(1,870)
Finance income	1,880	1,538
Finance costs	(485)	(198)
Results from operating activities	1,336	1,025
Share of profit of equity accounted investees (net of tax)	322	256
Gain on sale of discontinued operation	3,796	-
Results before income tax	**5,454**	**1,281**
Income tax (expense) / benefit	(376)	65
Profit for year	5,078	1,346
Basic earnings per share (dollars)	0.03	0.01
Diluted earnings per shares (dollars)	0.03	0.01

The profit from discontinued operation of $5,078 thousand (2014: 1,346 thousand) is attributable entirely to the owners of the Company.

The effect of disposal on the financial position of the Group is summarised in the table on the following page. Significant changes to the financial position of the continuing Group include;

- The demerger of all of the Group's Inventories (which related to property development projects).
- During 2014 the Group had an obligation of $4,690 thousand payable to a terminated joint operator of the Richmond Quarter project (Project). The loan, which was repayable on completion of the Project, was obtained to facilitate the acquisition of 30% of the land and interest in the Project that was previously held by the joint operator. The loan is non-interest bearing and was expected to be repaid in full, in accordance with the terms of Deed of Termination of Joint Venture Agreement, on the earlier of 30 June 2016, 30 months after 30 September 2014, and 6 months after the registration of the strata plan and the issuing of the titles of the project. This non-current financial liability is included in the liabilities demerged.

7. DISCONTINUED OPERATIONS (CONT...)

In thousands of AUD

Effect of disposal on the financial position of the Group	As at 22 April 2015	2014
Cash and cash equivalents	2,689	611
Inventories	36,876	24,442
Trade and other receivables	155	281
Loans and advances	13,968	12,099
Investments in equity-accounted investees	2,537	2,674
Total assets	**56,225**	**40,107**
Interest bearing liabilities	26,594	12,303
Trade and other payables	4,530	5,779
Total liabilities	**31,124**	**18,082**
Net assets distributed to shareholders	**25,101**	**22,025**

Gain on sale of discontinued operation		
Distribution to shareholders*	28,897	-
Net assets distributed to shareholders	(25,101)	-
Gain on sale of discontinued operation	3,796	-

** Effective on 22 April 2015 a pro-rata distribution of all of the Company's shares in Establish Property Group Ltd was made to the shareholders of the Company. The distribution is in part a return of capital and in part a dividend to the shareholders of $1,187,623 and $27,709,745 respectively.*

In thousands of AUD

Cash flows from (used in) discontinued operation	1 July 2014 to 22 April 2015	2014
Net cash used in operating activities	(14,196)	(4,144)
Net cash from investing activities	469	(4,273)
Net cash from financing activities	15,805	8,832
Net cash flows for the year	2,078	415
Consideration received, satisfied in cash	-	-
Cash and cash equivalents disposed of	(2,689)	(611)

8. REVENUE

	Continuing operation		Discontinued operations		Total	
In thousands of AUD	2015	2014	2015	2014	2015	2014
Commissions	412,775	341,635	-	-	412,775	341,635
Interest on commission income receivable	48,536	49,185	-	-	48,536	49,185
Mortgage management services	713	1,584	-	-	713	1,584
Property development services	-	-	-	1,561	-	1,561
Securitisation transaction fees	796	786	-	-	796	786
	462,820	393,190	-	1,561	462,820	394,751

9. OTHER INCOME

In thousands of AUD	2015	2014
Sponsorship and incentive income	5,639	4,425
Software licence fees	1,693	1,540
Professional indemnity insurance	1,733	1,556
Fees for services	2,743	2,775
Other	488	580
	12,296	10,876

10. OTHER EXPENSES

In thousands of AUD	Note	2015	2014
Advertising and promotion		3,142	2,960
Consultancy and professional fees		1,732	1,343
Information technology		2,889	2,788
Occupancy costs		386	377
Employee costs	11	24,795	23,141
Depreciation and amortisation		1,132	1,141
Operating lease costs		2,117	1,978
Reversal of impairment loss on receivables		(75)	(42)
Net loss on disposal of property, plant and equipment		3	3
Capital raising costs		5,636	-
		41,757	33,689

11. EMPLOYEE COSTS

In thousands of AUD	2015	2014
Wages and salaries	15,878	15,700
Other associated personnel expenses	5,877	5,529
Change in liability for long service leave	-	(80)
Change in liabilities for annual and sick leave	80	(8)
Termination benefits	6	364
Share-based payment transactions	1,269	-
Superannuation	1,685	1,636
	24,795	23,141

12. AUDITORS' REMUNERATION

In AUD	2015	2014
Audit services		
Amounts due and receivable for:		
Audit of the financial report of the Group and other entities of the Group		
Deloitte Touche Tohmatsu (2014: Ernest & Young)	146,750	154,293
Other auditors	-	2,125
	146,750	156,418
Other services - Deloitte Touche Tohmatsu		
Tax compliance services	176,458	-
Due diligence services	465,500	-
Other non audit services	87,575	-
	729,533	-
Other services - Ernst & Young		
Other assurance services	3,000	64,803
	3,000	64,803

13. FINANCE INCOME AND EXPENSES

In thousands of AUD		
Recognised in profit or loss	**2015**	**2014**
Interest income on loans and receivables	300	98
Interest income on bank deposits	2,093	2,074
Net foreign exchange gain	152	(41)
Finance income	2,545	2,131
Net change in fair value of financial assets designated at fair value through profit or loss	-	3
Interest expense on loans from funders	(76)	(123)
Interest expense	(7)	(9)
Finance expense	(83)	(129)
Net finance income and expense	2,462	2,002
The above financial income and expense include the following in respect of assets (liabilities) (not at fair value through profit or loss):		
Total interest income on financial assets	**2,383**	**2,172**
Total interest expense on financial liabilities	(83)	(132)

Other finance income and expenses

Revenue includes the interest income of $48,536 thousand (2014: $49,185 thousand) from the unwinding of the discount in relation to the net present value of future trailing commission receivable.

Cost of sales includes the interest expense from the unwinding of the discount in relation to the net present value of future trailing commission payable of $43,214 thousand (2014: $43,534 thousand).

14. INCOME TAX

(a) Current tax expense

In thousands of AUD	2015	2014
Income tax recognised in profit or loss		
Current tax expense		
Current period	7,459	7,324
Adjustments for prior periods	(255)	(310)
Deferred tax expense		
Origination and reversal of temporary differences	(398)	1,081
Income tax expense reported in the statement of profit or loss	6,806	8,095
Income tax from continuing operations	6,430	8,160
Income tax expense/(benefit) from discontinued operation (excluding gain on sale)	376	(65)
Total income tax expense	6,806	8,095

	2015	2014
Income tax recognised in other comprehensive income		
Unrealised gain/(loss) on available-for-sale financial assets	(5)	5
Income tax charged directly to other comprehensive income	(5)	5

In thousands of AUD		
Numerical reconciliation between tax expense and pre-tax accounting profit	**2015**	**2014**
Profit before tax from continuing operations	21,726	24,683
Profit before tax from discontinued operations	5,454	1,281
Profit excluding income tax	27,180	25,963
Income tax using the Company's domestic tax rate of 30% (2014: 30%)	8,154	7,789
Non-deductible expenses	200	616
Non- assessable gain on disposal of discontinued operations	(1,139)	-
Under provision in prior periods	(195)	(310)
Other adjustments	(214)	-
	6,806	8,095
Income tax reported in the statement of profit or loss	6,430	8,160
Income tax attributable to a discontinued operation	376	(65)
	6,806	8,095

14. INCOME TAX (CONT...)

(b) Current tax assets and liabilities

The current tax asset for the Group of $687 thousand (2014: $211 thousand tax payable) represents the amount of income taxes receivable in respect of current and prior financial periods.

