

23 February 2018



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Market Announcements Office
ASX Limited
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Dear Sir/Madam

AUSTRALIAN FINANCE GROUP LTD ANNOUNCES 1H FY18 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 2017.

- Part 1: Appendix 4D and half year 2018 financial report.
- Part 2: Appendix 3A.1: notification of dividend.
- Part 3: 1H FY18 results investor presentation.
- Part 4: 1H FY18 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 2017

Australian Finance Group Limited

Half-year Report and Appendix 4D for the half-year ended 31 December 2017

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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 2017 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 2017 with the previous corresponding period to 31 December 2016.

Results for announcement to the market

	31 December 2017 \$'000	31 December 2016 \$'000	Increase / (Decrease) \$'000	% change
Revenue from continuing operations	304,701	279,370	25,331	9.1%
Profit after tax attributable to equity holders of the Company	16,735	13,323	3,412	25.6%
Net profit for the period	16,738	13,371	3,367	25.2%
Underlying results from continuing operations	14,394	12,993	1,401	10.8%

Net tangible asset backing per ordinary security (Cents)	52.0	41.5	10.5	25.3%
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Dividends	Amount per security	Franked Amount per security
Special dividend	12.0 cents	100%
Interim dividend	4.7 cents	100%
Previous corresponding period interim dividend	4.2 cents	100%
Record date for determining entitlements to the interim and special dividend	6 March 2018	
Date the interim and special dividend is payable	29 March 2018	

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 2017

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 2017 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 Craig Carter
Mr Brett McKeon	Ms Melanie Kiely
Mr Malcolm Watkins	Ms Jane Muirsmith
Mr Kevin Matthews	

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

Financial results

For the half-year ended 31 December 2017 the Group recorded a net profit after tax of \$16,738k recording an increase of 25.2% over the same period in 2016.

Review and results of operations

Revenue is up 9.1% to \$304,701k (2016: \$279,370k) as a result of revenue from the AFG Home Loans (AFGHLs) segment being up 21.6% on prior period and contributing 14.1% of the Group's revenue. Residential revenue was also 7.5% higher than prior period at \$260,921k. AFGHLs revenue increased due to a 30.8% increase in settlements.

Profit after income tax for the half-year ended 31 December 2017 was up 25.2% on the prior comparative period at \$16,738k (2016: \$13,371k). Underlying results from continuing operations was up 10.8% on the prior comparative period at \$14,394k (2016: \$12,993k). The increase in profit was attributable to the following:

- Increased net interest margin generated by the securitisation programme;
- An increase of 30.8% in AFGHLs settlements to \$1,621m delivering a profit result of \$9,425k in the AFGHLs segment, an increase of 97% on prior period. A portion of the increase in profit on prior period is due to the adoption of an actuarial model to estimate future trail revenue relating to AFGHLs white label products for the first time at 30 June 2017;
- An increase in residential settlements of 5.5% marginally offset by a decrease in commercial settlements of 5% and increased payout ratio driving to a 4.1% decrease in the AFG Wholesale Mortgage broking profit result to \$16,949k; and
- New investment in headcount as part of AFG Business strategy.

Net cash flows from operating activities increased 34.3% to \$15,485k (2016: \$11,533k) driven by profit growth and positive working capital movements compared to prior period.

The Directors are satisfied that the Group's ability to continue as a going concern will continue to be appropriate.

Australian Finance Group Limited

Directors' report

For the half-year ended 31 December 2017

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 increased by 10.8% to \$14,394k (31 December 2016: \$12,993k). The assessment of the trail loan book and associated assumptions are determined by management, reviewed by 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 2017		31 December 2016	
	Operating income \$'000	Profit After Tax \$'000	Operating income \$'000	Profit After Tax \$'000
Underlying results from continuing operations	271,071	14,394	248,227	12,993
Change in the present value of trailing Commission receivable and payable	33,630	2,344	31,143	378
Total result from continuing operations	304,701	16,738	279,370	13,371

