

26 February 2016



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

Dear Sir/Madam

**AUSTRALIAN FINANCE GROUP LTD ANNOUNCES 1H FY16 RESULTS**

Please refer to the following information in relation to Australian Finance Group Ltd's (ASX: AFG) half year results for the six months ended 31 December 2015.

- Part 1: Appendix 4D and half year 2016 financial report.
- Part 2: Appendix 3A.1: notification of dividend.
- Part 3: 1H FY16 results market release.
- Part 4: 1H FY16 results investor presentation.

Yours faithfully

A handwritten signature in blue ink, appearing to read 'Lisa Bevan', is positioned above the printed name.

**LISA BEVAN**  
Company Secretary

**Australian Finance Group Limited**

**ABN 11 066 385 822**

**Half-year report and Appendix 4D**

**for the half-year ended 31 December 2015**

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# Australian Finance Group Limited

## Half-year report and Appendix 4D for the half-year ended 31 December 2015

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This half-year financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 30 June 2015 and any public announcements made by Australian Finance Group Limited during the half-year reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

# Australian Finance Group Limited

## Appendix 4D (ASX Listing Rules 4.2A)

### Half-year report Period ending 31 December

Reporting period is the half-year ended 31 December 2015 with the previous corresponding period to 31 December 2014.

#### Results for announcement to the market

	31 December 2015 \$'000	31 December 2014 \$'000	Increase / (Decrease) \$'000	% change
Revenue from continuing operations	281,436	252,532	28,904	11.4%
Revenue from discontinued operations	-	-	-	-
<b>Total revenue from ordinary activities</b>	281,436	252,532	28,904	11.4%
Profit after tax from continuing operations attributable to equity holders of the Company	11,716	9,239	2,477	26.8%
Profit after tax from discontinued operations attributable to equity holders of the Company	-	570	-	-
<b>Profit after tax attributable to equity holders of the Company</b>	11,716	9,809	1,907	19.4%
<b>Net profit for the period</b>	11,713	9,809	1,904	19.4%

<b>Net tangible asset backing per ordinary security (Cents)</b>	38.8	45.2	(6.4)	(14%)
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Dividends	Amount per security	Franked Amount per security
Interim dividend	3 cents	100%
Previous corresponding interim dividend	Refer below	Refer below

On 25 February 2016 the Company declared a fully franked interim dividend of 3 cents per share with respect to the year ending 30 June 2016.

Record date for determining entitlements to the dividend	5:00 pm (WST) 14 March 2016
Date the interim dividend is payable	28 March 2016

#### Previous Corresponding Interim Dividend

There is no previous corresponding interim dividend as prior to listing dividends were not paid on a 6 monthly cycle. The following interim dividends were paid during the 2015 financial year:

Previous Interim Dividends	Cents per share	Total Amount (\$'000)	Franked Amount per security	Date of payment
1 <sup>st</sup> interim 2015 ordinary*	10.71	\$10,000	100%	6/10/14
2 <sup>nd</sup> interim 2015 ordinary*	10.71	\$10,000	100%	27/2/15
3 <sup>rd</sup> interim 2015 ordinary	5.33	\$10,000	100%	4/5/15

\*The interim dividends paid before 24 April 2015 were prior to the two for one share split and capital raising as part of the listing process.

Further results commentary and other significant information needed by an investor to make an informed assessment of our results are included in the accompanying Half –year report.

This report is based on the consolidated half-year report which has been subject to a review by an independent auditor, Deloitte Touche Tohmatsu.

# Australian Finance Group Limited

## Directors' report

### For the half-year ended 31 December 2015

The Directors submit herewith the consolidated financial report of Australian Finance Group Limited ('the Company'), and its controlled entities ('the Group'), for the half-year ended 31 December 2015 and the auditor's report thereon.

#### Directors

The names of the Directors of the Company at any time during or since the end of the half-year are:

##### Name

Mr Tony Gill	Mr James Minto
Mr Brett McKeon	Mr John Atkins
Mr Malcolm Watkins	Mr Craig Carter
Mr Kevin Matthews	

The above named directors held office during the half-year with the exception of Mr John Atkins who resigned on 31 August 2015.