(c) Deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

	Assets		Liabilities		Net	
In thousands of AUD	2015	2014	2015	2014	2015	2014
Property, plant and equipment and intangibles	-	-	117	189	117	189
Trade and other receivables	(1,045)	(1,045)	183,011	153,328	181,966	152,283
Revaluation of available-for-sale-investments to fair value	-	-	-	5	-	5
Employee benefits	(3,126)	(2,983)	-	-	(3,126)	(2,983)
Trade and other payables	(163,668)	(136,094)	-	-	(163,668)	(136,094)
Other items	(2,648)	(13)	-	92	(2,648)	79
Tax (assets) / liabilities	(170,487)	(140,135)	183,128	153,614	12,641	13,479
Set off of tax	170,487	140,135	(170,487)	(140,135)		-
Net tax (assets) / liabilities	-	-	12,641	13,479	12,641	13,479

15. CASH AND CASH EQUIVALENTS

(a) Cash and cash equivalents

In thousands of AUD	2015	2014
Cash at bank	48,339	36,884
Short term deposits	7,409	4,678
Cash collections accounts[1]	31,162	26,602
Restricted cash[2]	3,866	7,858
Cash and cash equivalents	90,776	76,022
Cash and cash equivalents in the Statement of Cash Flows	90,776	76,022

[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 and cash provided in trust by the warehouse providers to fund pending settlements.*

The effective interest rate on at short term deposits in 2015 was 2.39% (2014: 3%). The deposits had an average maturity of 90 days (2014: 90 days).

The Group's exposure to interest rate risk and a sensitivity analysis for financial assets and liabilities are disclosed in note 30.

(b) Reconciliation of cash flows from operating activities

In thousands of AUD	Note	2015	2014
Cash flows from operating activities			
Profit for the period from continuing operations		15,296	16,523
Profit for the period from discontinued operations		5,078	1346
		20,374	17,869
Adjustments to reconcile the profit to net cash flows:			
Income tax expense from continuing operations		6,430	8,160
Income tax expense/(benefit) from discontinued operations		376	(65)
Depreciation	21	923	935
Amortisation of intangible assets		209	206
Loss on sale of property, plant and equipment	10	3	3
Non cash movement in impairment losses on receivables	10	(75)	(42)
Net change in the fair value of financial assets designated at fair value through profit or loss	13	-	(3)
Net interest income from investing activities		(4,198)	(3,586)
Net interest expense on financing activities		493	198
Expense recognised in respect of equity-settled share-based payments		1,269	-
Share of profit of equity accounted investees	20	(322)	(256)
Change in the discount applied to leave provisions		(17)	9
Gain on disposal of discontinued operations	7	(3,796)	-
Present value of future trailing commission income		(78,937)	(61,411)
Present value of future trailing commission expense		75,699	59,067
		18,431	21,084
Working capital adjustments:			
Changes in assets and liabilities			
Increase/(Decrease) in trade and other receivables		2,977	831
Increase in prepayments		238	(406)
Increase/(Decrease) in trade and other payables		2,999	5,210
Increase/(Decrease) in inventories		(12,432)	(10,240)
Increase/(Decrease) in deferred income		616	345
Increase/(Decrease) for employee entitlements		97	(98)
Increase/(Decrease) in provisions		(93)	(558)
Increase in securitisation lending		(14,509)	(214,476)
Increase in securitisation borrowings		18,409	223,312
Cash generated from operations		16,733	25,004
Interest paid		(7)	-
Income tax paid		(8,328)	(7,576)
Net cash generated by operating activities		8,398	17,428

16. TRADE AND OTHER RECEIVABLES

In thousands of AUD	2015	2014
Current		
Trade receivables	763	582
Other trade receivables	11	221
Accrued income	339	849
	1,113	1,652
Net present value of future trailing commissions receivable[1]	117,343	95,281
Prepayments	2,965	3,173
	121,421	100,106
Non-current		
Net present value of future trailing commissions receivable[1]	472,510	415,635
	472,510	415,635
	593,931	515,741

[1] *See fair value determinations for trailing commissions* – note 4

Trade and other receivables are shown net of a provision for impairment of $2 thousand (2014: $2 thousand).

The non-current receivables represent the net present value of future trailing commissions receivable.

The Group's exposure to credit and currency risks and impairment losses related to trade and other receivables are disclosed in note 30.

17. TRADE AND OTHER PAYABLES

In thousands of AUD	Note	2015	2014
Current			
Present value of future trailing commissions payable	4,30	105,364	84,550
Other trade payables		48,681	44,193
Non-trade payables and accrued expenses		715	2,861
		154,760	131,604
Non-current			
Net present value of future trailing commissions payable		425,581	370,697
		425,581	370,697
		580,341	502,301

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 30.

18. LOANS AND ADVANCES

In thousands of AUD		
Current	**2015**	**2014**
Securitised assets[1]	172,430	168,972
Other secured loans[2]	1,528	1,140
Redeemable preference shares (RPS)[3]	-	7,290
	173,958	177,402

In thousands of AUD		
Non-current	**2015**	**2014**
Securitised assets[1]	847,864	836,813
Capitalised origination cost	2,502	4,877
Other secured loans[2]	1,053	1,329
Redeemable preference shares (RPS)[3]	-	4,808
Less: Provision for impairment[4]	(33)	(38)
	851,386	847,789
	1,025,344	1,025,191

1 *The 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 Members secured over future trailing commissions' payable to the member and in some cases personal guarantees. Interest is charged on average at 10.97% p.a (2014:9.42% p.a).*

b. *Loan and advances to McCabe St Limited are secured over its land and assets. Interest is charged on average at* 4.79% *p.a (2014: 5.01% p.a).*

3

i. *During the year ended 30 June 2014 the Group acquired $4.5 million RPS in Harold Developments Pty Ltd for the amount of $4.5 million. The RPS are mandatorily redeemable at their face amount and at a determinable date, no later than 9 years from issue, and provide an annual fixed rate of return of 20%. On 22 April 2015 the Group divested its property development interests to Establish Property Group Ltd, including the RPS acquired in Harold Developments Pty Ltd (See* Note 7*).*

ii. *During 2013 the Group acquired 6 million RPS in Rowe Avenue Ltd and Roydhouse Ltd for the amount of $6 million. The RPS are redeemable on completion of the projects at the face amount and at determinable date, and provide an annual fixed rate of return of 20% calculated daily and compounded annually. On 22 April 2015 the Group divested its property development interests to Establish Property Group Ltd, including its RPS in Rowe Avenue Ltd and Roydhouse Ltd (See* Note 7*).*

4 *Refer to note* 30(a)(ii) *for the split between collective and individual provision.*

Loans and advances that are performing in accordance with the underlying contract are classified as neither past due nor impaired. If a customer fails to make payment that is contractually due then the receivable asset is classified as past due. If subsequently all contractually due payments are made the asset reverts to its neither past due nor impaired status.

At the end of the reporting period, the balance of the Group's non-current loans and advances includes a provision for impairment of $33 thousand (2014: $38 thousand).

During the financial year, new loans issued in the Group's securitisation programme were $273,630 thousand (2014: $412,398).

The Group's exposure to credit, currency and interest rate risks related to loans and advances is disclosed in note 30.

19. GROUP ENTITIES

Composition of the Group

	Country of incorporation	Ownership interest	
		2015	2014
Parent entity			
Australian Finance Group Limited	Australia	100	100
Significant subsidiaries			
Australian Finance Group (Commercial) Pty Ltd	Australia	100	100
Australian Finance Group Insurance Brokers 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 2013-1 Trust	Australia	100	100
AFG 2013-2 Trust	Australia	100	100
AFG 2014-1 Trust	Australia	100	100
New Zealand Finance Group Ltd	New Zealand	100	100
Lilydale Pastures Estate Pty Ltd	Australia	100	100
Longford Road Pty Ltd	Australia	100	100
AFG Home Loans Pty Ltd	Australia	100	100
Venture Lending Pty Ltd	Australia	51	51
Cambridge WA Pty Ltd	Australia	100	100
AFG Developments Pty Ltd	Australia	-	100
AFG Developments 2 Pty Ltd	Australia	-	100
AFG Property Investment No.1 Pty Ltd	Australia	-	100
AFG Property Pty Ltd	Australia	-	100
Establish Property Group Ltd	Australia	-	-

The Group holds a 51% interest in Venture Lending Pty Ltd, has majority representation on the entity's board of directors, and has control over its operating and financial decisions. Consequently, the Group has consolidated this entity into its financial statements.

