

24 February 2017



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Market Announcements Office
ASX Limited
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Dear Sir/Madam

AUSTRALIAN FINANCE GROUP LTD ANNOUNCES 1H FY17 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 2016.

- Part 1: Appendix 4D and half year 2017 financial report.
- Part 2: Appendix 3A.1: notification of dividend.
- Part 3: 1H FY17 results investor presentation.
- Part 4: 1H FY17 results market release.

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 2016

Australian Finance Group Limited

Half-year Report and Appendix 4D for the half-year ended 31 December 2016

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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 2016 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 for the Period ending 31 December

Reporting period is the half-year ended 31 December 2016 with the previous corresponding period to 31 December 2015.

Results for announcement to the market

	31 December 2016 \$'000	31 December 2015 \$'000	Increase / (Decrease) \$'000	% change
Revenue from continuing operations	279,370	281,436	(2,066)	(0.7%)
Profit after tax attributable to equity holders of the Company	13,323	11,716	1,607	13.7%
Net profit for the period	13,371	11,713	1,658	14.2%

Net tangible asset backing per ordinary security (Cents)	41.5	38.8	2.7	7.0%
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Dividends	Amount per security	Franked Amount per security
Interim dividend	4.2 cents	100%
Previous corresponding period interim dividend	3 cents	100%
Record date for determining entitlements to the dividend	7 March 2017	
Date the interim dividend is payable	31 March 2017	

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 2016

The Directors submit the consolidated financial report of Australian Finance Group Limited ('the Company'), and its controlled entities ('the Group'), for the half-year ended 31 December 2016 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 Craig Carter
Mr Malcolm Watkins	Ms Melanie Kiely
Mr Kevin Matthews	Ms Jane Muirsmith

The above named Directors held office during the half-year.

Financial results

For the half-year ended 31 December 2016 the Group recorded a net profit after tax of \$13,371k recording an increase of 14.2% over the same period in 2015.

Review and results of operations

Profit after income tax for the half-year ended 31 December 2016 from continuing operations was up 14.2% on the prior comparative period at \$13,371k (2015: \$11,713k). The increase in profit was attributable to the following:

- Increased net interest margin generated by the securitisation programme and an increase of 33.7% in AFG Home Loans settlements to \$1,239m delivered a profit result of \$4,775k in the AFG Home Loans segment, up 97.4% on prior period; and
- Maintenance of a flat cost structure through the first half of the year.

Revenue is marginally down 0.7% to \$279,370k (2015: \$281,436k) as a consequence of residential settlements being down 0.9% compared to prior period. Both residential and commercial settlements were impacted by tighter lending criteria resulting in a lower conversion ratio of residential lodgements particularly in New South Wales and lower commercial activity in some states during the period. Despite falling interest rates reducing revenue in the securitisation programme, revenue from the AFG Home Loans segment was up 7.8% on prior period and contributed 12.7% of the Groups revenue.

Net cash flows from operating activities decreased 82% to \$3,944k (2015: \$21,759k). This is largely attributable to the following:

- A net \$9.8m decrease in restricted cash flows within the securitisation programme compared to prior period. Restricted cash is variable depending on the timing of drawdowns and repayments to warehouse facilities in particular; and
- Timing factors in relation to the payment of tax as well as commission payments to brokers. Adjusting for these timing factors net cash flows from operating activities are comparable to the prior 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 2016

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 \$12,993k (31 December 2015: \$11,236k). The assessment of the trail loan book and associated assumptions are determined by management, with the assistance of external actuaries, by reference to market observable inputs.

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

	31 December 2016		31 December 2015	
	Operating income \$'000	Profit After Tax \$'000	Operating income \$'000	Profit After Tax \$'000
Underlying results from continuing operations	248,227	12,993	238,988	11,236
Change in the present value of trailing Commission receivable and payable	31,143	378	42,448	477
Total result from continuing operations	279,370	13,371	281,436	11,713

Auditor's independence declaration

The auditor's independence declaration is included on page 18 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) and where noted (\$'000) under the option available to the Company under ASIC Corporations Instrument 2016/191. The Company is an entity to which the class order applies.