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



Tony Gill
Chairman

Dated at Perth, this 22 February 2018

Australian Finance Group Limited
Consolidated Statement of Financial Position
As at 31 December 2017

In thousands of AUD

	Note	31 December 2017	30 June 2017
Assets			
Cash and cash equivalents	4 (iii)	126,402	124,801
Trade and other receivables		772,508	737,580
Loans and advances		1,186,086	1,152,171
Other financial assets		6	31
Property, plant and equipment		1,619	1,898
Current tax receivable		996	-
Intangible assets		647	745
Total assets		2,088,264	2,017,226
Liabilities			
Trade and other payables		751,118	715,803
Interest-bearing liabilities		1,195,715	1,164,478
Employee benefits		4,007	4,559
Current tax payable		-	1,249
Deferred income		2,399	2,693
Provisions		1,591	1,667
Deferred tax liability		20,981	19,482
Total liabilities		1,975,811	1,909,931
Net assets		112,453	107,295
Equity			
Share capital		43,541	43,541
Share-based payment reserve		642	408
Other capital reserves		(91)	(91)
Retained earnings		68,331	63,410
Total equity attributable to equity holders of the Company		112,423	107,268
Non-controlling interest		30	27
Total equity		112,453	107,295

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 2017

In thousands of AUD

	Note	31 December 2017	31 December 2016
Continuing Operations			
Commission and other income	4 (i)	279,106	256,742
Securitisation interest income		25,595	22,628
Operating income		304,701	279,370
Commission and other cost of sales		(250,877)	(233,859)
Securitisation interest expense		(17,231)	(15,565)
Gross profit		36,593	29,946
Other income		6,755	8,283
Administration expenses		(1,771)	(1,529)
Other expenses	4 (ii)	(18,765)	(18,538)
Results from operating activities		22,812	18,162
Finance income		1,321	1,226
Finance expenses		(3)	(9)
Net finance income		1,318	1,217
Profit before tax from continuing operations		24,130	19,379
Income tax expense		(7,392)	(6,008)
Profit for the period		16,738	13,371
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss			
Net change in fair value of available-for-sale financial assets		-	-
Total comprehensive income for the period		16,738	13,371
Profit attributable to:			
Equity holders of the Company		16,735	13,323
Non-controlling interests		3	48
Profit for the period		16,738	13,371
Total comprehensive income for the period attributable to:			
Equity holders of the Company		16,735	13,323
Non-controlling interests		3	48
Total comprehensive income for the period		16,738	13,371
Earnings per share			
Basic earnings per share (cents per share)		7.79	6.20
Diluted earnings per share (cents per share)		7.77	6.19

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 2017

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 2017	43,541	(14)	(77)	408	63,410	107,268	27	107,295
Total comprehensive income for the period								
Profit	-	-	-	-	16,735	16,735	3	16,738
Other comprehensive income	-	-	-	-	-	-	-	-
Total comprehensive income for the period	-	-	-	-	16,735	16,735	3	16,738
Transactions with owners, recorded directly in equity								
Dividends to equity holders	-	-	-	-	(11,814)	(11,814)	-	(11,814)
Share-based payment transactions	-	-	-	234	-	234	-	234
Total transactions with owners	-	-	-	234	(11,814)	(11,580)	-	(11,580)
Balance at 31 December 2017	43,541	(14)	(77)	642	68,331	112,423	30	112,453
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

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

Australian Finance Group Limited
Consolidated Statement of Cash Flows
For the half-year ended 31 December 2017