Change in the Group composition

On 20 December 2014 the Group incorporated Establish Property Group Ltd, a wholly owned subsidiary. During the year the Board of directors recommended a demerger of its property business, which involved the establishment of a sale agreement between the Company and Establish Property Group Ltd pursuant to which the Group agreed, amongst other things, to transfer the Group's property development interests to Establish Property Group Ltd in consideration for the issue of Establish Property Group Ltd shares to the Company. On 20 April 2015 an ordinary resolution was passed by the members at a General Meeting to make a pro-rata distribution of all of its shares in Establish Property Group Ltd to the members of the Company and to approve the subsequent share capital reduction from divesting its property development interests to Establish Property Group Ltd. The demerger became effective on 22 April 2015.

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 funding trusts. 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 loans as at time of settlement was below 70% and as at year end, approximately 91% (2014: 100%) 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 51%. No individual loans have an LVR in excess of 70%.

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	2015	2014
Subordinated Notes held in AFG 2010-1 Trust and Series[1]	5,293	9,500
Subordinated notes held in SPE-RMBS trusts following a term transaction:		
▪ AFG 2013-1	1,500	1,500
▪ AFG 2013-2	750	750
▪ AFG 2014-1	500	500

[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 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).

20. INVESTMENTS IN EQUITY-ACCOUNTED INVESTEES

Associates

Prior to the demerger of the property business the group had a 35.8% (2014: 35.8%) interest in Qube Havelock Street Development Pty Ltd (Qube), an associate involved in the property development and management of real estate. The Group's interest in Qube was accounted for using the equity method in the consolidated financial statements.

On 22 April 2015 the Group divested its property development interests to Establish Property Group Ltd, including its investment in Qube (See Note 7).

During the year ended 30 June 2015 the Group received dividends of $459 thousand from its investments in equity-accounted investees (2014: $340 thousand).

Joint ventures

During the year ended 30 June 2014 ZincFinance Pty Ltd disposed of all its assets and liabilities and ceased trading. The carrying amount of the Group's investment in this joint venture was subsequently written off to the Consolidated Statement of Profit or Loss and Other Comprehensive Income.

None of the Group's equity-accounted investees are publicly listed entities and consequently do not have published price quotations.

The Group's share of profit in its equity-accounted investees, discontinued operations, for the year was $322 thousand (2014: $256 thousand).

Summary of financial information for equity-accounted investees, based on their Australian Accounting Standards financial statements, are set out below:

2015

In thousands of AUD	Reporting date	Ownership	Total assets	Total liabilities	Income	Expenses	Profit / (Loss)	Group share of net assets	Group share of Profit/(loss)
Qube[2]	30 June	0%	-	-	2,341	1,440	901	-	322

2014

In thousands of AUD	Reporting date	Ownership	Total assets	Total liabilities	Income	Expenses	Loss	Group share of net assets	Group share of loss
ZincFinance Pty Ltd[1]	30 June	0%	-	-	-	1	(1)	-	-
Qube Havelock Street Development Pty Ltd[2]	30 June	35.8%	27,849	20,230	2,534	1,747	787	2,727	256
			27,849	20,230	2,534	1,748	786	2,727	256

[1] *Joint Venture*

[2] *Associate – demerged during 2015*

21. PROPERTY, PLANT AND EQUIPMENT

In thousands of AUD	Plant and equipment	Fixtures and fittings	Total
Cost			
Balance at 1 July 2013	4,814	3,718	8,532
Additions	274	105	379
Disposals	(101)	(118)	(219)
Balance at 30 June 2014	4,987	3,705	8,692
Balance at 1 July 2014	4,987	3,705	8,692
Additions	109	421	530
Disposals	(3,921)	(253)	(4,174)
Balance at 30 June 2015	**1,175**	**3,873**	**5,048**
Depreciation			
Balance at 1 July 2013	3,513	1,065	4,578
Depreciation charge for the year	923	12	935
Disposals	(98)	(117)	(215)
Balance at 30 June 2014	4,338	960	5,298
Balance at 1 July 2014	4,338	960	5,298
Depreciation charge for the year	433	490	923
Disposals	(3,916)	(255)	(4,171)
Balance at 30 June 2015	855	1,195	2,050
Carrying amounts			
At 30 June 2014	649	2,745	3,394
At 30 June 2015	**320**	**2,678**	**2,998**

22. 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 30.

In thousands of AUD		
Current	**2015**	**2014**
Securitisation warehouse facilities	506,739	281,316
Loans from funders	429	601
Secured bond issues	90,006	125,894
	597,174	407,811
In thousands of AUD		
Non-current	**2015**	**2014**
Secured bond issues	443,458	613,561
Secured bank loans	-	8,205
Loans from funders	467	1,010
Redeemable preference shares (RPS)	-	4,098
	443,925	626,874
	1,041,099	1,034,685

Terms and debt repayment schedule

Terms and conditions of outstanding loans were as follows:

	2015				2014			
In thousands of AUD	Nominal interest rate	Year of maturity	Face value	Carrying amount	Nominal interest rate	Year of maturity	Face value	Carrying amount
Warehouse facilities	3.36%	2016	506,760	506,739	4.12%	2015	281,469	281,316
Secured bond issues	3.85%	2016-2019	534,425	533,464	3.60%	2015-2019	741,308	739,455
Loans from funders	6.25%	2016-2020	896	896	6.25%	2015-2018	1,611	1,611
Secured bank loans					3.94%	2015-2017	8,205	8,205
Redeemable preference shares					15.00%	2017	4,098	4,098
			1,042,081	1,041,099			1,036,691	1,034,685

(a) Warehouse and secured bond issues

The carrying amount of the collaterals pledged as security for the warehouse facility and the secured bond issues is $1,868,314 thousand (2014: $1,779,647 thousand).

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. 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.

Borrowings 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 70% were settled on the basis that no lenders mortgage insurance policy was required. When taken out, a lender's mortgage insurance contract covers 100% of the principal of the loan.

During the financial year there were no breaches to the agreement that permitted the warehouse facility provider to demand payment of the outstanding value.

As at the reporting date the unutilised securitisation warehouse facility for all Series is $99,947 thousand (2014: $214,031 thousand). The interest is recognised at an effective rate 3.36% (2014: 4.12%).

The Group secured an extension to the term of the residential warehouse facility that was due to expire on 14 August 2015 to 15 August 2016.

Liquidity facility

The Liquidity facility is established by the warehouse facility providers to temporarily fund any excess amount of interest, fees and any other charges which may accrue from the date of cash flows calculation to the date of cash flows payment.

As at the reporting date the unutilised facility is $7,948 thousand (2014: $4,960 thousand).

Additional credit support includes subordinated credit enhancement held by the Company of $5,293 thousand (2014: $9,500 thousand).

ii. 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. Importantly, all the securitised assets, residential mortgages, of the SPE-RMBS are covered by a lender's mortgage insurance contract which covers 100% of the principal of the loan.

Under the current trust terms, a default by the borrowers 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 an effective rate 3.85% (2014: 3.6%).

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 between 1% and 1.3% of the initial invested amount of all notes,
- $150 thousand Reserve Account which is an Extraordinary Expense Ledger account, and
- available income.

Additional credit support includes subordinated credit enhancement held by the Company (unrated Class C Notes) of $2,750 thousand (2014: $2,750 thousand).

During the financial year there were no breaches to the terms of the SPE-RMBS that gave right to the bondholder to demand payment of the outstanding value.

22. INTEREST-BEARING LIABILITIES (CONT...)

(b) Loans from funders

Some of the upfront commissions received from specific funders at the point of loan origination are refunded by the Group via reduced ongoing management fees over a period of 5 years. The Group recognises the upfront commission from these funders as a loan, and interest is charged on this facility by the funders. The principal and interest will be paid back over the 5 year period. Interest is recognised at an effective rate of 6.25% (2014: 6.25%).

(c) Secured bank loans

The obligations for the debt facilities (secured bank loans) that were obtained to fund the development of the land owned by AFG Developments Pty Ltd and AFG Developments 2 Pty Ltd (Land) were transferred to Establish Property Group Ltd subsequent to the Group's demerger (see Note 7). As part of this demerger the Group has also agreed to continue in its role as a guarantor in relation to the debt funding arrangements of Richmond Quarter development project undertaken by AFG Developments Pty Ltd and a former joint venture arrangement. The guarantees provided by the Group are as follows:

- project performance guarantee limited to $5,000 thousand.
- Completion guarantee under which the Group agrees to contribute additional funds to the extent required by the debt provider from time to time to cover any cost overruns.