#### Financial results

For the half-year to 31 December 2015 the Group recorded a net profit after tax of \$11,713 thousand recording an increase of 19% over the same period in 2014.

#### Review and results of operations

Revenue is up 11% to \$281,436k (2014: \$252,532k). The increase in revenue was attributable primarily to the following:

- Continued growth in the residential mortgage broking business with settlements up 16% on prior period; and
- Strong expansion of the commercial mortgage broking business with settlements up 35%.

Profit after income tax for the half-year ended 31 December 2015 from continuing operations was up 26.8% on the prior comparative period at \$11,713 (2014: \$9,239k). The increase in profit was attributable to the following:

- Increased net interest margin generated by the securitisation programme;
- Additional income derived from settlements in AFG Home Loans Edge were \$673m up from nil in the previous period and \$460m in FY15;
- Sponsorship and incentive income was 60% higher than the prior comparative period at \$4.8m. Sponsorship and incentive income is typically weighted slightly more towards the first half of the financial year; and
- Continued growth in the residential and commercial mortgage broking business, although this has been largely offset by higher payout ratios on both upfront and trail commission.

Net cash flows from operating activities increased 126% to \$21,759k (2014: \$9,637k). This is largely attributable to the following:

- As a consequence of the divestment of AFG Properties prior to IPO, there is now no requirement to provide cash flows to this part of the business. The half-year ended 31 December 2014 included payment for inventories in AFG Properties of \$7,501k with no offsetting receipt of revenue;
- Increased cash receipts from trail commission resulting from a larger loan book; and
- Higher settlements and therefore upfront commissions received in the period.

The Directors are satisfied that the Group's ability to continue as a going concern will not be affected.

# Australian Finance Group Limited

## Directors' report

### For the half-year ended 31 December 2015

#### Non – IFRS financial information

The fair value of our residential trail book is influenced amongst other things by the runoff and discount rates that are applied to this valuation. Excluding the non-cash entries to recognise the net present value of the future trailing commission receivable and payable, the underlying profit after tax is \$11,236k (31 December 2014: \$8,680k). The assessment of the trail loan book and the associated assumptions was undertaken by external actuaries.

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

	31 December 2015		31 December 2014	
	Operating income	Profit After Tax	Operating income	Profit After Tax
Underlying results from continuing operations	238,988	11,236	211,980	8,110
Change in the present value of trailing				
Commission receivable and payable	42,448	477	40,552	1,129
Total result from continuing operations	281,436	11,713	252,532	9,239

#### Auditor's independence declaration

The auditor's independence declaration is included on page 20 of the half-year report.

#### Rounding

The amounts contained in this report and in the financial report have been rounded to the nearest \$1,000 (where rounding is applicable) under the option available to the Company under ASIC Class Order 98/0100. The Company is an entity to which the class order applies.

This report is signed in accordance with a resolution of the Directors.

On behalf of the Directors



B M McKeon  
Managing Director

Dated at Perth, this 25 February 2016

The Board of Directors  
Australian Finance Group Limited  
Level 4, 100 Havelock Street  
West Perth WA 6005

25 February 2016

Dear Directors

**Australian Finance Group Limited**

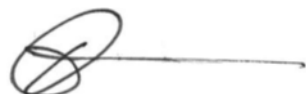
In accordance with section 307C of the Corporations Act 2001, I am pleased to provide the following declaration of independence to the directors of Australian Finance Group Limited.

As lead audit partner for the review of the financial statements of Australian Finance Group Limited for the financial half-year ended 31 December 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 review; and
- (ii) any applicable code of professional conduct in relation to the review.