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 23 February 2017

Australian Finance Group Limited

Consolidated Statement of Financial Position

As at 31 December 2016

In thousands of AUD

	Note	31 December 2016	30 June 2016
Assets			
Cash and cash equivalents	4 (iii)	123,103	130,665
Trade and other receivables		679,519	650,059
Loans and advances		1,082,163	1,046,412
Other financial assets	7	47	49
Property, plant and equipment		2,179	2,379
Intangible assets		1,199	757
Total assets		1,888,210	1,830,321
Liabilities			
Interest-bearing liabilities		1,099,935	1,072,215
Trade and other payables		676,835	646,113
Employee benefits		3,744	3,818
Current tax payable		447	1,060
Deferred income		2,359	4,876
Provisions		495	322
Deferred tax liability		14,061	13,397
Total liabilities		1,797,876	1,741,801
Net assets		90,334	88,520
Equity			
Share capital		43,541	43,541
Share-based payment reserve		141	97
Other capital reserves		(74)	(74)
Retained earnings		46,702	44,980
Total equity attributable to equity holders of the Company		90,310	88,544
Non-controlling interest		24	(24)
Total equity		90,334	88,520

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 2016

In thousands of AUD

	Note	31 December 2016	31 December 2015
Continuing Operations			
Commission and other income	4 (i)	256,742	258,380
Securitisation interest income		22,628	23,056
Operating income		279,370	281,436
Commission and other cost of sales		(233,859)	(237,045)
Securitisation interest expense		(15,565)	(16,650)
Gross profit		29,946	27,741
Other income		8,283	8,659
Administration expenses		(1,529)	(1,671)
Other expenses	4 (ii)	(18,538)	(19,064)
Results from operating activities		18,162	15,665
Finance income		1,226	1,403
Finance expenses	4 (ii)	(9)	(22)
Net finance income		1,217	1,381
Profit before tax from continuing operations		19,379	17,046
Income tax expense		(6,008)	(5,333)
Profit for the period		13,371	11,713
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss			
Net change in fair value of available-for-sale financial assets		-	24
Total comprehensive income for the period		13,371	11,737
Profit attributable to:			
Equity holders of the Company		13,323	11,716
Non-controlling interests		48	(3)
Profit for the period		13,371	11,713
Total comprehensive income for the period attributable to:			
Equity holders of the Company		13,323	11,740
Non-controlling interests		48	(3)
Total comprehensive income for the period		13,371	11,737
Earnings per share			
Basic earnings per share (cents per share)		6.20	5.45
Diluted earnings per share (cents per share)		6.19	5.44

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 2016

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 2016	43,541	(14)	(60)	97	44,980	88,544	(24)	88,520
Total comprehensive income for the period								
Profit	-	-	-	-	13,323	13,323	48	13,371
Other comprehensive income	-	-	-	-	-	-	-	-
Total comprehensive income for the period	-	-	-	-	13,323	13,323	48	13,371
Transactions with owners, recorded directly in equity								
Dividends to equity holders	-	-	-	-	(11,601)	(11,601)	-	(11,601)
Share-based payment transactions	-	-	-	44	-	44	-	44
Total transactions with owners	-	-	-	44	(11,601)	(11,557)	-	(11,557)
Balance at 31 December 2016	43,541	(14)	(60)	141	46,702	90,310	24	90,334
Balance at 1 July 2015	43,541	(15)	(61)	9	28,757	72,231	(1)	72,230
Total comprehensive income for the period								
Profit	-	-	-	-	11,716	11,716	(3)	11,713
Other comprehensive income	-	-	24	-	-	24	-	24
Total comprehensive income for the period	-	-	24	-	11,716	11,739	(3)	11,736
Transactions with owners, recorded directly in equity								
Dividends to equity holders	-	-	-	-	-	-	-	-
Share-based payment transactions	-	-	-	45	-	45	-	45
Total transactions with owners	-	-	-	45	-	45	-	45
Balance at 31 December 2015	43,541	(15)	(37)	54	40,473	84,016	(4)	84,012