Breaches in meeting the financial covenants by Establish Property Group Ltd would see the Group repaying the shortfall sufficient to the lenders satisfaction, or alternatively provide additional security or cash equity. There have been no breaches in the financial covenants of the interest-bearing loans in the current period.

(d) Redeemable preference shares

During the year ended 30 June 2014 AFG Property Investment No.1 Pty Ltd issued 4,500 thousand fully paid $1 redeemable preference shares (RPS) to sophisticated investors (2013: 4,500 thousand), with 600 thousand RPS acquired by the Parent entity. The funds raised were used to subscribe for redeemable preference shares in Harold Developments Pty Ltd (Developer) to enable it to acquire land and develop it (see Note 18). On 22 April 2015 the Group divested its property development interests to Establish Property Group Ltd, including the RPS issued by AFG Property Investment No.1 Pty Ltd.

During 2015 the interest recognised in the profit or loss amounted to $486 thousand (2014: $198 thousand). Accrued interest is payable on redemption of the RPS.

Refer to note 30 for further disclosures on interest-bearing liabilities.

(e) Other finance facilities

In thousands of AUD	2015	2014
Standby facility	200	600
Bank guarantee facility	1,438	1,380
	1,638	1,980
Facilities utilised at reporting date		
Standby facility	-	122
Bank guarantee facility	900	693
	900	815
Facilities not utilised at reporting date		
Standby facility	200	478
Bank guarantee facility	538	687
	738	1,165

The facilities are subject to annual review.

23. EMPLOYEE BENEFITS

In thousands of AUD	2015	2014
Current		
Salaries and wages accrued	819	739
Liability for long service leave	1,259	974
Liability for annual leave	993	909
	3,071	2,622
Non Current		
Liability for long-service leave	60	350
	60	350
	3,131	2,972

24. PROVISIONS

The provisions balance relates primarily to:

- Make good provisions where it is a condition of the lease of the Group's premises to return the property in its original condition at the end of the lease term. The Group recognises a provision for make good as the expected cost of the refurbishment over the life of the lease. As at 30 June 2015 the provision is $42 thousand (2014: $66 thousand).
- Provisions for the Group's liability in respect of the excess and the related legal costs on a litigation claim that is expected to be fully indemnified by the insurer. As at 30 June 2015 the provision is $250 thousand (2014: $250 thousand).
- Provision for terminated members which relates mainly to fees charged to terminated brokers and as such have been withheld. No provision was raised during 2015 (2014: $69 thousand).

No significant new provisions have been raised in the year.

25. DEFERRED INCOME

In thousands of AUD	2015	2014
Current		
Sponsorship income	2,798	2,182
Lease incentives	1,011	1,083
Unearned professional indemnity insurance	1,107	1,034
	4,916	4,299

26. OPERATING LEASES

In thousands of AUD	2015	2014
Leases as lessee		
Non-cancellable operating lease rentals are payable as follows:		
Less than one year	2,284	2,033
Between one and five years	6,639	5,800
	8,923	7,833

The Group leases a number of office facilities under operating leases. The leases run for a period of up to 6 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.

During the financial year ended 30 June 2015 $2,117 thousand was recognised as an expense in the Consolidated Statement of Profit or Loss and Other Comprehensive Income in respect of operating leases (2013: $1,978 thousand).

27. CAPITAL AND RESERVES

(a) Share capital

The Company	Share Capital ($'000)		Ordinary shares ('000)	
	2015	2014	2015	2014
On issue at 1 July	11,434	11,434	93,340	93,340
Issued for cash or nil consideration	1,260	-	500	-
	12,694	11,434	93,840	93,340
Two for one share split[1]	-	-	93,840	-
Issued for cash[2]	32,035	-	27,132	-
Capital reduction (Demerger)	(1,188)	-	-	-
On issue at 30 June – fully paid	**43,541**	**11,434**	**214,812**	**93,340**

[1] *At a general meeting of shareholders held on* 24 April *the shareholders approved a two for one share split of all issued capital. Under the terms of the share split, shareholders were entitled to one additional share for every Company share they formerly held, and as such the issued capital of the Company became comprised of* 187,680,000 *shares.*

[2] *On 22 May 2015 the Group completed an Initial Public Offer which raised equity capital of* $32,558 *thousand at a price of $1.20 per share.*

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) Translation reserve

The translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations.

(c) Fair value reserve

The fair value reserve comprises the cumulative net change in fair value of available-for-sale financial assets until the investments are derecognised or impaired.

(d) Dividends

Dividends paid in the current year by the Group are:

	Cents per share	Total amount ($'000)	Franked / unfranked	Date of payment
2015				
1st interim 2015 ordinary	10.71	10,000	Franked	6/10/14
2nd interim 2015 ordinary	10.71	10,000	Franked	27/2/15
3rd interim 2015 ordinary	5.33	10,000	Franked	4/5/15
Final 2015 ordinary	4.26	8,000	Franked	29/5/15
		38,000		

2014				
Final 2013 ordinary	3.21	3,000	Franked	5/7/13
1st interim 2014 ordinary	4.82	4,500	Franked	29/11/13
2nd interim 2014 ordinary	4.29	4,000	Franked	30/5/14
		11,500		

Dividends declared or paid during the year or after 30 June 2015 were franked at the rate of 30%.

In thousands of AUD	2015	2014
Dividend franking account	13,262	21,223
30 per cent franking credits available to shareholders of Australian Finance Group Limited for subsequent financial years	44,207	70,744

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 $44,207 thousand (2014: $70,744 thousand) franking credits.

28. 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 Ltd 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 Ltd 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	2015	2014
Profit attributable to ordinary equity holders of the Parent:		
Continuing operations	15,301	16,523
Discontinued operations	5,078	1,346
Profit attributable to ordinary equity holders of the Parent	20,379	17,869
	Thousands	Thousands
Weighted average number of ordinary shares for basic EPS (thousands)[1]	189,901	186,681
Effect of dilution:		
Performance rights	342	-
Weighted average number of ordinary shares adjusted for the effect of dilution	190,243	186,681

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.

[1] *At a general meeting of shareholders held on* 24 April *2015, shareholders approved a two for one share split of all issued capital. Under the terms of the share split, shareholders received an additional share for every Company share they formerly held, and as such the issued capital of the Company post* 24 April 2015 *became comprised of* 187,680,000 *shares.*

To calculate the EPS amounts for discontinued operations, the weighted average number of ordinary shares for both basic and diluted EPS is as per the table above. The following table provides the profit / (loss) amount used:

In thousands of AUD	2015	2014
Profit attributable to ordinary equity holders of the Company from discontinued operations for basic and diluted EPS calculations	**5,078**	**1,346**

29. SHARE BASED PAYMENTS

(a) Options

At 29 August 2001, the Group established a share option programme that grants key management personnel and employees shares in the entity.

No options were issued to key management personnel or employees during 2015 (2014: Nil).

(b) Employee share scheme

An employee share scheme has been established where the Group may, at the discretion of management, grant ordinary shares in the Group to certain members of staff of the Group. The shares issued for nil consideration, are granted in accordance with the performance guidelines established by the directors of the Group.

With respect to the share scheme:

(i) Unless the Board otherwise determines, all issues of Plan Shares are made subject to the following restrictions:

- an Eligible Participant may not deal with 1/2 of the Plan Shares prior to the expiration of 24 months from the issue date.
- an Eligible Participant may not deal with 1/2 of the Plan Shares prior to the expiration of 12 months from the issue date; and

(ii) No issues may be made under the Plan at a time when the number of Plan Shares exceeds 5% of the total number of issued ordinary shares in the capital of the Company.

Each Plan Share will rank equally with other fully paid ordinary shares of the Company in respect of voting rights and dividends, and will be entitled to participate in any Bonus Issues and Entitlement Issues made by the Company on the same basis as other issued fully paid ordinary shares in the Company, save as regards any rights attaching to shares by reference to a record date prior to the Issue Date.