Yours sincerely

*Deloitte Touche Tohmatsu*  
**DELOITTE TOUCHE TOHMATSU**



**Leanne Karamfiles**  
Partner  
Chartered Accountants

# Australian Finance Group Limited

## Consolidated Statement of Financial Position

### As at 31 December 2015

*In thousands of AUD*

	Note	31 December 2015	30 June 2015
<b>Assets</b>			
Cash and cash equivalents	5 (iii)	113,309	90,776
Trade and other receivables		634,533	593,931
Current tax asset		-	687
Loans and advances		1,039,940	1,025,344
Other financial assets	8	73	49
Property, plant and equipment		2,669	2,998
Intangible assets		731	865
<b>Total assets</b>		<b>1,791,255</b>	<b>1,714,650</b>
<b>Liabilities</b>			
Interest-bearing liabilities		1,058,806	1,041,099
Trade and other payables		629,287	580,341
Employee benefits		3,307	3,131
Current tax payable		731	-
Deferred income		2,013	4,916
Provisions		307	292
Deferred tax liability		12,792	12,641
<b>Total liabilities</b>		<b>1,707,243</b>	<b>1,642,420</b>
<b>Net assets</b>		<b>84,012</b>	<b>72,230</b>
<b>Equity</b>			
Share capital		43,541	43,541
Share-based payment reserve		54	9
Other capital reserves		(52)	(76)
Retained earnings		40,473	28,757
<b>Total equity attributable to equity holders of the Company</b>		<b>84,016</b>	<b>72,231</b>
Non-controlling interest		(4)	(1)
<b>Total equity</b>		<b>84,012</b>	<b>72,230</b>

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



# Australian Finance Group Limited

## Consolidated Statement of Profit or Loss and Other Comprehensive Income

### For the half-year ended 31 December 2015

In thousands of AUD

	Note	31 December 2015	31 December 2014
<b>Continuing Operations</b>			
Commission and other income	5 (i)	258,380	227,797
Securitisation interest income		23,056	24,735
Operating income		281,436	252,532
Other cost of sales		(237,045)	(207,506)
Securitisation interest expense		(16,650)	(19,902)
<b>Gross profit</b>		<b>27,741</b>	<b>25,124</b>
Other income		8,659	6,278
Administration expenses		(1,671)	(1,641)
Other expenses	5 (ii)	(19,064)	(17,773)
<b>Results from operating activities</b>		<b>15,665</b>	<b>11,988</b>
Finance income		1,403	1,418
Finance expenses	5 (ii)	(22)	(43)
<b>Net finance income</b>		<b>1,381</b>	<b>1,375</b>
<b>Profit before tax from continuing operations</b>		<b>17,046</b>	<b>13,363</b>
Income tax expense		(5,333)	(4,124)
<b>Profit from continuing operations</b>		<b>11,713</b>	<b>9,239</b>
<b>Discontinued operations</b>			
Profit after tax for the year from discontinued operations	4	-	570
<b>Profit for the period</b>		<b>11,713</b>	<b>9,809</b>
<b>Other comprehensive income</b>			
<b>Items that may be reclassified subsequently to profit or loss</b>			
Net change in fair value of available-for-sale financial assets		24	-
<b>Total comprehensive income for the period</b>		<b>11,737</b>	<b>9,809</b>
<b>Profit attributable to:</b>			
Equity holders of the Company		11,716	9,809
Non-controlling interests		(3)	-
<b>Profit for the period</b>		<b>11,713</b>	<b>9,809</b>
<b>Total comprehensive income for the period attributable to:</b>			
Equity holders of the Company		11,740	9,809
Non-controlling interests		(3)	-
<b>Total comprehensive income for the period</b>		<b>11,737</b>	<b>9,809</b>
<b>Earnings per share</b>			
Basic earnings per share (cents per share)		5.45	5.25
Diluted earnings per share (cents per share)		5.44	5.25
<b>Earnings per share – continuing operations</b>			
Basic earnings per share (cents per share)		5.45	4.95
Diluted earnings per share (cents per share)		5.44	4.95

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

Australian Finance Group Limited  
Consolidated Statement of Changes in Equity  
For the half-year ended 31 December 2015