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 2016

<i>In thousands of AUD</i>	Note	31 December 2016	31 December 2015
Cash flows from operating activities			
Cash receipts from customers		230,628	221,316
Cash paid to suppliers and employees		(220,201)	(204,440)
Interest received		22,628	23,056
Interest paid		(15,565)	(16,650)
Advances of customer borrowings		(35,677)	(15,329)
Proceeds from securitisation		28,088	17,570
Income taxes paid		(5,957)	(3,764)
Net cash from operating activities		3,944	21,759
Cash flows from investing activities			
Interest received		1,225	1,339
Acquisition of property, plant and equipment		(200)	(82)
Payments for intangible assets		(524)	(43)
Decrease in other loans and advances		(250)	(109)
Net cash from investing activities		251	1,105
Cash flows used in financing activities			
Decrease in loans from funders		(156)	(331)
Dividends paid		(11,601)	-
Net cash used in financing activities		(11,757)	(331)
Net (decrease)/increase in cash and cash equivalents		(7,562)	22,533
Cash and cash equivalents at the beginning of the period		130,665	90,776
Cash and cash equivalents at the end of the period	4 (iii)	123,103	113,309

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 2016 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, management and lending. 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 financial report is presented in Australian dollars and all values are rounded to the nearest thousand dollars (\$'000's) 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 2016 annual financial report for the financial year ended 30 June 2016, 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', AASB 2015-8 Amendments to Australian Accounting Standards – Effective Date of AASB 15, AASB 2016-3 Amendments to Australian Accounting Standards – Clarification of AASB 15	1 January 2018	30 June 2019
AASB 16 'Leases'	1 January 2019	30 June 2020
AASB 2016-2 'Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 107'	1 January 2017	30 June 2018
Classification and Measurement of Share-based Payment Transactions (Amendment to IFRS 2)	1 January 2018	30 June 2019

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 contracted brokers with administrative and infrastructure support as well as access to a panel of lenders.

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

- Upfront commissions on settled loans

Upfront commissions are received by the Group from lenders as a percentage of the total amount borrowed. Once a loan settles, the Group receives a one-off payment linked to the total amount borrowed as an upfront commission, a large portion of which is then paid by the Group to the originating broker.

- Trail commissions on the loan book

Trail commissions are received by the Group from lenders over the life of the loan (if it is in good order and not in default), as a percentage of the particular loan's outstanding balance. The trail book represents the aggregate of 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 2016

	AFG Wholesale Mortgage Broking	AFG Home Loans	Other / Unallocated	Total
<i>In thousands of AUD</i>				
Continuing operations				
Revenue				
External customers	242,819	35,441	1,110	279,370
Inter-segment	10,438	-	(10,438)	-
Other operating income	3,753	-	4,530	8,283
Interest income	-	109	1,117	1,226
Total segment revenue	257,010	35,550	(3,681)	288,879
Results				
Segment profit before income tax	17,678	4,775	(3,074)	19,379
Income tax expense				(6,008)
Net profit after tax				13,371
Assets and Liabilities				
Total segment assets	681,525	1,167,942	38,743	1,888,210
Total segment liabilities	674,190	1,113,999	9,687	1,797,876
Other segment information				
Depreciation and amortisation	(90)	(7)	(387)	(484)
Interest expense	-	-	(9)	(9)

Australian Finance Group Limited

Notes to the Financial Statements

3. Segment information (continued)

Half-year ended 31 December 2015

	AFG Wholesale Mortgage Broking	AFG Home Loans	Other / Unallocated	Total
<i>In thousands of AUD</i>				
Continuing operations				
Revenue				
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
Total segment revenue	260,721	33,351	(2,574)	291,498
Results				
Segment profit before income tax	18,055	2,419	(3,428)	17,046
Income tax expense				(5,333)
Net profit after tax				11,713
Assets and Liabilities				
Total segment assets	636,894	1,107,288	47,073	1,791,255
Total segment liabilities	626,230	1,070,920	10,093	1,707,243
Other segment information				
Depreciation and amortisation	(68)	(9)	(507)	(584)
Interest expense	-	-	(22)	(22)

4. Results for the period

(i) Revenue

In thousands of AUD

Commission and other income

	31 December 2016	31 December 2015
Commissions	232,454	233,186
Interest on commission income receivable	23,630	24,484
Mortgage management services	249	303
Securitisation transaction fees	409	407
	256,742	258,380