Issue Date	Number Issued	Vested	Non Vested	Total	Value per Share	Total Value
28 Sep 2001	234,000	234,000	-	234,000	$0.031	$7,254
31 Dec 2001	562,500	562,500	-	562,500	$0.027	$15,187
27 May 2002	50,000	50,000	-	50,000	$0.014	$700
30 Sep 2003	77,000	77,000	-	77,000	$0.011	$847
31 Oct 2003	146,000	146,000	-	146,000	$0.011	$1,606
8 July 2004	53,000	53,000	-	53,000	$0.150	$7,950
25 Aug 2004	60,000	60,000	-	60,000	$0.150	$9,000
28 July 2005	10,000	10,000	-	10,000	$0.200	$2,000
25 Nov 2005	95,000	95,000	-	95,000	$0.180	$17,100
24 Jan 2006	66,667	66,667	-	66,667	$0.200	$13,333
18 July 2006	50,000	50,000	-	50,000	$0.150	$7,500
4 May 2009	650,000	650,000	-	650,000	$0.300	$195,000

The fair values of services received in return for the issue of shares under the Scheme are measured by reference to the fair value of the shares issued under the Scheme. The valuation of the shares issued under the Scheme considered the following factors:

- The Group at the time of issue was a non listed group and as such the relative liquidity of the shares
- The number of shares held or controlled by directors, related entities and other significant shareholders
- The net tangible assets of the Group as at the time of the issue of shares under the scheme

Pre IPO share issue

Prior to the listing of the Company on the ASX, a one off Key Executive pre-offer share issue of 500,000 shares in recognition of the contribution of certain key executives was awarded. The Group ascertained fair value of $2.52 (pre share split) per share by reference to the midpoint of the price range disclosed in the Prospectus.

In 2015 $1,260,000 (2014: NIL) was expensed to employee expenses being the fair value of shares issued under the Key Executive pre-offer share issue.

No shares were bought back during the financial year from ex-employees, as allowed under the terms of the Scheme (2014: NIL).

(c) Executive Rights plan (Long-Term Incentive Plan)

During the year the Group established an Executive Long-Term Incentive Plan (LTIP) which grants rights 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.

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 this plan are subject to instalment vesting over a three year period. The first instalment of rights is subject to an absolute total shareholder return (TSR) performance hurdle in addition to continuous service vesting conditions. The second and third instalments are not subject to performance hurdle, but will lapse immediately if the TSR performance hurdle is not satisfied in relation to the first instalment of the rights. 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.

In any event, any rights that remain unvested will lapse immediately after the end of the relevant vesting period.

Upon vesting the company must issue the number of shares or, at the board's discretion, settle the entitlement in cash.

In the case of a bona fide termination payment of any pro rata entitlement will be made taking into account the period of service as at termination date. Bona fide termination includes death, redundancy, corporate restructure, resignation with an appropriate notice provided and disability. Rights that remain unvested will lapse immediately after the end of the relevant vesting period.

In the event that the employment of an executive ceases due to a breach of obligations to the Group, serious misconduct, redundancy, poor performance, fraudulent act and dishonest act, the executive will not be entitled to any pro rata right. In all other circumstances pro rata LTIP payment will be made taking into account the period of service as at termination date.

In 2015 $9,361 (2014: NIL) was expensed to employee expenses being the fair value of performance rights that have vested during the financial year.

The assessed fair value at grant date of the rights is determined using the final price set out in the prospectus for the initial public offering of shares in the Company that was lodged with the Australian Securities and Investments Commission on 4 May 2015.

The following table outlines performance rights that are conditionally issued under LTIP:

Offer Date	Vesting date	Value	Balance at start of the year	Granted during the year	Vested during the year	Expired during the year	Forfeited during the year	Balance at end of the year
22/05/2015	30/06/2016	103,333	-	103,333	-	-	-	103,333
22/05/2015	30/06/2017	103,333	-	103,333	-	-	-	103,333
22/05/2015	30/06/2018	103,333	-	103,333	-	-	-	103,333

30. FINANCIAL INSTRUMENTS

(a) Credit risk

Exposure to credit risk

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

i. Trade and other receivables

Exposure to credit risk

The Group's maximum exposure to credit risk for trade and other receivables by type of customer is detailed below:

	Carrying amount	
In thousands of AUD	**2015**	**2014**
Type of customer		
Financial institutions	590,862	511,744
Members	100	147
Other	4	676

30. FINANCIAL INSTRUMENTS (CONT...)

All outstanding trade and other receivables are with customers located within Australia. The amounts owing from financial institutions include the net present value of trailing commissions' receivable of $589,853 thousand (2014: $510,916 thousand).

The majority of the Group's net present value of future trailing commission receivable 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.

	Current	Non Current	Current	Non Current
In thousands of AUD	**2015**	**2015**	**2014**	**2014**
Standard & Poor's Credit rating				
AA+	17	70	19	85
AA-	78,603	316,512	65,430	285,418
A+	1,392	5,606	1,213	5,292
A	11,898	47,910	13,120	57,234
A-	5,951	23,965	429	1,871
BBB+	105	422	35	151
BBB	537	2,163	316	1,380
BBB-	402	1,616	259	1,130
Not rated	18,438	74,246	14,460	63,074
	117,343	472,510	95,281	415,635

Impairment losses

The ageing of the Group's trade and other receivables (excluding the net present value of future trailing commissions), at the reporting date was:

	Gross	Impairment allowance	Gross	Impairment allowance
In thousands of AUD	**2015**	**2015**	**2014**	**2014**
Not past due	435	-	1,070	-
Past due 0-30 days	74	-	75	-
Past due 30-60 days	20	(1)	1	(1)
Past due more than 61 days	586	(1)	508	(1)
	1,115	(2)	1,654	(2)

During the year ended 30 June 2015 the Group has not renegotiated or entered into any agreement to renegotiate a trade receivable that would otherwise be past due or impaired.

The allowance accounts in respect of trade and other receivables are used to record impairment losses unless the Group is satisfied that no recovery of the amount owing is possible; at that point the amount is considered irrecoverable and is written off against the receivable account.

During 2015 and 2014 there were no individual impairment allowances raised.

(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	**2015**	**2014**
Customer type		
Residential mortgage borrowers	1,022,762	1,010,624
Members	2,396	2,330
Other	186	12,237
	1,025,344	1,025,191

Residential mortgage borrowers

The Group minimises credit risk by obtaining security over residential mortgage property for each loan. The estimated value of collaterals held at balance date was $1,868,314 thousand (2014: 1,779,647 thousand). During the year ended 30 June 2015 the Group has taken possession of three residential properties that were held as security for loans issued by the Group. The carrying amount of the repossessed residential property was $1,138 thousand (2014: $1,796 thousand). Two properties have been sold before the end of the financial year, with the shortfall repaid by our lender's 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 LVR, with the valuation used determined as at the time of settlement of the individual loan.

	Carrying amount	
In thousands of AUD	**2015**	**2014**
Loan to value ratio		
Greater than 95%	-	-
Between 90%-95%	57,430	52,550
Between 80%-90%	171,881	166,199
Less than 80%	790,983	787,036
	1,020,294	1,005,785

The Group exposure to credit risk by geographic region at reporting date is limited to Australia.

Impairment Losses

The aging of the Group's loans and advances at the reporting date was:

	Gross	Impairment allowance	Gross	Impairment allowance
In thousands of AUD	**2015**	**2015**	**2014**	**2014**
Not past due	1,023,783	-	1,020,944	-
Past due 31-120 days	1,087	-	2,910	-
Past due 121 days to one year	322	-	1,211	(20)
Past due more than one year	185	(33)	163	(18)
	1,025,377	(33)	1,025,228	(38)

The impairment loss provision as at 30 June 2015 of $33 thousand (2014: $38 thousand) is a specific provision for loans that are past due.

30. FINANCIAL INSTRUMENTS (CONT...)

Securitisation loans

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 this securitisation loan at reporting date is the carrying amount.

The SPE-RMBS loans and advances: Under the current trust terms, a default by the borrowers 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 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.

No impairment loss was recognised during 2015 (2014: NIL).

Redeemable preference shares

On 22 April 2015 the Group divested its property development interests to Establish Property Group Ltd, including its redeemable preference shares (see note 7).

No impairment loss was recognised during 2015 (2014: NIL).

Other secured loans

The Group has minimal exposure to credit risk for loans made during the year.

No impairment loss was recognised during 2015 (2014: 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 cash flows' rolling 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 succeeding 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. As stated in note 22, the Group has unused warehouse facilities at the reporting date.