*In thousands of AUD*

	Share capital	Foreign currency translation reserve	Fair value reserve	Share-based payment reserve	Retained earnings	Total	Non-controlling interest	Total equity
Balance at 1 July 2015	43,541	(15)	(61)	9	28,757	72,231	(1)	72,230
<b>Total comprehensive income for the period</b>								
Profit	-	-	-	-	11,716	11,716	(3)	11,713
Other comprehensive income	-	-	24	-	-	24	-	24
Total comprehensive income for the period	43,541	(15)	(37)	9	40,473	83,971	(4)	83,967
<b>Transactions with owners, recorded directly in equity</b>								
Dividends to equity holders								
Share-based payment transactions	-	-	-	45	-	45	-	45
Total transactions with owners	-	-	-	45	-	45	-	45
<b>Balance at 31 December 2015</b>	<b>43,541</b>	<b>(15)</b>	<b>(37)</b>	<b>54</b>	<b>40,473</b>	<b>84,016</b>	<b>(4)</b>	<b>84,012</b>
Balance at 1 July 2014	11,434	(15)	(46)	-	74,093	85,466	4	85,470
<b>Total comprehensive income for the period</b>								
Profit	-	-	-	-	9,809	9,809	-	9,809
Other comprehensive income	-	-	-	-	-	-	-	-
Total comprehensive income for the period	11,434	(15)	(46)	-	83,902	95,275	4	95,279
<b>Transactions with owners, recorded directly in equity</b>								
Dividends to equity holders	-	-	-	-	(10,000)	(10,000)	-	(10,000)
Total transactions with owners	-	-	-	-	(10,000)	(10,000)	-	(10,000)
Balance at 31 December 2014	11,434	(15)	(46)	-	73,902	85,275	4	85,279

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

Australian Finance Group Limited  
Consolidated Statement of Cash Flows  
For the half-year ended 31 December 2015

*In thousands of AUD*

	Note	31 December 2015	31 December 2014
<b>Cash flows from operating activities</b>			
Cash receipts from customers		221,316	193,029
Cash paid to suppliers and employees		(204,440)	(190,401)
Advances of customer borrowings		7,727	9,694
Proceeds from securitisation		920	1,803
Cash generated from operations		25,523	14,125
Income taxes paid		(3,764)	(4,488)
<b>Net cash from operating activities</b>		<b>21,759</b>	<b>9,637</b>
<b>Cash flows from investing activities</b>			
Interest received		1,339	1,125
Acquisition of property, plant and equipment		(82)	(450)
Investment in intangible assets		(43)	(134)
Dividend received from equity-accounted investees		-	306
Decrease in other loans and advances		(109)	(626)
<b>Net cash from/(used in) investing activities</b>		<b>1,105</b>	<b>221</b>
<b>Cash flows used in financing activities</b>			
Proceeds from borrowings		-	9,001
Decrease in loans from funders		(331)	(418)
Dividends paid to equity holders of the parent		-	(10,000)
<b>Net cash used in financing activities</b>		<b>(331)</b>	<b>(1,417)</b>
Net increase in cash and cash equivalents		22,533	8,441
Cash and cash equivalents at the beginning of the period		90,776	76,022
<b>Cash and cash equivalents at the end of the period</b>	5 (iii)	<b>113,309</b>	<b>84,463</b>

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

# Australian Finance Group Limited

## Notes to the Financial Statements

### 1. Reporting entity

The consolidated financial statements for the half-year ended 31 December 2015 comprise of 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 reporting period were mortgage origination and management. The Company's principal place of business is 100 Havelock Street, West Perth, Western Australia.

### 2. Basis of preparation and significant accounting policies

#### (a) Statement of compliance

The half-year report is a general purpose financial report which has been prepared in accordance with AASB 134 'Interim Financial Reporting'. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 'Interim Financial Reporting'. The half-year report does not include notes of the type normally included in an annual financial report and shall be read in conjunction with the most recent annual financial report.

#### (b) Basis of preparation

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.

All amounts are presented in Australian dollars ("AUD"), unless otherwise noted.

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.

The accounting policies and methods of computation adopted in the preparation of the half-year financial report are consistent with those adopted and disclosed in the Company's 2015 annual financial report for the financial year ended 30 June 2015, except for the impact of the Standards and Interpretations described below. These accounting policies are consistent with Australian Accounting Standards and with International Financial Reporting Standards.