<i>In thousands of AUD</i>	Note	31 December 2017	31 December 2016
Cash flows from operating activities			
Cash receipts from customers		251,060	230,628
Cash paid to suppliers and employees		(235,800)	(220,201)
Interest received		25,595	22,628
Interest paid		(17,231)	(15,565)
Income taxes paid		(8,139)	(5,957)
Net cash from operating activities		15,485	11,533
Cash flows from investing activities			
Interest received		1,318	1,225
Acquisition of property, plant and equipment		(115)	(200)
Payments for intangible assets		-	(524)
Increase in other loans and advances		(895)	(250)
Loans advanced to borrowers		(33,496)	(35,677)
Net cash used in investing activities		(33,188)	(35,426)
Cash flows used in financing activities			
Repayments of warehouse facility		(217,922)	(197,011)
Proceeds from bondholders		249,100	225,099
Decrease in loans from funders		(59)	(156)
Dividends paid		(11,815)	(11,601)
Net cash generated by financing activities		19,304	16,331
Net increase/(decrease) in cash and cash equivalents		1,601	(7,562)
Cash and cash equivalents at the beginning of the period		124,801	130,665
Cash and cash equivalents at the end of the period	4 (iii)	126,402	123,103

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 2017 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 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 should 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 2017 annual financial report for the financial year ended 30 June 2017, 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*	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

*Reporting period commences on or after the application date

Management have performed an assessment of the impact of applying the new standards:

AASB 15 'Revenue from Contracts with Customers' no material impact as a result of the revenue changes to the standard.

AASB 16 'Leases' the Group has a limited number of operating leases which will be brought onto the statement of financial position. It is not expected that these will result in any material changes to the Group's financial position.

AASB 9 'Financial Instruments' and the relevant amending standards introduce new requirements for the classification and measurement of financial assets and impairment of financial assets.

Key requirements considered most relevant to the Group are:

- All recognised financial assets that are within the scope of AASB 9 are required to be subsequently measured at amortised cost or fair value. Generally, debt investments that are held under a business model to collect the contractual cash flows, which consist solely of payments of principal and interest are measured at amortised cost at the end of subsequent accounting periods. Most other debt and equity investments are measured at their fair value at the end of subsequent accounting periods; and
- A new model in relation to the credit impairment of financial assets, being an expected credit loss model, as opposed to an incurred credit loss model under AASB 139. This new model will be adopted by the Group and is expected to result in additional disclosures.

Based off the Group's preliminary assessment, the amendments are not expected to have a material impact on the financial statements on implementation.

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.

Australian Finance Group Limited

Notes to the Financial Statements

3. Segment information (continued)

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.

AFG Home Loans

AFGHLs 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. AFGHLs sits on the Group's panel of lenders alongside the other Lenders and competes with them for home loan customers. The segment earns fees for services, largely in the form of upfront and trail commissions, and net interest margin on its securitisation programme.

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

Australian Finance Group Limited

Notes to the Financial Statements

3. Segment information (continued)

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 2017

	AFG Wholesale Mortgage Broking	AFG Home Loans	Other / Unallocated	Total
<i>In thousands of AUD</i>				
Continuing operations				
Revenue				
External customers	260,921	43,114	666	304,701
Inter-segment	14,417	-	(14,417)	-
Other operating income	1,780	-	4,975	6,755
Interest income	-	18	1,303	1,321
Total segment revenue	277,118	43,132	(7,473)	312,777
Results				
Segment profit/(loss) before income tax	16,949	9,425	(2,244)	24,130
Income tax expense				(7,392)
Net profit after tax				16,738
Assets and Liabilities				
Total segment assets	754,321	1,269,178	64,765	2,088,264
Total segment liabilities	746,344	1,220,475	8,992	1,975,811
Other segment information				
Depreciation and amortisation	(90)	(7)	(397)	(494)
Interest expense	-	-	(18)	(18)

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/(loss) 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

4. Results for the period

(i) Revenue

In thousands of AUD

Commission and other income

	31 December 2017	31 December 2016
Commissions	254,073	232,454
Interest on commission income receivable	24,557	23,630
Mortgage management services	65	249
Securitisation transaction fees	411	409
	279,106	256,742

(ii) Expenses

In thousands of AUD

Other expenses

	31 December 2017	31 December 2016
Advertising and promotion	(917)	(2,501)
Consultancy and professional fees	(801)	(849)
Information technology	(1,762)	(1,439)
Occupancy costs	(217)	(194)
Employee costs	(13,507)	(12,018)
Depreciation and amortisation	(494)	(484)
Operating lease costs	(1,002)	(987)
(Reversal of) /impairment loss on receivables	(65)	(66)
	(18,765)	(18,538)