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

2015							
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	506,739	515,281	424,011	91,270	-	-	-
Secured bond issues	533,464	553,233	46,264	46,264	78,342	382,363	-
Loans from funders	896	949	238	204	314	193	-
Net present value of future trailing commissions payable	530,945	676,853	74,800	69,381	121,402	249,841	161,429
Trade and other payables	49,396	49,396	49,396	-	-	-	-
	1,621,440	1,795,712	594,709	207,119	200,058	632,397	161,429

2014							
Redeemable preference shares	4,098	5,075	-	-	5,075	-	-
Securitisation warehouse facilities	281,316	287,273	111,522	175,751	-	-	-
Secured bond issues	739,455	765,744	63,626	63,626	107,745	530,747	-
Secured bank loans	8,205	8,773	161	160	8,452	-	-
Loans from funders	1,611	1,725	320	300	540	565	-
Net present value of future trailing commissions payable	455,247	615,784	64,378	61,656	110,313	227,851	151,587
Trade and other payables	47,054	47,054	47,054	-	-	-	-
	1,536,986	1,731,428	287,061	301,493	232,125	759,163	151,587

The obligation in respect of the net present value of future trailing commission only arises if and when the Group receives the corresponding trailing 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

The warehouse facilities are short term funding facilities that are generally renewable annually. Post balance sheet date the Group has extended the term of the warehouse facility that was due to expire on 14 August 2015 to 15 August 2016. 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.

Secured bond issues

The securities are issued by the SPE-RMBS with an expected weighted average life of 4 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 their respective maturity dates and that the Group will not opt to repay the securities at the 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 trailing commissions payable refer to note 17.

(c) Market risk

i. Currency risk

Exposure to currency risk

As at reporting date the Group held cash assets denominated in New Zealand dollars (NZD), USD and Euro.

Fluctuations in the foreign currencies are not expected to have 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

Profile

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

	Carrying amount	
In thousands of AUD	**2015**	**2014**
Fixed rate instruments		
Financial assets	589,853	525,482
Financial liabilities	530,945	459,345
	58,908	66,137
Variable rate instruments		
Financial assets	1,116,119	1,086,646
Financial liabilities	1,041,099	1,030,587
	75,020	56,059

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

Cash flow sensitivity analysis for variable rate instruments

Due to the market conditions existing at 30 June 2015, the Group does not expect that interest rates will move in excess of 100 basis points (bps) from current conditions in the next reporting period. This has therefore formed the basis for the sensitivity analysis.

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, in particular foreign currency rates, remain constant. The analysis is performed on the same basis for 2014.

30. FINANCIAL INSTRUMENTS (CONT...)

	After tax profit		Equity	
Effect in thousands of AUD	100bp increase	100bp decrease	100bp increase	100bp decrease
30 June 2015				
Variable rate financial assets	7,741	(7,741)	7,741	(7,741)
Variable rate financial liabilities	2,882	(2,895)	2,882	(2,895)
Cash flow sensitivity (net)	4,859	(4,846)	4,859	(4,846)
30 June 2014				
Variable rate financial assets	7,209	(7,209)	7,209	(7,209)
Variable rate financial liabilities	3,233	(3,243)	3,233	(3,243)
Cash flow sensitivity (net)	3,976	(3,966)	3,976	(3,966)

iii. Prepayment risk

Net present value of future trailing commissions receivable and 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 trailing commissions receivable and payable. Refer to note 30(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. 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	2015		2014	
	+5%	-5%	+4%	-4%
After tax profit	(1,605)	1,685	(1,138)	1,182
Equity	(1,605)	1,685	(1,138)	1,182

Securitised assets

The Group is exposed to prepayment risk on its securitised assets. The warehouse facilities and the secured bond issues 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. Equity price risk

Exposure to equity price risk

The Group's maximum exposure to this risk, deemed insignificant, is presented by the carrying amounts of its financial assets designated at fair value through profit or loss and available-for-sale financial asset carried in the Statement of Financial Position.

During 2015 no change in the fair value of financial assets designated at fair value through profit or loss was recognised in the profit or loss (2014: $2 thousand increase).

v. 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 measured at fair value on a recurring basis

Some of the Group's financial assets and liabilities are measured at fair value at the end of each reporting period

Financial assets	Fair value as at		Fair value hierarchy	Valuation technique(s) and key input(s)
	30/06/15	30/06/14		
Financial assets designated at fair value through profit or loss (see note 19)	$22,455	$22,245 Listed securities in: ▪ NKWE Platinum Limited - $7,455; and ▪ International Petroleum Limited - $15,000.	Level 1	Quoted bid prices in an active market
Available-for-sale financial assets (see note 19)	$26,551 Listed securities in Rent.com.au limited	$46,296 Private equity investment in Rent.com.au Limited	Level 1 in 2015 and Level 3 in 2014	2015- quoted bid prices in an active market 2014- latest valuation performed by Rent.com.au Limited

During 2015 the available-for-sale financial assets were transferred from Level 3 to Level 1 because quoted prices became available due to the investee listing on the Australian Stock Exchange (2014: no transfers in either direction).

Reconciliation of Level 3 fair value measurement

2014		
In thousands of AUD	Available-for-sale financial assets	Other
Balance at 1 July 2013	31	-
Total gains recognised in comprehensive income	15	
Purchases and disposals		
Balance at 30 June 2014	46	-

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

With the exception of the trailing commission receivables and payables that are initially recognised at fair value and subsequently carried at amortised cost, the carrying amount of all financial assets and liabilities recognised in the Statement of Financial Position approximate their fair value.

Trailing commissions are received from lenders on settled loans over the life of the loan based on the loan book balance outstanding. 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.

30. FINANCIAL INSTRUMENTS (CONT...)

	2015		2014	
In thousands of AUD	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets				
Future Trailing commission receivables	589,853	646,341	510,916	527,858
Financial liabilities				
Future Trailing commission payables	530,945	580,889	455,246	469,961

The fair value of trailing commission receivable 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 the management, with the assistance of external actuaries, by reference to market observable inputs. The valuation is classified as level 2 in the fair value measurement hierarchy.

The key assumptions underlying the fair value calculations of trailing commission receivable and the corresponding payable to members at the reporting date is summarised in the following table:

	2015	2014
Average loan life	Between 4.4 and 5.3 years	Between 4.4 and 5.2 years
Discount rate per annum	Between 5% and 13.5%	Between 10% and 13.5%
Percentage paid to members	Between 85% and 91%	Between 85% and 91%

The percentage paid to members is fixed by the terms of their agreement with the Group. As a consequence, management does not expect changes to the percentage paid to members to be reasonably possible.

31. PARENT ENTITY

Throughout the financial year ending 30 June 2015, the parent Company of the Group was Australian Finance Group Limited.

In thousands of AUD	2015	2014
Results of the parent entity		
Profit for the period	17,804	18,855
Other comprehensive income	(15)	10
Total comprehensive income for the period	17,789	18,865

In thousands of AUD	2015	2014
Financial position of parent entity at year end		
Current assets	186,878	164,975
Total assets	672,344	609,748
Current liabilities	160,843	136,177
Total liabilities	599,922	521,522

Total equity of the parent entity comprising of:		
Share capital	43,542	11,435
Reserves	(80)	(75)
Retained earnings	28,960	76,866
Total equity	72,422	88,226

See notes 32 and 33 for the parent entity capital and other commitments, and contingencies.

Refer to note 22(c) for the parent entity's guarantees.

As at reporting date the credit support facility provided by the parent entity under the securitisation programme is $8,043 million (2014: $9.5 million).

32. CAPITAL AND OTHER COMMITMENTS

There are no capital commitments as at the reporting date.

33. CONTINGENCIES

Performance and completion guarantees

On 22 April 2015 the Group divested its property business interests to Establish Property Group Ltd. As part of this demerger the Group has also agreed to continue in its role as guarantor under the debt funding arrangements of a former joint venture arrangement in relation to Richmond Quarter development project. (See note 7 and note 22(c)).

Given the progress of the project and the presales secured at balance sheet date, the Group expects to meet all of its obligations under the terms of facility. Accordingly, no provision for any liability has been made in these financial statements.

Third Party Guarantees

Bank guarantees have been issued by third parties financial institutions on behalf of the Group and its subsidiaries for items in the normal course of business such as operating lease contracts. The amounts involved are not considered to be material to the Group.

Other than above, no material claims against these warranties have been received by the Group at the date of this report, and the Directors are of the opinion that no material loss will be incurred.