#### (c) Significant accounting policies

##### (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 not elected to early adopt any new standards or amendments.

# Australian Finance Group Limited

## Notes to the Financial Statements

### 2. Basis of preparation and significant accounting policies (continued)

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

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

### 3. 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.

# Australian Finance Group Limited

## Notes to the Financial Statements

### 3. Segment information (continued)

#### 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 over 40 other Lenders and competes with them for home loan customers. The segment earns fees for services, largely in the form of upfront and trail commissions, and net interest margin on its securitisation programme

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

#### Half-year ended 31 December 2015

	AFG Wholesale Mortgage Broking	AFG Home Loans	Other / Unallocated	Total
<i>In thousands of AUD</i>				
<b>Continuing operations</b>				
<b>Revenue</b>				
External customers	247,952	32,874	610	281,436
Inter-segment	7,951	-	(7,951)	-
Other operating income	4,818	-	3,899	8,717
Interest income	-	477	868	1,345
<b>Total segment revenue</b>	<b>260,721</b>	<b>33,351</b>	<b>(2,574)</b>	<b>291,498</b>
<b>Results</b>				
Segment profit before income tax	18,055	2,419	(3,428)	17,046
Income tax expense				(5,333)
Net profit after tax				<b>11,713</b>
<b>Discontinued operations</b>				
Net profit after tax				-
<b>Total net profit after tax</b>				<b>11,713</b>
<b>Other segment information</b>				
<b>Total segment assets</b>	<b>636,894</b>	<b>1,107,288</b>	<b>47,073</b>	<b>1,791,255</b>
<b>Total segment liabilities</b>	<b>626,230</b>	<b>1,070,920</b>	<b>10,093</b>	<b>1,707,243</b>
Depreciation and amortisation	(68)	(9)	(507)	(584)
Interest expense	-	-	(22)	(22)

# Australian Finance Group Limited

## Notes to the Financial Statements

### 3. Segment information (continued)

Half-year ended 31 December 2014

	AFG Wholesale Mortgage Broking	AFG Home Loans	Other / Unallocated	Total
<i>In thousands of AUD</i>				
<b>Continuing operations</b>				
<b>Revenue</b>				
External customers	221,802	30,070	656	252,528
Inter-segment	3,480	-	(3,480)	-
Other operating income	3,019	-	3,380	6,399
Interest income	-	510	791	1,301
<b>Total segment revenue</b>	<b>228,301</b>	<b>30,580</b>	<b>1,347</b>	<b>260,228</b>
<b>Results</b>				
Segment profit before income tax	16,998	(90)	(3,545)	13,363
Income tax expense				(4,124)
Total net profit after tax				<b>9,239</b>
<b>Discontinued operations</b>				
Net profit after tax	-	-	570	570
<b>Total net profit after tax</b>				<b>9,809</b>
<b>Other segment information</b>				
<b>Total segment assets as at 30 June 15</b>	<b>595,480</b>	<b>1,082,555</b>	<b>36,615</b>	<b>1,714,650</b>
<b>Total segment liabilities 30 June 15</b>	<b>581,031</b>	<b>1,052,485</b>	<b>8,904</b>	<b>1,642,420</b>
Depreciation and amortisation	(60)	(13)	(511)	(584)
Interest expense	-	-	(43)	(43)

### 4. Discontinued operations

During the year ended 30 June 2015, the Group restructured its operations by demerging its property business. The demerger involved the establishment of a sale agreement between the Company and Establish Property Group Ltd pursuant to which the Group, amongst other things, transferred 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.

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 the Richmond Quarter development project.