(iii) Cash and cash equivalents

In thousands of AUD

	31 December 2017	30 June 2017
Cash at bank	86,859	89,559
Short term deposits	2,797	1,276
Unrestricted cash	89,656	90,835
Cash collections accounts ¹	30,097	27,599
Restricted cash ²	6,649	6,367
Restricted cash	36,746	33,966
Cash and cash equivalents	126,402	124,801
Cash and cash equivalents in the Statement of Cash Flows	126,402	124,801

- 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

5. Dividends

	Half-year ended 31 December 2017		Half-year ended 31 December 2016	
	Cents per share	Total \$'000	Cents per share	Total \$'000
Unrecognised amounts				
Interim dividend - fully franked	4.7	10,096	4.2	9,022
Special dividend – fully franked	12.0	25,778	-	-

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).

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 2017		30 June 2017	
	Carrying amount	Fair value ¹	Carrying amount	Fair value
Financial assets				
Future Trailing commission receivable	771,049	800,000	734,710	768,604
Financial liabilities				
Future Trailing commission payable	688,674	713,996	655,683	685,316

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, reviewed by 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 carrying value calculations of trailing commission receivable and the corresponding payable to members at the reporting date is summarised in the following table:

	31 December 2017	30 June 2017
Average loan life	Between 3.1 and 5.0 years	Between 3.1 and 5.0 years
Discount rate per annum	Between 5% and 13.5%	Between 5% and 13.5%
Percentage paid to members	Between 85% and 93%	Between 85% and 93%

¹5% discount rate applied to the Fair value calculations. Run off rate and pay out percentage remain consistent with the carrying value calculation assumptions.

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 2017	31 December 2016
Profit attributable to ordinary equity holders of the Company	16,735	13,323
	Thousands	Thousands
Weighted average number of ordinary shares for basic EPS (thousands)	214,813	214,813
Effect of dilution:		
Performance rights	629	593
Weighted average number of ordinary shares adjusted for the effect of dilution	215,442	215,406

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

Subsequent to year end the Group secured an extension to the term of the NAB residential warehouse facility that was due to expire on 10 January 2018. As part of this extension the warehouse was restructured to facilitate efficient pricing under an APS 120 regime. Post the restructure the warehouse comprises three classes of secured, limited and floating rate notes, with the senior note being issued to the lender and Australian Finance Group Limited holding the other two classes of notes. The maturity date has been reset to 10 July 2018. This warehouse is in addition to a new dual lender warehouse which was established in November 2017 and replaces the pre-existing NAB and ANZ standalone facility. The new warehouse comprises four classes of secured, limited and floating rate notes, with the senior note being issued jointly to NAB and ANZ, mezzanine notes issued to Deutsche Bank, AG, Sydney Branch and Australian Finance Group Limited holding the subordinated notes. The maturity date for this facility is 19 November 2018.

On 22 February 2017, the Directors recommended the payment of an interim dividend of 4.7 cents and a special dividend of 12.0 cents per fully paid ordinary share, fully franked based on tax paid at 30%. The interim and special dividends have a record date of 6 March 2018 and a payment date of 29 March 2018. The aggregate amount of the proposed dividends expected to be paid out of retained earnings at 31 December 2017 is interim \$10,096k and special \$25,778k. The financial effect of these dividends has not been brought to account in the financial statements for the half-year ended 31 December 2017.

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

A handwritten signature in blue ink, appearing to read 'Tony Gill', is positioned above the printed name and title.

Tony Gill
Chairman

Dated at Perth, Western Australia on 22 February 2018.

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

22 February 2018

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 2017, 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

Report on the Half-Year Financial Report

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 2017, 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 16.

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 2017 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.

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Member of Deloitte Touche Tohmatsu Limited

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 2017 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, 22 February 2018