34. RELATED PARTIES

(a) Other related parties

A number of key management personnel held positions in other entities that result in them having control over the financial or operating policies of these entities.

A number of these entities transacted with the Group in the reporting period. The terms and conditions of the transactions with the other related parties were no more favourable than those available, or which might reasonably be expected to be available, on similar transactions to non-key management personnel related entities on an arm's length basis.

The aggregate amounts recognised during the year relating to other related parties were as follows:

	Transactions value year ended 30 June	
In AUD	**2015**	**2014**
Gill Family Pty Ltd - Provision of chairman services	97,947	97,000

(iv) McCabe Street Limited is a special purpose company incorporated for development of a specific property. Mr B. McKeon, Ms L. Bevan, and the Chief Financial Officer, Mr D. Bailey, are directors of McCabe Street Limited. AFG Property division is responsible for the project management of the development. During 2013 the Board of Directors agreed to provide McCabe Street Limited with a loan facility of a maximum amount of $1.2m for a term of 24 months or until alternative financing is sourced whichever is earlier, on commercial arms length terms. The outstanding balance as at reporting date is $184,672 (2014: $138,002) and comprises of administrative costs that the financing facility will not meet. The interest charged during the year is $7,345 (2014: $13,529).

(v) During the year the Group received payments from TAL Life Ltd. Mr J. Minto, a non-executive director who rejoined the board on 1 April 2015, was a Group CEO and Managing Director of TAL Life Ltd until 31 March 2015. These dealings were in the ordinary course of business and were on normal terms and conditions. These payments were received as commission for life and risk insurance products provided by TAL Life Ltd. Total commissions received during the financial year was $747 thousand (2014: $779 thousand).

(vi) During the year the Group made payments to Genworth Financial, one of our providers of Lenders Mortgage Insurance (LMI). Mr A. Gill is a non-executive director of Genworth Australia. These dealings were in the ordinary course of business and were on normal terms and conditions. The payments made for the provision of LMI products were $1,538 thousand (2014: $2,633 thousand).

(vii) Mr A. 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 $191,840 (2014: $404,417).

34. RELATED PARTIES (CONT...)

(viii) Establish

As part of the demerger of the property business on 22 April, the Group entered into a shared services agreement with Establish Property Group Ltd (EPG). Mr B. McKeon, Ms L. Bevan and Mr D. Bailey, Chief Financial Officer, are directors and shareholders of EPG. Under the terms of the shared services agreement the Group provides premises, administration, accounting and some company secretarial services to EPG at an agreed arms length rate. During 2015 a total of $38,510 was paid by EPG to the Group for these services (2014: Nil). In addition to the above, the Group's head office is located at 100 Havelock Street Wets Perth. The Group leases these premises from an investee of EPG, Qube Havelock Street Development Pty Ltd (Qube), that was held by the Group prior to the demerger transaction (see note 20). During the 2015 financial year a rent of $1,633 has been paid to Qube (2014: $1,625 thousand).

(b) Subsidiaries

Loans are made by the parent entity to wholly owned subsidiaries to fund working capital and purchases of shares from one subsidiary to the other subsidiary. 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. Each of the individual loans owed by / (to) the subsidiaries is detailed below:

	Parent entity	
In AUD	**2015**	**2014**
Australian Finance Group Securities Pty Ltd	9,819,555	8,162,348
AFG Securities Pty Ltd	6,254,358	4,123,195
New Zealand Finance Group Ltd ('NZFG')	329,596	329,596
Lilydale Pastures Estate Pty Ltd	(625,069)	(654,093)
Longford Road Pty Ltd	(201)	(122)
AFG Home Loans Pty Ltd	9,017,835	6,936,604
Cambridge Pty Ltd	(21,880)	(21,853)
AFG Developments Pty Ltd	-	9,671,990
Venture Lending Pty Ltd	20,738	760
AFG Developments 2 Pty Ltd	-	2,133,330
AFG Property Pty Ltd	-	52,732
AFG Property Investment No.1 Pty Ltd	-	383
Less provision for impairment	(4,220,898)	(4,220,898)
	20,574,035	26,513,972

35. SUBSEQUENT EVENTS

On 3 August 2015, the Group secured an extension to the term of the NAB residential warehouse facility, until 10 February 2016 with the same funding structure in place.

On 13 August 2015, the Group secured an extension to the term of the residential warehouse facility that was due to expire on 14 August 2015.

Other than the above, 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.

DIRECTORS' DECLARATION

In accordance with a resolution of the Directors of Australian Finance Group Limited, I state that:

In the opinion of the Directors:

a. The financial statements and notes of Australian Finance Group Limited 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 2015 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 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 Managing Director and Chief Executive Officer, and the Chief Financial Officer required by Section 295A of the Corporations Act 2001.

On behalf of the board

B M McKeon
Director

Dated at Perth, Western Australia on 16 September 2015.

Deloitte.

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Independent Auditor's Report to the members of Australian Finance Group Ltd

Report on the Financial Report

We have audited the accompanying financial report of Australian Finance Group Ltd, which comprises the consolidated statement of financial position as at 30 June 2015, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of cash flows and the consolidated statement of changes in equity for the year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity, comprising the company and the entities it controlled at the year's end or from time to time during the financial year as set out on pages 32 to 77.

Directors' Responsibility 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 Note 2, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the consolidated financial statements comply with International Financial Reporting Standards.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control, relevant to the company's preparation of the financial report that gives a true and fair view, in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

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

Deloitte.

Auditor's Independence Declaration

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of Australian Finance Group Ltd, would be in the same terms if given to the directors as at the time of this auditor's report.

Opinion

In our opinion:

(a) the financial report of Australian Finance Group Ltd is 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 2015 and of its performance for the year ended on that date; and

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

(b) the consolidated financial statements also comply with International Financial Reporting Standards as disclosed in Note 2.

Report on the Remuneration Report

We have audited the Remuneration Report included in pages 17 to 29 of the directors' report for the year ended 30 June 2015. 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.

Opinion

In our opinion the Remuneration Report of Australian Finance Group Ltd for the year ended 30 June 2015, complies with section 300A of the *Corporations Act 2001*.

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

Leanne Karamfiles
Partner
Chartered Accountants
Perth, 16 September 2015

SHAREHOLDER INFORMATION

Additional information required by the Australian Stock Exchange Ltd (ASX) and not disclosed elsewhere in this report is set out below. The information is current as at 31 August 2015.

(a) Number of holders of equity securities

Ordinary share capital

214,812,671 fully paid ordinary shares are held by 1,205 individual shareholders.

All issued ordinary shares carry one vote per share.

Rights

310,000 rights are held by 4 individual right holders.

Rights do not carry a right to vote.

(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	196,273,873	91.37	63	5.23%
10,001 to 100,000	15,038,872	7.00	545	45.23%
5,001 to 10,000	2,721,759	1.27	334	27.72%
1,001 to 5,000	761,560	0.35	234	19.42%
1 to 1,000	16,607	0.01	29	2.41%
TOTAL	**214,812,671**	**100.00**	**1,205**	**100%**
Unmarketable Parcels	1,599	0.00	10	0.84

(c) Substantial shareholders

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

	# Shares	% of issues capital
Australian Finance Group Ltd	105,099,961	48.90%
MBM Investments ATF The Brett McKeon Family Trust	21,179,773	9.86%
MSW Investments ATF The Malcolm Stephen Watkins Family Trust	21,102,689	9.82%
FIL Limited	19,468,411	9.06%
Oceancity Investments ATF The Matthews Family Trust	16,882,151	7.86%
Commonwealth Bank of Australia and its related bodies corporate	13,799,436	6.42%
Banyard Holdings Pty Ltd ATF The B&K McGougan Trust	14,788,765	6.88%
Macquarie Group Limited	11,835,646	5.50%

Restriction on disposal of shares under voluntary escrow arrangements disclosed in Australian Finance Group Ltd's prospectus dated 4 May 2015 gives Australian Finance Group Ltd a technical "relevant interest" in its own shares under section 608(1)(c) of the Corporations Act 2001 (Cth). However, Australian Finance Group Ltd has no right to acquire or to control the voting rights attaching to these shares.