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

<i>In thousands of AUD</i>	31 December 2015	31 December 2014
<b>Results of discontinued operation</b>		
Other expenses	-	(281)
Finance income	-	1,142
Finance costs	-	(295)
<b>Results from operating activities</b>	-	566
Share of profit of equity accounted investees	-	183
<b>Results before income tax</b>	-	<b>749</b>
Income tax (expense) / benefit	-	(179)
<b>Profit for year</b>	-	<b>570</b>

# Australian Finance Group Limited

## Notes to the Financial Statements

### 5. Results for the period

#### (i) Revenue

*In thousands of AUD*

##### Commission and other income

	31 December 2015	31 December 2014
Commissions	233,186	202,980
Interest on commission income receivable	24,484	24,005
Mortgage management services	303	411
Securitisation transaction fees	407	401
	<u>258,380</u>	<u>227,797</u>

#### (ii) Expenses

*In thousands of AUD*

##### Other expenses

	31 December 2015	31 December 2014
Advertising and promotion	(3,194)	(2,336)
Consultancy and professional fees	(625)	(1,031)
Information technology	(1,484)	(1,431)
Occupancy costs	(222)	(206)
Employee costs	(11,799)	(11,166)
Depreciation and amortisation	(584)	(584)
Operating lease costs	(1,080)	(1,049)
(Reversal of) /impairment loss on receivables	(74)	33
Net loss on disposal of property, plant and equipment	(2)	(3)
	<u>(19,064)</u>	<u>(17,773)</u>

##### Finance expenses

Interest on loans from funders	(22)	(43)
	<u>(22)</u>	<u>(43)</u>

#### (iii) Cash and cash equivalents

*In thousands of AUD*

	31 December 2015	30 June 2015
Cash at bank	59,230	48,339
Short term deposits	15,357	7,409
Cash collections accounts <sup>1</sup>	31,648	31,162
Restricted cash <sup>2</sup>	7,074	3,866
Cash and cash equivalents	<u>113,309</u>	<u>90,776</u>
Cash and cash equivalents in the Statement of Cash Flows	<u>113,309</u>	<u>90,776</u>

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



# Australian Finance Group Limited

## Notes to the Financial Statements

### 6. Dividends

	Half-year ended 31 December 2015		Half-year ended 31 December 2014	
	Cents per share	Total \$'000	Cents per share	Total \$'000
<b>Recognised amounts</b>				
1 <sup>st</sup> Previous year interim dividend - fully franked*	-	-	10.71	10,000**
2 <sup>nd</sup> Previous year interim dividend - fully franked*	-	-	10.71	10,000**
3 <sup>rd</sup> Previous year interim dividend - fully franked	-	-	5.36	10,000**
<b>Unrecognised amounts</b>				
Interim dividend final dividend - fully franked	3	6,444	-	-

\* On 24 April 2015 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. The dividend paid per share during the half year ended 31 December 2014 is calculated based on the post split number of shares.

\*\* As disclosed in the prospectus issued to support the initial public offering of ordinary shares in the company, pre IPO dividends were paid. The comparatives therefore reflect part of those pre IPO dividends.

### 7. Key management personnel

Remuneration arrangements of key management personnel are disclosed in the annual financial report. During the half-year there were no changes in the key management personnel remuneration structure.

### 8. Financial instruments

#### 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).

# Australian Finance Group Limited

## Notes to the Financial Statements

### 8. Financial instruments (continued)

#### a. 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)
	31 December 2015 \$	30/06/15 \$		
Financial assets designated at fair value through profit or loss	\$22,875 Listed securities in: - NKWE Platinum Limited - \$7,875; and - International Petroleum Limited - \$15,000.	\$22,455 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	\$50,151 Listed securities in Rent.com.au limited.	\$26,551 Listed securities in Rent.com.au limited.	Level 1	2015- quoted bid prices in an active market

During the half-year there were no transfers in either direction (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 Securities Exchange).

#### b. 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.

<i>In thousands of AUD</i>	31 December 2015		30 June 2015	
	Carrying amount	Fair value	Carrying amount	Fair value
<b>Financial assets</b>				
Future Trailing commission receivable	632,300	680,926	589,853	646,341
<b>Financial liabilities</b>				
Future Trailing commission payable	572,712	615,712	530,945	580,889

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, 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:

	31 December 2015	30 June 2015
Average loan life	Between 4.4 and 5.3 years	Between 4.4 and 5.3 years
Discount rate per annum	Between 5% and 13.5%	Between 5% and 13.5%

The percentage paid to brokers range from 85% to 93% and is fixed by the terms of their agreement with the Group as at the time the individual loans settled. As a consequence, management does not expect changes to the percentage paid to members to be reasonably possible.