(ii) Expenses

In thousands of AUD

Other expenses

	31 December 2016	31 December 2015
Advertising and promotion	(2,501)	(3,194)
Consultancy and professional fees	(849)	(625)
Information technology	(1,439)	(1,484)
Occupancy costs	(194)	(222)
Employee costs	(12,018)	(11,799)
Depreciation and amortisation	(484)	(584)
Operating lease costs	(987)	(1,080)
(Reversal of) /impairment loss on receivables	(66)	(74)
Net loss on disposal of property, plant and equipment	-	(2)
	(18,538)	(19,064)

Australian Finance Group Limited

Notes to the Financial Statements

4. Results for the period (continued)

(ii) Expenses (continued)

In thousands of AUD

Finance expenses

Interest on loans from funders

	31 December 2016	31 December 2015
	(9)	(22)
	(9)	(22)

(iii) Cash and cash equivalents

In thousands of AUD

Cash at bank

Short term deposits

Unrestricted cash

Cash collections accounts¹

Restricted cash²

Restricted cash

Cash and cash equivalents

Cash and cash equivalents in the Statement of Cash Flows

	31 December 2016	30 June 2016
	79,467	83,906
	6,797	2,039
	86,264	85,945
	32,678	36,423
	4,161	8,297
	36,839	44,720
	123,103	130,665
	123,103	130,665

- 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.

5. Dividends

	Half-year ended 31 December 2016		Half-year ended 31 December 2015	
	Cents per share	Total \$'000	Cents per share	Total \$'000
Unrecognised amounts				
Interim dividend - fully franked	4.2	9,022	3	6,444

6. 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.

7. 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

7. 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 \$'000	30 June 2016 \$'000		
Financial assets designated at fair value through profit or loss and available-for-sale financial assets	47	49	Level 1	Quoted bid prices in an active market

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 2016		30 June 2016	
	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets				
Future Trailing commission receivable	677,322	713,909	646,179	688,898
Financial liabilities				
Future Trailing commission payable	617,696	650,044	587,093	624,857

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 2016	30 June 2016
Average loan life	Between 4.3 and 5.2 years	Between 4.3 and 5.2 years
Discount rate per annum	Between 5% and 13.5%	Between 5% and 13.5%
Percentage paid to members	Between 85% and 92%	Between 85% and 91%

Australian Finance Group Limited

Notes to the Financial Statements

8. Earnings per share (EPS)

Basic EPS amounts are calculated by dividing the profit for the period attributable to ordinary equity holders of the Company by the weighted average number of ordinary shares outstanding during the period.

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 period 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>	31 December 2016	31 December 2015
Profit attributable to ordinary equity holders of the Company	13,323	11,716
	Thousands	Thousands
Weighted average number of ordinary shares for basic EPS (thousands)	214,813	214,813
Effect of dilution:		
Performance rights	593	342
Weighted average number of ordinary shares adjusted for the effect of dilution	<u>215,406</u>	<u>215,155</u>

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.

9. Subsequent events

On 31 January 2017, the Group secured an extension to the term of the NAB residential warehouse facility that was due to expire on 10 February 2017. 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 2017.

On 23 February 2017 the Directors recommended the payment of a dividend of 4.2 cents per fully paid ordinary share, fully franked based on tax paid at 30%. The dividend has a record date of 7 March 2017 and a payment date of 31 March 2017. The aggregate amount of the proposed dividend expected to be paid out of retained earnings at 31 December 2016 is \$9,022k. The financial effect of these dividends has not been brought to account in the financial statements for the half-year ended 31 December 2016.

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



B M McKeon
Director

Dated at Perth, Western Australia on 23 February 2017.

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

23 February 2017

Dear Directors

Australian Finance Group Limited

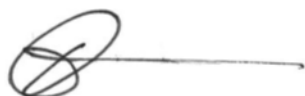
In accordance with section 307C of the *Corporations Act 2001*, I am pleased to provide the following declaration of independence to the directors of Australian Finance Group Limited.

As lead audit partner for the review of the financial statements of Australian Finance Group Limited for the financial half-year ended 31 December 2016, 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

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 statement of financial position as at 31 December 2016, and the condensed consolidated statement of profit or loss and other comprehensive income, the condensed statement of cash flows and the condensed consolidated statement of changes in equity for the half-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 end of the half-year or from time to time during the half-year as set out on pages 6 to 17.

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 gives a true and fair view and 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 consolidated entity's financial position as at 31 December 2016 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.

Deloitte.

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 2016 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, 23 February 2017