(d) Twenty largest holders of quoted equity securities

Top holders		# Shares	% of issues capital
MBM INVESTMENTS PTY LTD	<THE BRETT MCKEON FAMILY A/C>	21,179,773	9.86%
MSW INVESTMENTS PTY LTD	<MALCOLM STEPHEN WATKINS A/C>	21,102,689	9.82%
CITICORP NOMINEES PTY LIMITED		18,980,603	8.84%
J P MORGAN NOMINEES AUSTRALIA LIMITED		18,349,225	8.54%
OCEANCITY INVESTMENTS PTY LTD	<THE MATTHEWS FAMILY A/C>	16,882,151	7.86%
NATIONAL NOMINEES LIMITED		15,975,720	7.44%
BANYARD HOLDINGS PTY LTD	<B&K MCGOUGAN TRUST>	14,788,765	6.88%
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED		14,355,992	6.68%
MACQUARIE BANK LIMITED		11,184,907	5.21%
MRS KAREN JANE MCGOUGAN	<B&K MCGOUGAN NO 2 A/C>	5,469,816	2.55%
ALLIANZ AUSTRALIA INSURANCE		4,577,180	2.13%
TAL DISTRIBUTION HOLDINGS		4,577,180	2.13%
AMP LIFE LIMITED		3,853,814	1.79%
BNP PARIBAS NOMS PTY LTD		3,060,183	1.42%
ASSURED FINANCIAL SERVICES PTY LTD		2,000,000	0.93%
GILLFAMILY PTY LTD	<GILLFAMILY SUPER FUND A/C>	1,950,000	0.91%
ANGELA MIDDLETON		1,600,250	0.74%
LISA BEVAN		1,450,000	0.68%
ADRIEN MANN (SOUTH PACIFIC) PTY LTD		1,200,000	0.56%
EDI NOMINEES PTY LTD	<BUFFALO CREEK SUPER FUND A/C>	1,087,500	0.51%

(e) Escrowed shares

Shareholder		# Shares
MBM INVESTMENTS PTY LTD	<THE BRETT MCKEON FAMILY A/C>	21,179,773
MSW INVESTMENTS PTY LTD	<MALCOLM STEPHEN WATKINS A/C>	21,102,689
OCEANCITY INVESTMENTS PTY LTD	<THE MATTHEWS FAMILY A/C>	16,882,151
BANYARD HOLDINGS PTY LTD	<B&K MCGOUGAN TRUST>	14,788,765
MACQUARIE BANK LIMITED		11,184,907
MRS KAREN JANE MCGOUGAN	<B&K MCGOUGAN NO 2 A/C>	5,469,816
ALLIANZ AUSTRALIA INSURANCE LTD		4,577,180
TAL DISTRIBUTION HOLDINGS LIMITED		4,577,180
ASSURED FINANCIAL SERVICES PTY LTD		2,000,000
GILLFAMILY PTY LTD	<GILLFAMILY SUPER FUND A/C>	1,950,000
EDI NOMINEES PTY LTD	<BUFFALO CREEK SUPER FUND A/C>	1,087,500
ANTHONY PETER GILL		300,000
TOTAL		**105,099,961**

Escrowed shares are subject to voluntary escrow arrangements which prevent the escrowed shareholders from disposing of their escrowed shares until after the release of the 2016 financial year audited full year results.

CORPORATE DIRECTORY

DIRECTORS

Anthony (Tony) Gill
(Non-executive Chairman)

Brett McKeon
(Managing Director and Chief Executive Officer)

Malcolm Watkins
(Executive Director)

Kevin Matthews
(Non-executive director)

James Minto
(Independent non-executive director)

Craig Carter
(Independent non-executive director)

COMPANY SECRETARY

Lisa Bevan
(Company Secretary)

NOTICE OF AGM

The annual general meeting of Australian Finance Group Limited will be held on Wednesday 28 October 2015 at 2:00pm at Level 4, 100 Havelock Street, West Perth WA 6005.

CORPORATE OFFICE

Australian Finance Group Limited

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

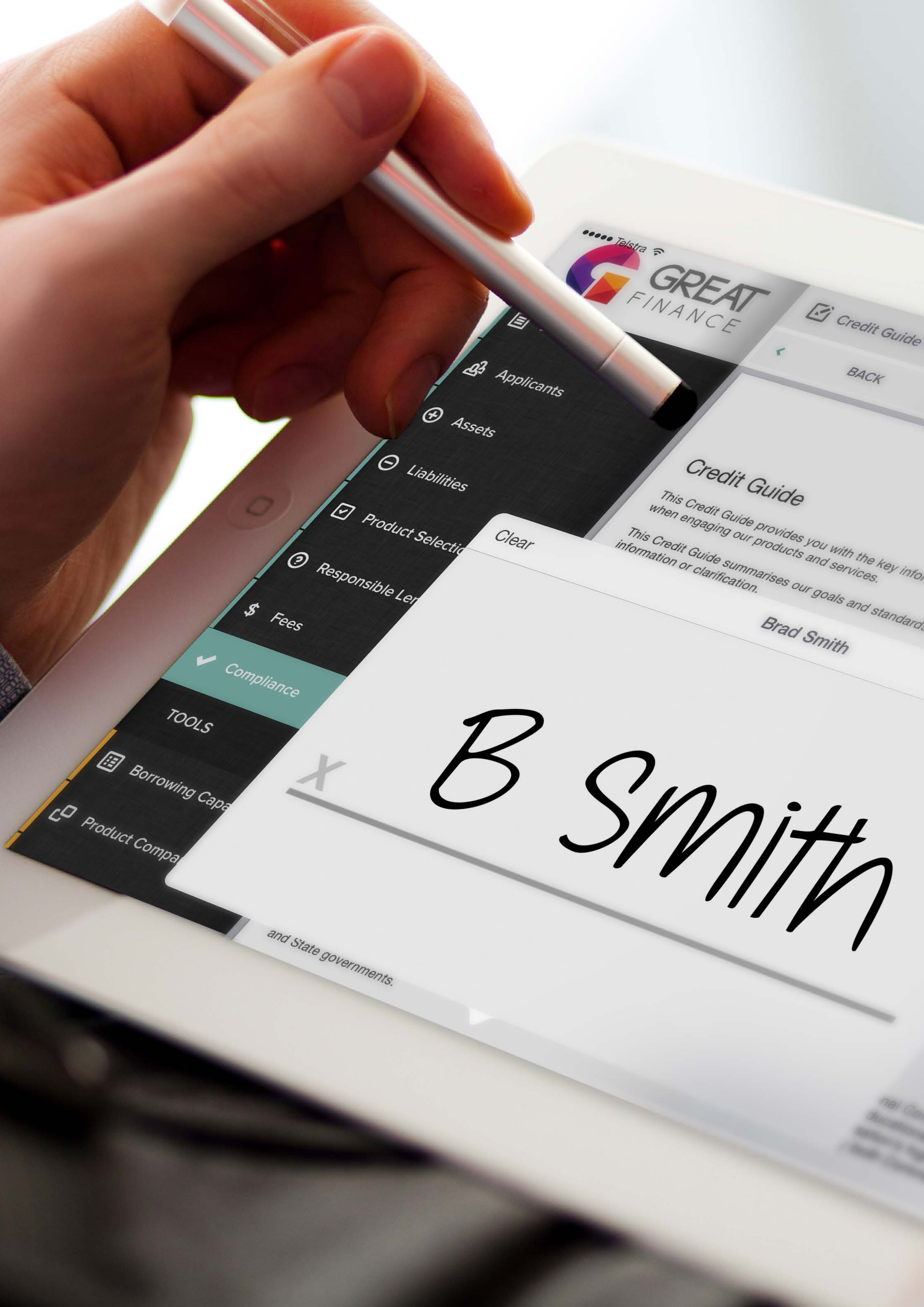
Postal Address

Locked Bag A14
Sydney South NSW 1235

Phone 1300 554 474
Email registrars@linkmarketservices.com.au

Stock Listing

Australian Finance Group Limited's ordinary shares are listed on the Australian Securities Exchange (ASX code: AFG).



Telstra
GREAT FINANCE
Credit Guide
BACK
Applicants
Assets
Liabilities
Fees
Compliance
TOOLS
Credit Guide
This Credit Guide provides you with the key infor
when engaging our products and services.
This Credit Guide summarises our goals and standards
information or clarification.
Clear
Brad Smith
X
B Smith
and State governments.

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