# Australian Finance Group Limited

## Notes to the Financial Statements

### 9. Earnings per share (EPS)

Basic EPS amounts are calculated by dividing the profit for the year attributable to ordinary equity holders of the Company 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 the Company 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:

<i>In thousands of AUD</i>	<b>31 December 2015</b>	<b>31 December 2014</b>
Profit attributable to ordinary equity holders of the Company:		
Continuing operations	11,716	9,239
Discontinued operations	-	570
<b>Profit attributable to ordinary equity holders of the Company</b>	<b>11,716</b>	<b>9,809</b>
	Thousands	Thousands
Weighted average number of ordinary shares for basic EPS (thousands) <sup>1</sup>	214,813	186,681
Effect of dilution:		
Performance rights	342	-
Weighted average number of ordinary shares adjusted for the effect of dilution	215,155	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.

- 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 186,681 thousand 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:

<i>In thousands of AUD</i>	<b>2015</b>	<b>2014</b>
Profit attributable to ordinary equity holders of the Company from discontinued operations for basic and diluted EPS calculations	-	570

# Australian Finance Group Limited

## Notes to the Financial Statements

### **10. Subsequent events**

On 20 January 2016, the Group secured an extension to the term of the NAB residential warehouse facility that was due to expire on 10 February 2016. The funding continues to be provided through the issue of three classes of secured, limited and floating rate notes, with the senior notes being issued to the lender and the subordination notes to Australian Finance Group Limited. The maturity date has been reset to 10 August 2016.

On 25 February 2016 the Directors recommended the payment of a dividend of 3 cents per fully paid ordinary share, fully franked based on tax paid at 30%. The dividend has a record date of 14 March 2016 and a payment date of 28 March 2016. The aggregate amount of the proposed dividend expected to be paid out of retained earnings at 31 December 2015 is \$6,444 thousand. The financial effect of these dividends has not been brought to account in the financial statements for the half-year ended 31 December 2015.

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.

## Australian Finance Group Limited Directors' Declaration

The directors declare that:

- (a) in the directors' opinion, there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable; and
- (b) in the directors' opinion, the attached financial statements and notes thereto are in accordance with the Corporations Act 2001, including compliance with accounting standards and giving a true and fair view of the financial position and performance of the consolidated entity.

Signed in accordance with a resolution of the directors made pursuant to s.303(5) of the *Corporations Act 2001*.

On behalf of the board



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B M McKeon  
*Director*

Dated at Perth, Western Australia on 25 February 2016.

## Independent Auditor's Review Report to the members of Australian Finance Group Limited

We have reviewed the accompanying half-year financial report of Australian Finance Group Limited, which comprises the condensed consolidated statement of financial position as at 31 December 2015, and the condensed consolidated statement of profit or loss and other comprehensive income, the condensed consolidated statement of cash flows and the condensed consolidated statement of changes in equity for the half-year ended on that date, selected explanatory notes and, the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the end of the half-year or from time to time during the half-year as set out on pages 6 to 19.

### *Directors' Responsibility for the Half-Year Financial Report*

The directors of the company are responsible for the preparation of the half-year 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 half-year financial report that is free from material misstatement, whether due to fraud or error.

### *Auditor's Responsibility*

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the Australian Finance Group Limited's financial position as at 31 December 2015 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Australian Finance Group Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

## *Auditor's Independence Declaration*

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

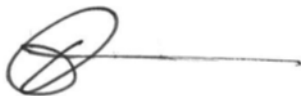
## *Conclusion*

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

- (a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2015 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Deloitte Touche Tohmatsu

**DELOITTE TOUCHE TOHMATSU**



**Leanne Karamfiles**

Partner

Chartered Accountants

Perth, 25 February 2016